MCO MONEDA D.O.O. ISTOČNO SARAJEVO

Financial statements for the period ended 31 December 2019 prepared in accordance with International Financial Reporting Standards adjusted to regulatory requirements of Banking Agency of Republika Srpska and Independent Auditor's Report

Contents

Responsibility for the financial statements

The Management Board is responsible for ensuring that financial statements are prepared for each financial period in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), which give a true and fair view of the state of affairs and results of MCO Moneda d.o.o. Istočno Sarajevo (the "MCO"), adjusted to regulatory requirements of Banking Agency of Republika Srpska.

After making enquiries, the Management Board expects that the MCO has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the MCO will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the MCO and must also; ensure that the financial statements comply with the Accounting and Audit Law in the Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the MCO and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

MIKROKREDITNO DRUŠTVO MONEDA d.o.o. ISTOČNA ILIDŽA

Kenan Hukić
Director

Kerim Karasalihović
President of the Management Board

MCO Moneda d.o.o. Istočno Sarajevo
Trg Ilidžanske brigade 2A
71123 Istočno Sarajevo
Republika Srpska
14 February 2020

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Independent Auditor's Report

To the owners of Microcredit company MONEDA d.o.o. Istočno Sarajevo

Opinion

We have audited the accompanying financial statements of MCO Moneda d.o.o Istočno Sarajevo (the "MCO"), which comprise the balance sheet as at 31 December 2019, statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the MCO as at 31 December 2019 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards, adjusted to regulatory requirements of Banking Agency of Republika Srpska.

Basis for Opinion

We conducted our audit in accordance with 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 MCO 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 Bosnia and Herzegovina and Republika Srpska, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter *(continued):*

Key Audit Matter:

Valuation and presentation of the loan portfolio in accordance with regulatory requirements

The company, in its financial statements ending 31 December 2019, presented 1,745 thousand BAM gross receivables on the basis of given loans with impairment of 422 thousand BAM, which together make net receivables of given loans in amount of 1,323 thousand BAM. According to the Management total amount of receivables is not disputable either in terms of collectability or in terms of their value.

How our audit addressed the key audit matter

Implemented procedures

Our audit procedures about classification and measurement of financial assets and liabilities, are described below:

• we read the MCO's policies about classification and measuring of financial assets and liabilities and compared them with requirements of Banking Agency of Republika Srpska

• we get understanding and verified the assessment of the business model of the MCO for managing of financial assets in terms of test of contractual cash flows (principal and interest payments).

Out audit procedures about impairment methodology included the following:

• we identified the applied methodology of impairment of financial assets of credit portfolio and compared it to requirements of Banking Agency of Republika Srpska

• we get understanding about the MCO's internal delay determination process;

• we verified adequacy of the MCO's method to determine delays and appropriate basis for allocating exposures to different levels of delays

• for selected samples of balance exposures, we verified adequacy of allocation to different levels of delays;

• for selected samples of balance exposures, we verified adequacy of determining the exposure amount in moment of default, and resulting arithmetic calculation;

• to verify the adequacy of calculated impairment, we recalculated the impairment.

After conducting the audit procedures, we did not find any deviations from requirements of the Banking Agency of Republika Srpska in the segment of adequacy of impairment- provision.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of the 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 MCO's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MCO or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the MCO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error that are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of those financial statements

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatements 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 material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations or the override of internal controls.
- 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 MCO's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 MCO'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 MCO 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.

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

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 controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lejla Kaknjo.

RSM BH d.o.o.

DRUŠTVO ZA REVIZIJU „RSM BH" d.o.o. SARAJEVO

Lejla Kaknjo, Director and Certified Auditor

Berna Šljokić, Partner and Certified Auditor

Sarajevo, 14 February 2020

Income statement
For the period ended on 31 December 2019

(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Note	For period from 6 March to 31 December 2019
Fee and commission income	5	821
Interest expense	6	(31)
Net interest income		**790**
Employee expenses	7	(584)
Depreciation expenses	14	(26)
Other administrative expenses	8	(1,152)
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND TAXATION		**(972)**
Impairment losses and provisions, net	9	(495)
LOSS BEFORE TAXATION		**(1,467)**
Income tax	10	-
LOSS AFTER TAXATION		**(1,467)**

The accompanying notes form an integral part of these financial statement.

Balance sheet
as at 31 December 2019

(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Note	31 December 2019
ASSETS		
Cash and cash equivalents	11	141
Loans and receivables, net	12	1,279
Other assets	13	284
Property, plant and equipment	14	248
TOTAL ASSETS		**1,952**
LIABILITIES		
Liabilities for long term debts	15	572
Other liabilities	16	635
Provisions	17	73
Total liabilities		**1,280**
EQUITY		
Owner's equity	18	2,138
Reserves	-	1
Accumulated loss	-	(1,467)
Total equity		**672**
TOTAL LIABILITIES AND EQUITY		**1,952**

The accompanying notes form an integral part of these financial statement.

Signed on behalf of the MCO on 14 February 2020

Kenan Hukić
Director

Kerim Karasalihović
President of the Management Board

Statement of cash flows
for the period ended on 31 December 2019

(all amounts are expressed in thousands of BAM, unless otherwise stated)

	For period from 6 March to 31 December 2019
Operating activities	
Loss before taxation	(1,467)
Adjustments:	
Depreciation	26
Impairment losses and provisions, net	495
Changes in assets and liabilities:	
Net increase in loans and receivables, before impairment	(1,701)
Net increase in other assets	(284)
Net increase in other liabilities	635
NET CASH USED IN OPERATING ACTIVITIES	**(2,296)**
Investing activities	
Purchase of tangible and intangible assets	(274)
NET CASH USED INVESTMENT ACTIVITIES	**(274)**
Financial activities	
Increase in liabilities for long term debts	572
Payment of owner's equity	501
Capital increase during the year to cover the loss	1,638
NET CASH FROM FINANCIAL ACTIVITIES	**2,711**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**141**
CASH AND CASH EQUIVALENTS AT THE PERIOD START	**-**
CASH AND CASH EQUIVALENTS AT THE PERIOD END	**141**

The accompanying notes form an integral part of these financial statement.

Statement of changes in equity
for the period ended on 31 December 2019

(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Owner's equity	Reserves	Accumulated loss	Total
Balance as at 6 March 2019	**-**	**-**	**-**	**-**
Payment of owner's equity (Note 20)	500	1	-	501
Capital increase during the year (Note 20)	1,638	-	-	1,638
Net loss	-	-	(1,467)	(1,467)
Balance as at 31 December 2019	**2,138**	**1**	**(1,467)**	**672**

The accompanying notes form an integral part of these financial states.

(all amounts are expressed in thousands of BAM, unless otherwise stated)

1. GENERAL

MCO Moneda d.o.o. Istočno Sarajevo ("MCO") is limited liability company formed in Republika Srpska with address at Trg Ilidžanske brigade 2A, Istočna Ilidža. The main activity of the MCO is to implement microcredit program for the target group- individuals, in accordance with the MCO's policies.

The founding equity is 500,000 BAM, and the owners are individuals- Aigars Kesenfelds with 96% ownership, Marcis Grinis with 2% and Jekabs Endzinš with 2%. At 27 December 2018, the MCO get Solution number 03-2024-5/18 from Banking Agency of Republika Srpska, which gave them permission for establishment and working.

The main activity is realized through existing microcredit products which include: "non-purposed short term loan" with maturity of 7, 14 and 30 days, in amount from 50 BAM to 400 BAM.

At 31 December 2019, the MCO had 41 employees.

Boards of the MCO

Audit Board

Aldis Umblejs	Chairman since 11th October 2019
Edvarts Gaigals	Member since 11th October 2019
Kristaps Vinkelis	Member since 11th October 2019

Management

Kerim Karasalihović	Chairman
Edin Škaljić	Member

The activities of the MCO take place in 6 branches:

- ✓ Banja Luka (Vidovdanska 2)
- ✓ Istočno Sarajevo (Hilandarska 7)
- ✓ Bijeljina (Majevička 33)
- ✓ Doboj (Nikole Pašića 2)
- ✓ Prnjavor (Trg Srpskih boraca bb)
- ✓ Mejdan Banja Luka (Cara Lazara bb)
- ✓ Modriča (Trg Jovana Raškovića 12)

Performance indicators:

Efficiency ratios	***2019***
Active loan clients/ number of staff	143
Active clients/ number of loan office	178
Net outstanding portfolio/ number of loan officer	39 thousand BAM
Percentage total operating expenses/ average net portfolio	138.15%
Financial ratios (%)	
Return on assets: Net operating income/ Average total assets	80.94%
Return on equity: Net operating income/ Average total equity	2.35
Yield on portfolio: Interest and fee income/ Average net portfolio outstanding	128.28%

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- Amendments to IFRS 3: „Business combination" - Changes resulting from the Annual Qualitative Improvement Project - Cycle 2015 - 2017 (re-measuring total previous share of joint management) (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9: „Financial instruments" - Negative Charge Subscription Feature (Amendment) (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 11: „Joint Arrangements" - Changes resulting from the Annual Qualitative Improvement Project - Cycle 2015 - 2017 (re-measuring total previous share of joint management) (effective for annual periods beginning on or after 1 January 2019);
- IFRS 16: „Leases" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 12„Income Taxes" - Changes resulting from the Annual Qualitative Improvement Project - Cycle 2015 - 2017 (consequences of dividends on corporate income tax) - (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 „Employee Benefits" - Modifications, restrictions or reconciliations of the plan (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 23 „Borrowing Costs" - Changes resulting from the Annual Qualitative Improvement Project - Cycle 2015 - 2017 (borrowing costs that can be capitalized) - (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 „Investments in Associates and Joint Ventures" - Changes related to long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23: „Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019)

2.2 Standards and Interpretations in issue but not adopted yet

At the date of authorization of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective:

- Amendments to IFRS 3 "Business combinations" – Definition of business (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 7 „Financial Instruments: Disclosures", IFRS 9 „Financial Instruments" and IFRS 39 „Financial Instruments: Recognition and Measurement"– Changes related to substitution issues in the context of IBOR reform (effective for annual periods beginning on or after 1 January 2020);
- IFRS 17: „Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IAS 1 „Presentation of financial statements" and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors" – Changes to the definition of materiality (effective for annual periods beginning on or after 1 January 2020);

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

The MCO has selected not to adopt these standards, amendments and interpretations in advance of their effective dates The MCO anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the MCO.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

As required by local regulations, the Foundation prepares financial statements in accordance with International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards, adjusted in accordance with the regulatory requirements of the Banking Agency of Republika Srpska regarding the calculation of provision for impairment of financial instruments- given loans. The Agency decision require the calculation of provisions for impairment of financial instruments through the matrix system, which is mostly related to the days of delays. This is out of International Financial Reporting Standard 9: „Financial instruments“.

Going concern

Financial statements are prepared under the going concern basis which assumes that the MCO will be able to realize the assets and settle the liabilities in the normal course of business.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received for sale or be paid for the transfer of duties in a regular transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation techniques. In estimating the fair value of assets or liabilities, the MCO takes into account the characteristics of the asset or liability which would be taken into account by market participants when determining the price of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for measurements that have some similarities to fair value, but are not affair value, such as value in use in IAS 36.

In addition to financial reporting, fair value indicators are classified at levels 1, 2 or 3 based on the degree to which the evaluation of the fair value can be seen and of the importance of evaluating the fair value in a whole, as follows:

- Level 1 inputs are quoted prices (uncorrected) on active markets for identical assets or liabilities that the MCO may access on the measurement date; fair value indicators are those derived from quoted prices in active markets
- Level 2 inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are not observable inputs for the asset or liability.

The financial statements are presented in convertible marks (BAM), since that is the currency in which the majority of the MCO's business events is expressed. Convertible Mark is officially tied to the euro (EUR 1 = BAM 1.95583)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities, income and expenses. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are changed, and eventually in future periods, if they have an impact on them. Information on areas with significant uncertainty in the estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts and disclosures in the financial statements, are disclosed in Note 4. Accounting policies, stated below, are adequately adopted and implemented for all periods presented in these financial statements

Interest income and expense

Interest income / expense is recognized in the income statement for the period that belongs to, at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments of financial assets or liabilities through the expected life of the financial instrument (or where appropriate, a shorter period), to its book value Interest income is calculated on the gross book value of the financial instrument. Default interest is recognized in the income statement in moment when it is collected.

Calculation of the effective interest rate includes all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate. Transaction costs include all incremental costs incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Fee and commission income and expense

Fees and commissions consist mainly on fees from credit contracts. Fees are recognized as income in the period when services are rendered, and they are deferred by the duration of credit contract, at the relevant interest rate. Payroll commission expenses are recognized in the period when services are rendered to the MCO.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The MCO's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the MCO has the ability and intention to settle on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as current accounts with other banks and cash at hand.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments, i.e. when funds are transferred to the customers' accounts.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial assets and financial liabilities are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified in next categories: „presented at fair value through profit and loss", „at fair value through other comprehensive income", and „at amortized cost". Classification depends on nature and purpose of financial assets and it is defined in moment of initial recognition. For current operations the MCO use only one category of financial assets, for which the accrual basis is presented below:

Financial assets at amortized cost- given loans and receivables

The MCO measures financial assets at amortized costs using the effective interest method, if both of the following conditions are met:

a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as „loans and receivables". They are formed when the MCO gives money to a debtor without intension of simultaneously selling these receivables or selling them in near future. Loans and receivables are initial recognized at fair value increased with incremental costs. After initial recognition, loans and receivables are measured through amortized cost using the method of effective interest, decreased by eventually impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets and recognition of expected credit loss

Given loans and receivables are assessed for indicators of impairment on monthly basis. Financial assets are impaired where is demonstrated that, as a result of one or more events that are occurred after initial recognition of financial assets, estimated future cash flows of investment are changed.

Objective evidence of financial assets impairment includes:

- ✓ significant financial difficulty of the issuer or counterparty; or
- ✓ default or delinquency in interest or principal payments; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets and recognition of expected credit loss (continued)

- ✓ it is becoming probable that the borrower will enter bankruptcy; or financial re-organization.

Impairment for loans calculates in accordance with Decision about unified way of calculating and reporting effective interest rate on microcredits from Banking Agency of Republika Srpska number 273/12 from 14 February 2012.

In accordance with Decision about amount and method of forming reserves for credit loss number 307/06 from 29 December 2006 from Banking Agency of Republika Srpska, the MCO has obligation to present reserves for credit loss as expense depending on days of delay in loan repayment, at the following rates:

- ✓ for interest and fee receivables up to 15 days overdue provision are 2%,
- ✓ for interest and fee receivables over 15 days overdue provision are 100%,
- ✓ for loans from 1-15 days overdue provision are 2% of loan receivable outstanding,
- ✓ for loans from 16 - 30 days overdue provisions are 15 % of loan receivable outstanding,
- ✓ for loans from 31 - 60 days overdue provision are 50% of loan receivable outstanding,
- ✓ for loans from 61 - 90 days overdue provisions are 80% of loan receivable outstanding,
- ✓ for loans from 91 - 180 days overdue provisions are 100% of loan receivable outstanding and
- ✓ over 181 day's loan receivable outstanding is written off.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account and profit of period. Changes in the allowance account are recognized in profit or loss. If amount of loss from impairment is reduced in the next period, and if that reducing can be objectively connected with event occurring after recognition of impairment, the previously recognized loss from impairment will be adjusted through income statement in amount that will not result with book value greater than will be amortized cost if there was no recognition of impairment on the date when the impairment is adjusted.

Derecognition of financial assets

The MCO derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the MCO neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the MCO continues to recognize the financial asset.

Method of effective interest rate

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial liabilities

Financial liabilities are classified as either as "financial liabilities at fair value through profit and loss" or "other financial liabilities".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Other financial liabilities

Other financial liabilities, including liabilities to banks, clients and subordinated debts, are initially measured at fair value, adjusted for transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The MCO derecognized financial liabilities when, and only when, the liabilities of the MCO's are discharged, cancelled or expired.

Property and equipment

Property and equipment are initially recognized at cost decreased by value adjustment and accumulated loss from value adjustment. Cost of purchase includes purchase price and all costs that are directly connected with bringing assets to working condition for its intended use. Cost of purchase also includes professional fees and for qualifying assets borrowing costs capitalized in accordance with accounting policy of the MCO.

Such assets are reclassified on the appropriate category of property and equipment once they are completed and ready for intended use. Cost of current maintenance and repair, replacement and investment maintenance of a smaller scale are recognized as expense when incurred.

Depreciation begins in moment when the asset is ready for intended use. Depreciation is calculated on a straight- line basis, based on estimated useful life of the asset. Estimated depreciation rate and estimated useful life can be presented as follows:

	2019	
	Useful life	**Rate**
Equipment, furniture and small inventories	3 to 5 years	20% - 33.33%
Computers and computer equipment	3 years	33.33%

The gain and loss arising on the disposal or retirement of an asset is recognized in the statement of profit and loss in the period they occur.

International Financing Reporting Standard 16- Leases

The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. The MCO will a 'right-of-use' asset capitalize in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets. Also, the MCO will recognize a liability corresponding to the capitalized lease, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognized lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At each reporting period date, the MCO reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or building other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

Intangible assets

Intangible assets are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives by rate of 25%.

Employee benefits

On behalf of its employees, the MCO pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The MCO pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels).

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the income statement in the period in which the salary expense is incurred.

Foreign currency translation

Transactions in currencies other than Bosnia and Herzegovina BAM are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are translated at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on translation are included in the income statement for the year.

The MCO values its assets and liabilities by middle rate of CBBH valid at the date of balance sheet, which approximates market rates. The principal rates of exchange set forth by CBBH and used in the preparation of the MCO's balance sheet at the reporting dates were as follows:

31 December 2019	1 EUR = 1.95583 BAM	1 USD = 1.747994 BAM	1 CHF = 1.799126 BAM

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the MCO has a present obligation (legal or constructive) as a result of a past event, it is probable that the MCO will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included in the cost of procurement of assets, until the assets are substantially ready for its intended use or sale. All other borrowing costs are charged to the statement of income in the period in which they are incurred.

Equity and reserves

Owner's equity

Owner's equity includes paid stakes and it is expressed in BAM at nominal value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the MCO's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are constantly revised. Changes in accounting estimates are recognized in the period of change only if they relate to that period, or in the period of change; and future period if the change affects on current and next periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment

As described in Note 3 above, the MCO reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Impairment losses on loans and receivables

As described in Note 3, the MCO applies matrix for impairment based on days of delay in repayment of loans.

(all amounts are expressed in thousands of BAM, unless otherwise stated)

5. FEE AND COMMISION INCOME

	For period from 6 March to 31 December 2019
Credit processing fee	420
Fee for rollovers	294
Fee for processing credit in cash	72
Income from invoiced collected reminders	21
Income on arrears	14
	821

Fee and commission income relate to fee for processing and administering credit contracts at disbursement. The amount of fee varies depending on the loan approval period or the extension of the repayment period of microcredit. Also, it depends on way of disbursement (in cash or gyrally). Average rates during the 2019 are: for loan approval period from 10% to 25%, for extension of the repayment period from 8% to 17%, and for disbursement in cash 5%. Fee income is deferred to the term of the loan.

6. INTEREST AND COMISSION EXPENSES

	For period from 6 March to 31 December 2019
Interest on loans	20
Banking fee	11
	31

7. PERSONNEL EXPENSES

	For period from 6 March to 31 December 2019
Net salaries and tax	392
Contributions	168
Travel expenses	20
Other employee costs	4
	584

(all amounts are expressed in thousands of BAM, unless otherwise stated)

8. OTHER ADMINISTRATIVE EXPENSES

	For period from 6 March to 31 December 2019
IT services	271
Intellectual services	269
Marketing and representation	163
Taxes and fees	109
Operating expenses directly related to the activity	101
Rent	90
CRK base costs	58
Telecommunication costs	43
Material and small inventories expenses	21
Equipment maintenance	14
Other	13
	1,152

9. IMPAIRMENT LOSSES AND PROVISIONS

	For period from 6 March to 31 December 2019
Impairment for given loans and fees (Note 12)	422
Provisions for bonuses to employees (Note 17)	47
Provisions for vacations (Note 17)	26
	495

10. INCOME TAX

Total income tax recognized in income statement may be presented as follows:

	For period from 6 March to 31 December 2019
Current income tax	-
Unrecognized deferred tax – temporary difference	-
Total tax	**-**

Adjustment between income tax presented in tax balance and accounting income tax is presented as follows:

	For period from 6 March to 31 December 2019
Loss before income tax	**(1,467)**
Income tax, by the legal rate of 10%	***(147)***
Effects of non-deductible expenses	40
Current income tax	**-**
Effective income tax rate	**-**

(all amounts are expressed in thousands of BAM, unless otherwise stated)

10. INCOME TAX (CONTINUED)

Changes in deferred tax asset can be presented as follows:

	For period from 6 March to 31 December 2019
Balance as at 1 January	-
Used deferred tax assets	-
Balance as at 31 December	**-**

11. CASH AND CASH EQUIVALENTS

	31 December 2019
Cash at bank accounts – domestic currency	46
Cash at bank accounts – foreign currency	59
Cash in hand	36
	141

12. LOANS AND RECEIVABLES, NET

The MCO gives loans that are interest - free, with fee for processing and rollover loans which amount depends on maturity, or way of disbursement (Note 5). Average loan maturity is 25 days.

	31 December 2019
Short term loans by segments (age):	
- from 18 to 30 years	544
- from 31 to 50	746
- clients over 51 years	213
	1,503
Fee receivables	242
Total receivables before impairment:	*1,745*
Impairment for loans	(323)
Impairment for fee receivables	(99)
Deferred fees for rollover credits	(44)
	1,279

(all amounts are expressed in thousands of BAM, unless otherwise stated)

12. LOANS AND RECEIVABLES, NET (CONTINUED)

Credit analysis by geographical regions:

	31 December 2019
Region "South"	690
Region "West"	466
Region "East"	347
	1,503
Fee receivables	242
Total receivables before impairment:	*1,745*
Impairment for loans	(323)
Impairment for fee receivables	(99)
Deferred fees for rollover credits	(44)
	1,279

Loans and fees in delay can be presented as follows:

	31 December 2019
Without delay	1,188
From 1 to 15 days	104
From 16 to 30 days	64
From 31 to 60 days	103
From 61 to 90 days	79
From 91 to 190 days	196
Over 180 days	11
Total	**1,745**

Changes in impairment for potential credit loss can be presented as follows:

	For period from 6 March to 31 December 2019
Balance at beginning of the period	-
Increase of impairment (Note 9)	323
Write off	-
Balance at end of the period	**323**

Changes in impairment for potential interest loss can be presented as follows:

	For period from 6 March to 31 December 2019
Balance at beginning of the period	-
Increase of impairment (Note 9)	99
Balance at end of the period	**99**

(all amounts are expressed in thousands of BAM, unless otherwise stated)

12. LOANS AND RECEIVABLES, NET (CONTINUED)

Analysis of changes in prepaid loan processing fees:

	For period from 6 March to 31 December 2019
Balance at beginning of the period	-
Credit processing fee (Note 5)	44
Balance at end of the period	**44**

Reprograms and restructuring

Restructuring measures include a "concession" to the debtor as a result of the deterioration in the economic and financial position of the client and the impossibility of repaying the debt under the initially agreed terms. The "concession" may be change in terms of the original contract (annex) or a new contract (refinancing). Restructuring of the liabilities aims to enable the client to repay the obligations according to his real possibilities, with the provision of more efficient and secure collection of the MCO's receivables. According to this, restructuring of the liabilities represents a change in the terms and conditions agreed in the moment of loan approving (e.g. extension of repayment deadlines, reduction of interest rates, etc.). Decision on restructuring of the liabilities make authorized body of the MCO. Restructured exposures can be identified both in the non-performing and performing parts of the portfolio. According to Management, at 31 December 2019, the MCO did not have reprogramed credit parties.

Rollover credits

The MCO approves „rollover" credits at its main activity, as a special product which is available for clients that do not have delay more than 30 days. The MCO calculates fees in accordance to its internal policies for approving rollover credits, depending on extension of repayment period (maximum 30 days). At 31 December 2019 the MCO had rollover portfolio with gross exposure of 672 thousand BAM, i.e. impairment in amount of 69 thousand BAM.

13. OTHER ASSETS

	31 December 2019
Pre-invoiced cost of software	238
Value added tax subscription	37
Prepaid expenses	5
Withholding tax subscription	4
	284

(all amounts are expressed in thousands of BAM, unless otherwise stated)

14. TANGIBLE AND INTANGIBLE ASSETS

	Computer equipment	Furniture and equipment	Assets under construction	Investment property	Software	Total
COST						
At 6 March 2019	-	-	-	-	-	-
Additions	85	65	25	93	6	274
Transfer (from)/ to	-	25	(25)	-	-	-
Reclassification	-	19	-	(19)	-	-
At 31 December 2019	**85**	**109**	**-**	**74**	**6**	**274**
ACCUMULATED DEPRECIATION						
At 6 March 2019	-	-	-	-	-	-
Depreciation for the period	8	12	-	5	1	26
At 31 December 2019	**8**	**12**	**-**	**5**	**1**	**26**
NET BOOK VALUE						
At 31 December 2019	**77**	**97**	**-**	**69**	**5**	**248**
At 6 March 2019	-	-	-	-	-	-

At 31 December, MCO did not have fully depreciated assets because it is the first year of business.

15. LIABILITIES FOR LONG TERM LOANS

	Interest rate (p.a.)	Maturity	31 December 2019
AS Finitera, Riga, Latvia	13.33%	31/12/2021	567
Liabilities for interest			5
Subtotal			***572***
Maturity of liabilities are as follows:			
Within one year			5
In the second year			567
In period from 3 to 5 years			-
After 5 years			-
Current portion of long term debts			*(5)*
			567

During the 2019, MCO used long term credit for financing current assets (operating activity), approved in total (indicative) amount of 2 million EUR. Collaterals are not defined by contract.

16. OTHER LIABILITIES

	31 December 2019
Trade liabilities	368
Calculated costs	175
Liabilities for employees	47
Liabilities for taxes and contributions	29
Liabilities for VAT and withholding tax	14
Other	2
	635

(all amounts are expressed in thousands of BAM, unless otherwise stated)

17. PROVISIONS

	31 December 2019
Provisions for employee benefits (bonus and vacations)	73
	73

Changes on provisions can be presented as follows:

	Employee benefits	Bonuses	Total
At 6 March 2019	-	-	-
Increase of provisions (Note 9)	26	47	73
At 31 December 2019	**26**	**47**	**73**

Provisions for bonuses to employees are related to calculated funds for senior management, which will be paid in next period in accordance with Decision of owner of the MCO.

According to the Management, at 31 December 2019, there was no court cases initiated against the MCO.

18. OWNER'S EQUITY

The MCO is established at 6 March 2019 by Decision of District commercial court in Istočno Sarajevo number 061-0-Reg-19-000140. Owners of the MCO are individuals from Latvia as follows:

Founders	Amount in '000 BAM	% of ownership
Aigars Kesenfelds	2,052	96%
Marcis Grinis	43	2%
Jekabs Endzinš	43	2%
At 31 December 2019	**2,138**	**100%**

At 12 June and 24 September 2019, Assembly of the MCO made two decisions about increase of equity in amounts of 684 thousand BAM and 954 thousand BAM. Resources are paid at 20 June and 27 September 2019, and after that total owner's equity is in amount of 2,138 thousand BAM. New equity is registered by Settlement of District commercial court in Istočno Sarajevo.

19. RELATED PARTY TRANSACTIONS

In accordance with the requirements of the International Accounting Standard 24 "Related Party Disclosures" A related party is a person or entity that is related to the entity that is preparing its financial statements:

((a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(all amounts are expressed in thousands of BAM, unless otherwise stated)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

As at 31 December 2019 balance outstanding with related parties comprised:

	As at 31 December 2019	
	Assets	**Liabilities**
AS Finitera, Latvia	-	688
SIA DCE Solutions, Latvia	-	329
	-	**1,017**

	On period from 6 March to 31 December 2019	
	Income	**Expenses**
SIA DCE Solutions, Latvia		276
AS Finitera, Latvia	-	20
	-	**296**

Following benefits are paid to Management during the 2019:

	On period from 6 March to 31 December 2019
Gross salaries to Management	129
	129

(all amounts are expressed in thousands of BAM, unless otherwise stated)

20. RISK MANAGEMENT

a) Capital risk managements

The MCO's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the financial markets;
- To safeguard the MCO's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

The MCO expects to maintain its debt to capital ratio. Solvency indicators were as follows:

	31 December 2019
Debt	572
Capital	(672)
Net debt to capital ratio	**0.85**

Debt is defined as liabilities to banks, financial institutions and related parties as it is presented in Note 15. Capital includes total capital and MCO's reserves.

Management of the MCO follows adequacy of capital and using net- capital on daily basis, according to guidelines of the Banking Agency of RS, which are developed for purpose of supervisory. The required information is submitted to Banking Agency of RS quarterly.

Banking Agency of RS requires from all microcredit companies to maintain minimum amount of net (regulatory) capital in amount of 500 thousand BAM. At 31 December 2019, the MCO complied with requirements for capital for current period.

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

c) Categories of financial instruments

	31 December 2019
Financial assets:	
Loans and receivables:	
Cash and cash equivalents	141
Loans given to customers and receivables, net	1,279
Other assets	238
	1,658
Financial liabilities:	
At amortized cost:	
Borrowings and lease	572
	572

(all amounts are expressed in thousands of BAM, unless otherwise stated)

20. RISK MANAGEMENT (CONTINUED)

d) Financial risk management objectives

The MCO's Finance department provides services to the business, monitors and manages the financial risks relating to the operations of the MCO through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

e) Market risk

The MCO's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below points f and g). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the MCO's exposure to market risks or the manner in which it manages and measures the risk.

f) Foreign currency risk management

The MCO undertakes certain transactions denominated in foreign currencies. The carrying amounts of the MCO's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	BAM	EUR	Other currencies	Total
At 31 December 2019				
ASSETS				
Cash and cash equivalents	82	59	-	141
Loans to clients- net	1,279	-	-	1,279
Other receivables	46	238	-	284
Total	**1,407**	**297**	**-**	**1,704**
LIABILITIES				
Liabilities for long term debts	-	572	-	572
Other liabilities	189	446	-	635
Total	**189**	**1,018**	**-**	**1,207**

Foreign currency sensitivity analysis

The MCO performs transactions denominated in foreign currencies (EUR), which result in exposure to change in foreign currencies rate.

In the opinion of Management, foreign currency sensitivity analysis for balances expressed in EUR is not representative in terms of inherent currency risk, because in accordance with the Law of the Central Bank of Bosnia and Herzegovina BAM is pegged to EUR. Changes in foreign currency would consider change of Law and adoption from Parliament of Bosnia and Herzegovina.

g) Interest rate risk management

The MCO is not exposed to interest rate risk because the MCO did not placed nor borrowing funds at variable interest rate. Exposure of the MCO to interest rate on financial assets and liabilities is presented in part that talk about liquidity risk management (see Point i).

(all amounts are expressed in thousands of BAM, unless otherwise stated)

20. RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity analysis

Interest rate sensitivity analysis indicated that there is no risk, because all sources of financing are borrowed at fixed interest rate.

h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the MCO. The MCO has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The MCO's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management board monthly.

The MCO does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, because of law regulation. The MCO defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the MCO's maximum exposure to credit risk without taking account of the value of any collateral obtained.

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the MCO's short, medium and long term funding and liquidity management requirements. The MCO manages liquidity risk by maintaining adequate reserves, banking facilities, reserve borrowing facilities and other methods of financing, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the MCO's remaining contractual maturity for its financial assets. The tables have been drawn up based on undiscounted cash flows of financial assets including interest rates on those assets that will be earned.

Maturity of financial assets

	Weighted average effective interest rate	Less than 1 month	From 2 to 6 months	From 6 to 12 months	2 to 5 years	Over 5 years	Total
31 December 2019							
Non- interest bearing	-	379	-	-	-	-	379
Fixed interest rate instruments	29%	2,181	-	-	-	-	2,181
		2,560	**-**	**-**	**-**	**-**	**2,560**

The following tables detail the MCO's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the MCO can be required to pay. Table includes cash flows of interest and principal.

(all amounts are expressed in thousands of BAM, unless otherwise stated)

20. RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management (continued)

Maturity of financial liabilities

	Weighted average effective interest rate	Less than 1 months	From 2 to 6 months	From 6 to 12 months	2 to 5 years	Over 5 years	Total
31 December 2019							
Non- interest bearing	-	417	-	-	-	-	417
Fixed interest rate instruments	13.3%	11	31	38	642	-	722
		428	**31**	**38**	**642**	**-**	**1,139**

The MCO expects that will pay other liabilities from operating cash flows and inflow of due financial assets.

Fair value of financial instruments

The Management consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements at amortized cost approximate their fair values.

21. EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of our audit, according to the Management, there were no events or transactions that would significantly affect the financial statements of the MCO as at 31 December 2019.

Also, according to Management, owners of the MCO have intention to recapitalize the MCO, because of the fact that operating activity of the MCO still do not make enough income to cover operating expenses, i.e. that total equity will be above than minimum prescribed by Banking Agency of the Republika Srpska.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management on 14 February 2020.

Kenan Hukić
Director of the Company

MIKROKREDITNO DRUŠTVO MONEDA d.o.o. ISTOČNA ILIDŽA

Kerim Karasalihović
President of the Management Board