

**MICROCREDIT FOUNDATION
“MIKRO ALDI” GORAŽDE**

**Financial statements for the year ended
31 December 2016 prepared in accordance with
International Financial Reporting Standards
As modified by regulatory requirements of the
Banking Agency of Federation of Bosnia and Hercegovina and
Independent Auditors' Report**

**MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016**

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for keeping accounts, making and submitting financial statements in accordance with International Financial Reporting Standards (IFRS) as modified by the regulatory requirements of the Banking Agency of Federation of Bosnia and Herzegovina, which are published by International Accounting Standards and give a true and fair view of the Microcredit Foundation "Mikro Aldi" Goražde („Foundation ") as well as its results for that period.

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

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

- suitable accounting policies are selected and then applied consistently,
- judgments 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 Foundation will continue in business.

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

Signed on behalf of Management:

Ferida Softić, Director
Safija Pleh, Financial manager

Microcredit Foundation MIKRO ALDI Goražde

Panorama bb
73 000 Goražde
Bosnia and Herzegovina

3 March 2017



To the Board of Directors of Microcredit Foundation "MIKRO ALDI" Goražde:

Independent auditor's report

Opinion

We have audited the financial statements of Microcredit Foundation "MIKRO ALDI" Goražde (the Foundation), set out on pages 4 to 26, which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Foundation as at 31 December 2016, and 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). 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 Foundation 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 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.

Other information in the annual report

Management is responsible for the other information. The other information comprises the information included in the annual reports, but do not include the annual financial statements and our auditor's report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Baker Tilly Re Opinion d.o.o.
Grbavička 4, 71000 Sarajevo



Nihad Fejzić, Director and Certified Auditor

Sarajevo, 3 March 2017



Ezita Imamović, Certified Auditor

**MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 BAM	2015 BAM
Operating income	5	1,320,039	1,360,558
Interest expense and commissions	6	(62,177)	(75,859)
OPERATING INCOME (NET)		1,257,862	1,284,699
Operating expenses	7	(1,081,776)	(1,047,610)
Other operating income	8	10,557	13,451
PROFIT BEFORE PROVISION FOR LOAN IMPAIRMENT		186,643	250,540
Provision for loan impairment	9	(35,671)	(83,120)
Collected written off receivables	10	119,517	174,073
EXCESS OF INCOME OVER EXPENDITURES BEFORE TAX		270,489	341,493
Income tax	11	(27,599)	-
EXCESS OF INCOME OVER EXPENDITURES AFTER TAX		242,890	341,493
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME		242,890	341,493

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

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

	Note	31/12/2016 BAM	31/12/2015 BAM
Assets			
Cash and cash equivalents	12	556,225	135,567
Loans to customers	13	5,025,647	5,007,155
Other receivables	14	17,421	7,808
Tangible assets	15	181,853	168,531
Intangible assets	16	3,958	6,206
Total assets		5,785,104	5,325,267
Liabilities			
Liabilities for borrowings	17	877,665	712,235
Other liabilities	18	249,263	200,996
Deferred income	19	101,218	100,928
Provisions	20	23,981	21,021
Total liabilities		1,252,127	1,035,180
Net assets			
Initial funds		24,825	24,825
Donated capital		804,000	804,000
The excess of expenditures over income		3,704,152	3,461,262
Total net assets – equity		4,532,977	4,290,087
Total liabilities and net assets		5,785,104	5,325,267

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

Signed on behalf of Foundation on 3 March 2017

Ferida Softić, Director
Safija Pleh, Financial Manager

**MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Initial funds BAM	Donated capital BAM	Accumulated excess of expenditures over income BAM	Total BAM
Balance as of 31 December 2014	24,825	804,000	3,119,769	3,948,594
Net result for the year 2015	-	-	341,493	341,493
Balance as of 31 December 2015	24,825	804,000	3,461,262	4,290,087
Net result for the year 2016	-	-	242,890	242,890
Balance as of 31 December 2016	24,825	804,000	3,704,152	4,532,977

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

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 BAM	2015 BAM
Operating activities		
Net result	242,890	341,493
<i>Correction for adjustment of results for the year before tax with net cash flow from ordinary activities</i>		
Depreciation	33,310	32,273
Increase in other provisions	2,960	16,543
Increase in loans to clients	(18,492)	(320,847)
Increase in other receivables	(9,613)	(1,850)
Increase in deferred income	290	6,133
Increase in other liabilities	48,267	37,454
Net cash inflow from operating activities	299,612	111,199
Investing activities		
Purchase of tangible and intangible assets	(44,384)	(29,704)
Net cash outflow from investing activities	(44,384)	(29,704)
Financing activities		
Increase/(decrease) in borrowings	165,430	(236,392)
Net cash inflow/(outflow) from financing activities	165,430	(236,392)
Net increase/(decrease) in cash and cash equivalents	420,658	(154,897)
Cash and cash equivalents at the beginning of the year	135,567	290,464
Cash and cash equivalents at the end of the year	556,225	135,567

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

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

Microcredit organization "MIKRO-ALDI", as legal predecessor of microcredit foundation „MIKRO-ALDI“, is established in Federation of Bosnia and Herzegovina in accordance with the Law on micro-credit organizations ("Official Gazette of Federation BiH", No. 24/00), under the number R1M-5/00 and it has a license issued by the Federal Ministry of Social Affairs, Displaced Persons and Refugees to work as a microcredit institution, which provides loans to micro entrepreneurs (entrepreneurs with low income). This program is part of the overall efforts to stimulate the economic growth and post-war recovery.

Microcredit project was started as a part of the Association of Citizens for Local Initiatives (ALDI) in Goražde. Microcredit operations were initiated with the support of the UNHCR loan assets project and technical assistance by the Local Initiatives Department until 1999. After 1999, the microcredit project received additional loan fund from OXFAM and NOVIB.

Microcredit organization "MIKRO-ALDI" was registered on 14 December, 2000 in accordance with the Law on microcredit organization ("Official Gazette of Federation BiH, number 24/00), under the number 05-4-35-M1-1796/00 as a non-profit, nongovernmental and non-deposit organization.

In accordance with the Decision on establishment of "MIKRO – ALDI", ALDI, for beginning of work provided the following:

1. Founder's equity in the amount of BAM 24,825 (furniture and equipment)
2. Transfer of all rights and liabilities related to microcredit activities:
 - microcredit fund through contract with UNHCR in the amount of BAM 200,000;
 - microcredit fund through contract with OXFAM in the amount of BAM 500,000;
3. The management of ALDI's microcredit fund in the amount of BAM 104,000.

These funds have remained in the ownership of ALDI until 15 September 2001, when ALDI has decided that the funds in the amount of BAM 104,000 capitalized (transferred into the ownership of) to the loan fund MIKRO ALDI and to be used exclusively in the purposes of microcredit. The decision came into force on 1 October 2001.

Legal status:

Federal Ministry of Justice issued a decree number 04-05-2-1708/07 at 30 April 2008 on registration of Microcredit foundation "MIKRO ALDI" Goražde in Register of microcredit foundation in Federation BiH as the legal successor of Microcredit organization MIKRO ALDI.

The goal of MIKRO ALDI is to build and develop a long term, self-sustainable institution that will provide microfinance services to low-income population. The purpose of MIKRO ALDI existence is to alleviate poverty among population through financial services for start-up and development of a small business in order to contribute the global development of economy.

Clients:

Clients are able-bodied people on low incomes who need funds for income generation activities in the household and the improvement of living standards, and carrying out economic activity in the informal and formal sectors. The loans are mainly used to finance working capital and equipment. Portfolio invested in the agricultural industry, trade, services, small-scale production and other uses such as furnishing the living room or meeting other needs such as education, etc.

„MIKRO-ALDI“ works in accordance with individual methodology and in the past time solidarity group methodology was represented. Group crediting means forming of solidarity groups made of 2-5 women, micro entrepreneurs. All members of the solidarity group are guarantor to each other (no other form of collateral is used). Loan sizes grow with each new loan cycle, Loan cycles are from 3 to 60 months, with monthly repayment of principal and interest.

At 31 December 2016, the Foundation had 27 employees (2015; 29 employees).

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL (CONTINUED)

Boards of the Foundation

Board of Directors

Ibrahim Imamović	Chairmen
Hasan Đozo	Member
Žuga Mirsad	Member

Audit Board

Hubjer Sead	Chairmen
Suvada Osmanspahić	Member
Mirza Hadžić	Member

Management

Ferida Softić	Director
Safija Pleh	Financial Manager
Elma Borčak	Credit Manager

Activities of the Organisation are performed through:

1. Central office Goražde, Panorama bb.
2. Field office Sarajevo, Derviša Numića number 11/9 Sarajevo
3. Field office Sarajevo 2, Nedima Filipovića number 6 Sarajevo
4. Branch office Višegrad, Kralja Petra I bb
5. Branch office Istočno Sarajevo, Spasovdanska bb
6. Field office Foča, Kralja Petra bb
7. Branch office Trebinje, Trebinjskih brigada bb
8. Field office Goražde, Zaima Imamovića bb

Organizational structure is clearly defined with specified lines of subordination and accountability.

Performance indicators:

<i>Efficiency ratios</i>	<i>2016</i>	<i>2015</i>
Active loan clients/number of staff	80	79
Active clients/number of loan officer	154	135
Net outstanding portfolio/number of loan officer	358,505	295,210
Percentage total operating expenses/average net portfolio	23.50	24.73

<i>Financial ratios (%)</i>	<i>2016</i>	<i>2015</i>
Return on assets: Net operating income/Average total assets	2.53%	2.94%
Return on equity: Net operating income/Average total equity	3.17%	3.74%
Yield on portfolio: Interest income/Average net portfolio outstanding	26.65%	28.34%

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and interpretations effective in current period

In the current year, the International Accounting Standards Board has published a larger number of amendments to IFRS that are in effect for accounting periods beginning on 1 January 2016 or later. The annual improvements include a large number of amendments to IFRS, which are shown as follows:

IFRS 14	Regulatory Deferral Accounts (applicable from 1 January 2016)
IFRS 11	Joint Arrangements (the accounting for acquisitions of an interest in a joint operation - applicable from 1 January 2016)
IAS 16	Property, Plant and Equipment (the clarification of acceptable methods of depreciation and amortisation – applicable from 1 January 2016)
IAS 16	Property, Plant and Equipment (bringing bearer plants into the scope of IAS 16 – applicable from 1 January 2016)
IAS 38	Intangible Assets (the clarification of acceptable methods of depreciation and amortisation – applicable from 1 January 2016)
IAS 41	Agriculture (bringing bearer plants into the scope of IAS 16 – applicable from 1 January 2016)
IAS 27	Separate Financial Statements (reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements - applicable from 1 January 2016)
IFRS 10	Consolidated Financial Statements (the application of the consolidation exception - applicable from 1 January 2016)
IAS 28	Investments in Associates and Joint Ventures (the application of the consolidation exception - applicable from 1 January 2016)
IFRS 12	Disclosure of Interests in Other Entities (the application of the consolidation exception - applicable from 1 January 2016)
IAS 1	Presentation of Financial Statements (the disclosure initiative – applicable from 1 January 2016)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (annual improvements: applicable from 1 January 2016)
IFRS 7	Financial Instruments: Disclosures (annual improvements: applicable from 1 January 2016)
IAS 19	Employee Benefits (annual improvements – applicable from 1 January 2016)
IAS 34	Interim Financial Reporting (annual improvements – applicable from 1 January 2016)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 7	Statement of cash flows (disclosure initiative – applicable from 1 January 2017)
IAS 12	Income taxes (recognition of deferred tax assets for unrealised losses – applicable from 1 January 2017)
IFRS 12	Disclosure of interests in other entities (annual improvements - applicable from 1 January 2017)
IAS 28	Investments in Associates and Joint Ventures (annual improvements – applicable from 1 January 2018)
IAS 40	Investment property (transfers of investment property – applicable from 1 January 2018)
IFRS 1	First time adoption of International Financial Reporting Standards (annual improvements – applicable from 1 January 2018)
IFRS 2	Share-based Payment (classification and measurement of share-based payment transactions – applicable from 1 January 2018)
IFRS 4	Insurance contracts (applying IFRS 9 “Financial instruments” with IFRS 4 – applicable from 1 January 2018)

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted (continued)

IFRS 9	Financial Instruments (finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition - applicable from 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (applicable from 1 January 2018)
IFRS 15	Revenue from contracts with customers (clarification to IFRS 15 – applicable from 1 January 2018)
IFRS 16	Leases (applicable from 1 January 2019)
IFRIC 22	Foreign currency transactions and advance consideration (applicable from 1 January 2018)

The Company will not adopt these standards, amendments and interpretations in advance, before the date they enter into force. The Management anticipates that the adoption of these standards and interpretations in future periods will not significantly affect the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

As required by local regulations, the Foundation prepares financial statements in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards, adjusted in accordance with the regulatory requirements of the Banking Agency of Federation of Bosnia and Herzegovina (FBA) regarding the calculation of provision for impairment of financial instruments. Decisions of Agency require the calculation of provision for impairment of financial instruments based on matrix system, which is related with overdue days. This is not in accordance with International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' which requires assessment of the evidence and the amount of losses incurred by financial instruments on the day of financial statement. If there is objective evidence that an impairment loss on loans and instruments which held-to-maturity and carried at amortized cost, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) which will be discounted at the original effective interest rate.

3.2 Basis of presentation

The financial statements have been prepared on the historical cost basis except for the revaluation of financial assets that are presented in accordance with market or fair value. The principal accounting policies are set out below. The financial statements are stated in the Federation Bosnia and Herzegovina's official monetary unit, Konvertibilna Marka (BAM), which is pledged to the Euro (EUR 1 = BAM 1.95583). Presentation of financial statements, which is in accordance with International Financial Reporting Standards, requires by Management performing estimates and presumptions which have reflects on assets and liabilities and on publishing out balance assets and liabilities on the day of financial reporting and determined amounts of income and expenditures for reporting period. Estimates based on information that is available on the day of financial reporting, while the real results can be vary by estimated.

3.3 Interest income and expense

Interest income and expenditures are recognized in income statement on accrual principles. Anticipated income interest is differed. Default interest is recognized in the income statement at the time when charged. Income from basic activity refers to interest income.

Expenses from operational activity are recognized at the moment of increase in liabilities or decrease in assets. Financial expenditures are expenditures which include interest on borrowed assets, loan loss cost, etc.

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fee income and expense

Income from commissions and fees related to fees from loan. The fees are recognized as revenue when the service is provided and deferred by the duration of the credit agreement with the relevant interest rate. Fee and commission expenses are directly related to the loan contracts, recognized as expenses, and deferred by the agreements.

3.5 Foreign currency

Business transactions that are not denominated in convertible marks are initially recorded at the applicable foreign exchange rate of the Central Bank of Bosnia and Herzegovina at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are calculated again at the balance sheet date using the exchange rate prevailing on that date. Gains and losses arising from foreign currency differences are recognised in income statement.

3.6 Employee benefits

In the normal course of business, the Foundation, paid on behalf of employee's pensions, health care, taxes, as well as meal allowances, transportation to work and holiday allowances according to the regulations. These costs are charged to the income statement in the period in which they arise.

In accordance with the local legislation and internal Rulebook, the Foundation paid severance pay upon retirement in the amount of three average net wages in the last three months. These employee benefits are determined by the projected unit credit method.

Foundation is calculated provision regarding expecting future payments to the employees after retirement in amount of 3 monthly salaries on the level Foundation in accordance with the provisions of IAS 19 - Employee Benefits.

3.7 Income tax

The Foundation will not incur any liability to pay income tax under the provision of Article 3, Paragraph 1, Item 3 of the Law on income tax ("Official Gazette of the BiH", number 97/07, 14/08, and 39/09).

3.8 Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "available for sale", "held to maturity investments", and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. For current operations, the Foundation uses one category of financial assets, for which basis of accounting is disclosed below.

Method of effective interest rate

The effective interest method is a method of calculating the amortised 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.

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial assets (continued)

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than financial asset as at fair value through profit or loss, are assessed for indicators of impairment at each date of statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

An allowance for loan impairment is determined by applying the prescribed rate of provision for impaired loans, grouped by days of delay. The loan is in arrears when it is late in paying of the loan instalments. The applied matrix can be presented as follows:

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. 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 recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Foundation derecognises a financial asset only when the contractual right 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 Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation continues to recognise the financial asset.

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial liabilities

Financial liabilities are classified as either as “financial liabilities at fair value through profit and loss” or “other financial liabilities”. The Foundation creates one category of financial liabilities, for which basis of accounting is disclosed below.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised 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.

Derecognises of financial liabilities

The Foundation derecognises financial liabilities when, and only when, the Foundation’s obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognized when the Foundation has a present obligation as a result of a past event, and it is probable that the Foundation will be required to settle that obligation. Management estimates the provisions based at the best estimate of expenditure to settle the Foundation’s obligation. Provisions are discounted to present value where the effect is material.

3.10 Cash and cash equivalents

Cash and cash equivalents consist of a vista deposits and deposits with maturity up to three months.

3.11 Tangible and intangible assets

Purchase of tangible and intangible assets during the year are recorded at cost less accumulated depreciation and any recognized impairment charges. Depreciation is charged so as to write off the cost of assets over their estimated life lives using the straight-line method at the following rates:

	2016	2015
Buildings	5%	2%
Furniture and equipment	15%	10-20%
Vehicles	15%	15.5%
Computer equipment	33.33%	33.33%
Software	20%	20%

Gains and losses on disposal of assets are determined based on their carrying value and have impact on operating profit. Repairs and maintenance represent a cost in the income statement as they incurred.

3.12 Differed income

Donations of fixed assets are presented in the statement of financial position of the Foundation as deferred income, which is recognized in the statement of comprehensive income by straight-line basis in future periods, so that donations can be used in the operations or investments in the course of their economic life.

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Net assets

Net assets of the Foundation represent the excess of the total assets under total liabilities. Net assets have arisen from excess revenues over expenditures and donations. The excess of income over expenditure has to be used in micro-credit activities. If the Foundation stops working the Foundation Board of Directors will decide about the distribution of net assets of the Foundation.

3.14 Reclassifications

Certain amounts in the financial statements for the previous year have been reclassified in order to be consistent with the current year presentation.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Foundation's accounting policies, which are described in Note 3, the directors are required to make decisions, judgements, estimates and assumptions which have impact to the 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 reviewed on an on-going basis. Revisions to accounting estimates are recognised in period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, which have a significant risk of causing material adjustments of carrying values of assets and liabilities in the next financial year.

Useful lives of property and equipment

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

Impairment losses on loans and advances payment

As described in Note 3, paragraph Impairment of financial assets, the Foundation assessed indicators for impairment by applying predicted loss percentages to aged loans, grouped by days of delay.

Provisions for employee benefits

As described in Note 3, in paragraph Employee benefits, provisions for employee benefits are determined using the method of projected credit unit.

Other provisions

Other provisions are recognized if the Foundation has a present legal or constructive obligation as a result of the events of the previous period and it is probable that the Foundation will have to settle the mentioned obligation.

The amount recognized as a provision is the best estimate of the amount required for settling the present obligation on the date of the statement of financial position, taking into the risks and uncertainties related with the obligation. When a provision is measured using the cash flows which are estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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5. OPERATING INCOME

	2016 BAM	2015 BAM
Interest on loans to customers and other interest	1,142,358	1,165,048
Income from commissions on loans (Note 19)	153,855	149,928
Collected default interest	10,382	30,316
Income from fees for early repayment of loans	7,877	6,767
Other operating income	5,567	8,499
Total	1,320,039	1,360,558

Income from loan fees is charged as 3% of the loan amount when loan is issued, and that income is deferred during the life time of the loan.

6. INTEREST EXPENSE AND COMMISSION

	2016 BAM	2015 BAM
Interest on borrowings	53,363	66,026
Fees for bank loan processing	8,814	9,833
Total	62,177	75,859

7. OPERATING EXPENSES

	2016 BAM	2015 BAM
Employee expenses - salary	774,568	736,398
Fuel and energy costs	27,233	29,820
Meal allowance and transportation fees	41,219	38,786
Rent	33,396	32,886
Depreciation	33,310	32,273
Telecommunication costs	31,981	34,006
Maintenance	16,544	16,929
Fees	16,302	14,797
Management Board and Audit Board Fee	15,520	5,889
Office material	10,202	10,303
Fees paid to The Banking Agency of the FBiH	7,236	7,164
Commission for Union of Veterans	7,140	6,105
Marketing and entertainment	5,581	4,686
Bank fees	4,857	4,563
Fees for Central Registry of Credits (CRC)	3,344	4,309
Provisions for liabilities to employees (Note 20)	2,960	16,543
Insurance costs	2,681	2,691
Money fine	750	10,500
Travel expenses	537	461
Other operating expenses	46,415	38,501
Total	1,081,776	1,047,610

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
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8. OTHER OPERATING INCOME

	2016 BAM	2015 BAM
Income from collections of court fees	3,729	6,115
Income from administrative fees	2,601	2,293
Income from disposals of fixed assets	1,800	1,500
Other expenses for loan repayments	709	1,389
Other income	1,718	2,154
Total	10,557	13,451

9. PROVISIONS FOR LOAN IMPAIRMENT

	2016 BAM	2015 BAM
Provision for credit losses (Note 13)	31,936	75,593
Provision for losses on interest (Note 13)	3,735	7,527
Total	35,671	83,120

10. COLLECTED WRITTEN-OFF RECEIVABLES

	2016 BAM	2015 BAM
Collected written off loan receivables	108,664	157,785
Collected written of interest receivables	10,853	16,288
Total	119,517	174,073

11. INCOME TAX

	31/12/2016 BAM	31/12/2015 BAM
Profit before tax	270,489	341,493
Tax effect of non-deductible expenses	5,504	-
Total taxable profit	275,993	341,493
Income tax at the rate of 10%	27,599	-
Income tax expense	27,599	-

12. CASH AND CASH EQUIVALENTS

	31/12/2016 BAM	31/12/2015 BAM
Bank accounts	556,116	135,333
Petty cash	109	234
Total	556,225	135,567

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
NOTES TO THE FINANCIAL STATEMENTS
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13. LOANS TO CUSTOMERS

The average nominal interest rate is 26.00% per year (2015: 26.00%), and the effective interest rate is 30.26% per year (2015: 30.26 %). The loan portfolio is composed by the following sectors:

	31/12/2016	31/12/2015
	BAM	BAM
Other	2,987,898	979,241
Service	1,003,223	2,190,203
Agriculture	662,397	1,165,002
Trade	344,057	645,006
Production	21,501	39,123
Receivables for interest on given loans	67,764	69,493
<i>Total receivables before provision for impairment:</i>	5,086,840	5,088,068
Provision for loan impairment	(56,961)	(75,246)
Provisions for impairment of receivables for interest	(4,232)	(5,667)
Total	5,025,647	5,007,155

Analysis of loans to clients by region:

	31/12/2016	31/12/2015
	BAM	BAM
The Federation of BiH	2,550,240	2,313,372
Republic of Srpska	2,468,836	2,705,203
Interest receivable on loans	67,764	69,493
<i>Subtotal:</i>	5,086,840	5,088,068
Provision for loan impairment	(56,961)	(75,246)
Provisions for impairment interest receivables	(4,232)	(5,667)
Total	5,025,647	5,007,155

Loans in arrears can be presented as follows:

	31/12/2016	31/12/2015
	BAM	BAM
Without delay	4,876,307	4,775,338
From 1-15 days	40,232	60,225
From 16 to 30 days	37,799	99,921
From 31 to 60 days	25,707	44,069
From 61 to 90 days	6,994	10,016
From 91 to 180 days	32,037	29,006
Over 180 days	-	-
Subtotal	5,019,076	5,018,575
Interest loans receivable	67,764	69,493
Total	5,086,840	5,088,068

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13. LOANS TO CUSTOMERS (CONTINUED)

Loans are granted for the period until 60 months, Average loans are granted for a period of 27 months (2015: 28 months). Number of active clients is 2,155 (2015: 2,300). The percentage of female clients is 45 % (2015: 50 %), and male 54 % (2015:50 %), and entities 1% (2015:0%). Percentage of active individual loans is 100.00% % (2015: 0.00 %), while loans granted to solidarity groups is 0.00% (2015: 0,00 %).

Changes in provisions for potential loan losses can be presented as follows:

	31/12/2016	31/12/2015
	BAM	BAM
Balance as at 1 January	75,246	81,190
Losses on the increase in provisions (Note 9)	79,563	107,316
Revenue from decrease in provisions (Note 9)	(47,627)	(31,723)
Decrease in provisions as a result of write-offs	(50,221)	(81,537)
Balance at the end of year	56,961	75,246

Movement of provision for interest losses can be presented as follows:

	31/12/2016	31/12/2015
	BAM	BAM
Balance as at 1 January	5,667	6,638
Losses on the increase in provisions (Note 9)	6,520	10,368
Revenue from decrease in provisions (Note 9)	(2,785)	(2,841)
Decrease in provisions as a result of write-offs	(5,170)	(8,498)
Balance at the end of year	4,232	5,667

14. OTHER RECEIVABLES

	31/12/2016	31/12/2015
	BAM	BAM
Receivables for fees from JU Centre for social work	11,534	-
Pre-paid fees	4,047	2,229
Receivables for reimbursement of sick leave	-	2,581
Other receivables	1,840	2,998
Total	17,421	7,808

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15. TANGIBLE ASSETS

	Buildings BAM	Furniture and equipment BAM	Vehicles BAM	Computers BAM	Investment in progress BAM	Total BAM
Cost						
As at 1 January 2015	132,153	54,896	152,804	81,715	-	421,568
- additions	-				26,458	26,458
- transfer from/to	-	1,180	18,630	6,648	(26,458)	-
- reclassification	-	42	-	(42)	-	-
- disposals	-	(3,303)	(15,068)	(422)	-	(18,793)
As at 31 December 2015	132,153	52,815	156,366	87,899	-	429,233
- additions	-	-	-	-	42,194	42,194
- transfer from/to	-	2,932	17,707	1,647	(22,286)	-
- disposals	-	(421)	(15,721)	(1,366)	-	(17,508)
As at 31 December 2016	132,153	55,326	158,352	88,180	19,908	453,919
<u>Accumulated depreciation</u>						
As at 1 January 2015	26,862	36,294	110,065	77,858	-	251,079
- depreciation for year	2,643	2,730	14,791	8,252	-	28,416
- reclassification	-	(107)	-	107	-	-
- disposals	-	(3,303)	(15,068)	(422)	-	(18,793)
As at 31 December 2015	29,505	35,614	109,788	85,795	-	260,702
- depreciation for year	6,608	3,449	12,075	6,740	-	28,872
- disposals	-	(421)	(15,721)	(1,366)	-	(17,508)
- reclassification	-	8,518	-	(8,518)	-	-
As at 31 December 2016	36,113	47,160	106,142	82,651	-	272,066
<u>Carrying amount</u>						
As at 31 December 2016	96,040	8,166	52,210	5,529	19,908	181,853
As at 31 December 2015	102,648	17,201	46,578	2,104	-	168,531

The Foundation have business premise in Gorazde area of 168 m2 of the current carrying amount of 96,041 BAM (2015: BAM 102,648). The foundation has insurance contract with Sarajevo Osiguranje d.d. against risk of theft, fire and flood according to the insurance policy No. 5065857.

**MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
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16. INTANGIBLE ASSETS

	Software BAM	Total BAM
<u>Cost</u>		
As at 1 January 2015	51,289	51,289
- additions	3,246	3,246
As at 31 December 2015	54,535	54,535
- additions	2,190	2,190
As at 31 December 2016	56,725	56,725
<u>Accumulated amortisation</u>		
As at 1 January 2015	44,472	44,472
- amortisation for year	3,857	3,857
As at 31 December 2015	48,329	48,329
- amortisation for year	4,438	4,438
As at 31 December 2016	52,767	52,767
<u>Carrying amount</u>		
As at 31 December 2016	3,958	3,958
As at 31 December 2015	6,206	6,206

17. LIABILITIES FOR BORROWINGS

	Interest rate (p.a.)	Maturity	31/12/2016 BAM	31/12/2015 BAM
Short term loans:				
Sberbank d.d. Sarajevo	7.00%	9/8/2017	251,403	127,494
Sparkasse Bank d.d. BiH	6.49%	29/4/2017	102,165	-
ASA Bank d.d. Sarajevo	6.99%	13/8/2016	-	100,000
<i>Current portion of long-term liabilities</i>			246,321	405,088
Subtotal of short-term loans			599,889	632,582
Long term loans:				
ASA Bank d.d. Sarajevo	6.99%	27/4/2017	79,653	384,741
Intesa Sanpaolo Bank d.d. Sarajevo	6.35%	15/8/2019	444,444	100,000
<i>Current portion of long-term liabilities</i>			(246,321)	(405,088)
Subtotal of long term loans			277,776	79,653
Total			877,665	712,235

On 27 March 2015 MCF MIKRO ALDI and Moja Bank d.d. Sarajevo concluded the Contract No. 217671/2 about long-term loan in the amount of 600,000 BAM an annual interest rate of 6.99%. According to the Contract, the customer agrees that the used amount under this contract will be returned within 24 months. Collateral is the 13 bill of the borrower and the right of Bank to take receivable of Foundation. Short-term loans are granted to the Foundation for funding the loan portfolio and for current operations.

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
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17. LIABILITIES FOR BORROWINGS (CONTINUED)

On 1 August 2016 year, the MCF MIKRO ALDI and Intesa SanPaolo d.d. Sarajevo concluded the Contract No. 214925/16 on long-term loan in the amount of BAM 500,000 at an annual interest rate of 6.35% per annum. Purpose of loan is financial intermediation exactly the placement of loans to end users. Loan is granted for a period of 36 months. Collateral is 12 blank promissory notes of borrowers with 5 payment orders for each transaction account that the Foundation has in banks.

On 30 September 2014 MCF MIKRO ALDI and Intesa Sanpaolo d.d. Sarajevo concluded the Contract No. 211701/14 about long-term loan in the amount of 400,000 BAM, with an interest rate of six-month EURIBOR + 7.10% per annum. Purpose of the loan was financial intermediation or placement of micro-loans to the final users. The loan was granted for a period of 20 months and until the 2016 year the same was repaid.

The maturities of long-term loans by years can be presented as follows:	31/12/2016	31/12/2015
	BAM	BAM
Up to 1 year	246,321	405,088
In the 2nd year	166,668	79,653
From 3 to 5 year	111,108	-
Total	524,097	484,741

18. OTHER LIABILITIES

	31/12/2016	31/12/2015
	BAM	BAM
Liabilities for pre-paid annuity	90,560	90,954
Liabilities for net salaries and meal allowances	60,962	53,799
Taxes and contributions to / from salary	45,891	37,429
Liabilities for income taxes	27,599	-
Accrued expenses	9,449	7,020
Trade payables	6,679	9,737
Liabilities for fees for the Board of Directors and Audit Committee	3,500	-
Accrued interest on loans	3,430	1,418
Other	1,193	639
Total	249,263	200,996

19. DEFERRED INCOME

	31/12/2016	31/12/2015
	BAM	BAM
Deferred income	101,218	100,928
Total	101,218	100,928

Collected revenues from future periods relating to the deferred fee on granted loans which is 3% (2015: 3%) of the loan amount and it is charged when the loan is payed, which is deferred and income during the period of the loan. Changes in deferred income can be presented as follows:

	2016	2015
	BAM	BAM
Balance at the beginning of year	100,928	94,795
Increase	154,145	156,061
Incomed during the year (Note 5)	(153,855)	(149,928)
Balance at the end of year	101,218	100,928

MICROCREDIT FOUNDATION "MIKRO ALDI" GORAŽDE
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20. PROVISIONS

Long-term provisions in the amount of 23,981 BAM (2015: 21,021 BAM) relates to the provisions for employee's benefit based on the payment of severance pay in case of retirement. Changes in provisions can be presented as follows:

	31/12/2016 BAM	31/12/2015 BAM
Balance at the beginning of period	21,021	4,478
Increase in the provision according to the assessment (Note 7)	2,960	16,543
Balance at the end of the period	23,981	21,021

21. RELATED PARTY TRANSACTIONS

Payments to the members of the Board, the Board of Directors and the Audit Committee can be presented as follows:

	2016 BAM	2015 BAM
Fee to the Management, gross	184,877	188,277
Fee to the Board of Directors and the Audit Committee	15,519	5,889
Total:	200,396	194,166

22. COMMITMENTS

In accordance with the Management, as at 31 December 2016 year two litigations were led against the Foundation in the amount of 1,825 BAM, for which the Foundation has not made a provision because management believe in a positive result of the same.

23. FINANCIAL INSTRUMENTS

Capital risk management

The Foundation manages with its net assets to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and net assets balance. The general Company's strategy did not change in comparison to 2015. The financing structure of the Foundation includes the borrowings (Note 17) and all net assets (equity) of Foundation.

Gearing (solvency) ratio

Management monitors the structure of funding source on a monthly basis. As part of this review, the Board considers the cost of financing and risks associated with each class of funding source. The gearing ratio at the end of the year can be presented as follows:

	31/12/2016 BAM	31/12/2015 BAM
Borrowings (Note 16)	877,665	712,235
Cash and cash equivalents	(556,225)	(135,566)
Net debt	321,440	576,669
Net asset (equity)	4,532,977	4,290,087
Net solvency ratio	0.07	0.13

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23. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management (continued)

Significant accounting policies

Significant accounting policies and procedures, including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses for each category of financial assets, financial liabilities and debt instruments are disclosed in Note 3 to the financial statements.

	31/12/2016	31/12/2015
	BAM	BAM
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,581,872	5,142,722
Financial liabilities		
At amortized cost	1,088,687	868,143

Financial risk management objectives

The Foundation 's financial controlling function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Foundation through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

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

Foreign currency risk management

The Foundation undertakes certain transactions denominated in foreign currencies mostly in currency of EUR, based on which exposure to foreign currency risk arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts. In accordance with Management opinion, the sensibility analysis of foreign currency is not representative in matter of inherentive risk whereas the Law upon Central Bank of Bosnia and Herzegovina state that BAM if tied with Euro. Changes in foreign currency would consider change of law and adoption from Parliament of Bosnia and Herzegovina.

Interest risk management

The Foundation is not exposed to interest rate risk because borrows funds at fixed interest rates.

Financial risk management objectives (continued)

Interest risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The Foundation 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 Foundation '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 annually.

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23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Total gross value	Assets which are not impairment carried out	Assets with performed impairment	Provisions for impairment	Total net present value
31 December 2016					
Cash and cash equivalents	556,225	556,225	-	-	556,225
Loans to clients	5,086,839	-	5,086,839	(61,193)	5,025,646
Total	5,643,064	556,225	5,086,839	(61,193)	5,581,871
31 December 2015					
Cash and cash equivalents	135,567	135,567	-	-	135,567
Loans to clients	5,088,068	-	5,088,068	(80,913)	5,007,155
Total	5,223,635	135,567	5,088,068	(80,913)	5,142,722

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 Foundation's short, medium and long-term funding and liquidity management requirements. The Foundation 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 table details the remaining contractual maturity of the Foundation for financial liabilities. The table is prepared on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Foundation can be required to pay.

Financial liabilities	Weighted Average Interest Rate	Less than 1 month	1 - 6 months	6 -12 months	1 - 2 years	Over 2 years	Total
31 December 2016							
Non-interest	-	211,022	-	-	-	-	211,022
Fixed interest rate instruments	6.61	94,869	345,544	197,008	178,626	113,369	929,416
TOTAL		305,891	345,544	197,008	178,626	113,369	1,140,438
31 December 2015							
Non-interest	-	155,908	-	-	-	-	155,908
Variable interest rate instruments	7.05	20,520	80,884	-	-	-	101,404
Fixed interest rate instruments	6.99	28,031	267,502	261,195	80,597	-	637,325
TOTAL		204,459	348,386	261,195	80,597	-	894,637

The following table is made on the basis of discounted cash flows of financial assets including interest on those assets that will be earned except funds on which the Foundation expects that the cash flow will be occurred in the second period.

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23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives (continued)

Finances assets	Weighted Average Interest Rate	Less than 1 month	1 - 6 months	6 -12 months	1 - 2 years	Over 2 years	Total
	%	BAM	BAM	BAM	BAM	BAM	BAM
31 December 2016							
Non-interest	-	556,225	-	-	-	-	556,225
Fixed interest rate instruments	26.01	354,582	1,348,439	1,469,502	2,076,794	1,415,350	6,664,667
TOTAL		910,807	1,348,439	1,469,502	2,076,794	1,415,350	7,220,892
31 December 2015							
Non-interest	-	135,567	-	-	-	-	135,567
Fixed interest rate instruments	26.00	351,782	1,474,388	1,437,852	2,772,434	574,801	6,611,257
TOTAL		487,349	1,474,388	1,437,852	2,772,434	574,801	6,746,824

Fair value of financial instruments

Management believes that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements have about the same value as their fair value.

24. POST BALANCE SHEET EVENTS

Until the date of our audit, according to the statement of the Board, there were no events even transactions that significantly affected the financial statements of the Foundation as at 31 December 2016.