

# **JSC Microfinance Organization Credo**

## **Financial statements**

*Year ended 31 December 2016  
together with independent auditor's report*



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## Independent auditor's report

To the Shareholders and the Supervisory Board of JSC Microfinance Organization Credo

### **Opinion**

We have audited the financial statements of JSC Microfinance Organization Credo (the Company) which comprise the statement of financial position as at 31 December 2016, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (IFRSs).

### **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 Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company'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 skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ 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 the Audit Committee 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.



Ruslan Khoroshvili  
On behalf of EY Georgia LLC  
28 April 2017

**Statement of financial position****As at 31 December 2016***(Thousands of Georgian Lari)*

	<i>Note</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents	5	67,815	44,102
Derivative financial assets	6	12,415	12,024
Loans to customers	7	443,429	405,875
Intangible assets	9	3,152	2,002
Property and equipment	8	7,155	7,050
Deferred income tax assets	10	2,547	484
Current income tax asset		-	139
Other financial assets	11	5,115	3,988
Other non-financial assets	12	2,362	2,183
<b>Total assets</b>		<b>543,990</b>	<b>477,847</b>
<b>Liabilities</b>			
Derivative financial liabilities	6	-	82
Current income tax liabilities		568	-
Promissory notes issued		578	-
Other liabilities	14	8,541	6,286
Loans from banks and other financial institutions	13	410,546	371,496
Subordinated debt	13	8,418	10,863
<b>Total liabilities</b>		<b>428,651</b>	<b>388,727</b>
<b>Equity</b>			
Share capital	15	4,400	4,400
Retained earnings		110,939	84,720
<b>Total equity</b>		<b>115,339</b>	<b>89,120</b>
<b>Total liabilities and equity</b>		<b>543,990</b>	<b>477,847</b>

Signed on behalf of the Management Board of the JSC Microfinance Organization Credo

Zaal Pirtskhelava

Chief Executive Officer

David Natsvaladze

Chief Financial Officer

28 April 2017

*The accompanying notes on pages 5 to 31 are an integral part of these financial statements.*

**Statement of profit and loss and other comprehensive income****For the year ended 31 December 2016***(Thousands of Georgian Lari)*

	<i>Note</i>	<b>2016</b>	<b>2015</b>
<b>Interest income</b>			
Loans to customers		125,224	108,170
Cash and cash equivalents		2,344	381
		<u>127,568</u>	<u>108,551</u>
<b>Interest expense</b>			
Loans from banks and other financial institutions		(30,464)	(23,896)
Subordinated loans		(893)	(893)
Promissory notes issued		(32)	-
		<u>(31,389)</u>	<u>(24,789)</u>
<b>Net interest income</b>		<b>96,179</b>	<b>83,762</b>
Impairment charge for loan losses	7	(9,689)	(6,332)
<b>Net interest income after allowance for impairment</b>		<b>86,490</b>	<b>77,430</b>
Fee and commission income	17	18,285	19,191
Fee and commission expense	18	(5,074)	(4,977)
<b>Net fee and commission income</b>		<b>13,211</b>	<b>14,214</b>
Net (losses)/gains from foreign currencies	19	(2,472)	1,477
Other operating income	20	1,198	151
Other operating expense		(149)	(117)
<b>Net non-interest income</b>		<b>11,788</b>	<b>15,725</b>
Personnel expenses	21	(46,522)	(41,601)
Depreciation and amortization	8,9	(3,276)	(2,394)
Other general administrative expenses	22	(18,501)	(17,302)
<b>Non-interest expenses</b>		<b>(68,299)</b>	<b>(61,297)</b>
<b>Profit before income tax expense</b>		<b>29,979</b>	<b>31,858</b>
Income tax expense	10	(3,760)	(5,683)
<b>Profit for the period</b>		<b>26,219</b>	<b>26,175</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>26,219</b>	<b>26,175</b>

*The accompanying notes on pages 5 to 31 are an integral part of these financial statements.*