

**NON-BANKING CREDIT
ORGANIZATION
"VIATOR MICROCREDIT
AZERBAIJAN"
LIMITED LIABILITY COMPANY**

**The International Financial Reporting
Standards Financial Statements and
Independent Auditors' Report
For the Year Ended December 31, 2015**

NON-BANKING CREDIT ORGANIZATION “VIATOR MICROCREDIT AZERBAIJAN” LIMITED LIABILITY COMPANY

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the financial statements of Non-Banking Credit Organization "Viator Microcredit Azerbaijan" Limited Liability Company (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2015, the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended December 31, 2015 were authorized for issue on April 25, 2016 by the Management Board of the Company.

On behalf of the Management Board:


Aynur Aliyeva
Executive Director

April 25, 2016
Ganja, the Republic of Azerbaijan


Ruslan Garayev
Finance Manager

April 25, 2016
Ganja, the Republic of Azerbaijan



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INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Management Board of Non-Banking Credit Organization "Viator Microcredit Azerbaijan" Limited Liability Company;

We have audited the accompanying financial statements of Non-Banking Credit Organization "Viator Microcredit Azerbaijan" Limited Liability Company (the "Company"), which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we also draw attention to Note 2 to the financial statements, which describes the fact that during the year ended December 31, 2015 the Central Bank of the Republic of Azerbaijan has devalued the Azerbaijani Manat (AZN) against U.S dollar and other major currencies aggregately by 98%. As a material portion of loans to customers had been issued in foreign currencies, AZN depreciation against these currencies could have a significant impact on borrowers' ability to service the loans. Management tests the loans for impairment with due consideration of the above risk and provides adequate provision for impairment losses against these loans to the extent possible with given information in hand.

The above mentioned fact also affected negatively the major financial covenants set by the lenders in the borrowing agreements as at December 31, 2015 (see Note 13). In accordance with terms and conditions of the debt contracts signed with lenders, non-compliance with financial covenants gives the lenders a right to seek early repayment of the outstanding principal amounts. Therefore, as at December 31, 2015, the borrowings were reclassified to being on demand within expected maturity of these financial statements. The borrowings affected by the breach of the covenants of the Company as at December 31, 2015 amounted to AZN 13,023,302. Subsequent to the reporting period, on March 31, 2016 the Company has signed a non-acceleration agreement with the lenders. In accordance with the terms of this agreement, lenders agreed to provide the Company with the opportunity to cure such covenant breaches and improve financial condition of the Company by not seeking early repayment of the outstanding principal amount till May 31, 2016. Management believes that non-compliance with the financial covenants would not affect the Company's ability to continue as a going concern, as no actions have been undertaken or penalties charged by the related financial institutions and there is a positive intention from the lenders to grant further extensions to the non-acceleration agreement which will be keeping the Company as a going concern for the foreseeable future and therefore the financial statements do not include any adjustments that might result from the outcome of the uncertainty described above.

We also draw attention to the Note 5 to the financial statements, which indicates that the financial statements for the year ended December 31, 2014 have been restated. Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2014 were audited by another auditor who expressed an unqualified opinion on those financial statements.

As a part of audit of the 2015 financial statements, we also audited the adjustments described in Note 5 that were applied to 2014 financial statements. We were not engaged to audit, review or apply any procedures to the 2014 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements taken as a whole.

**NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN"
LIMITED LIABILITY COMPANY**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015**
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014 (restated)
Interest income	17	5,659,236	5,893,718
Interest expense	17	(1,543,776)	(1,126,589)
Net interest income before provision for impairment losses on interest bearing assets		4,115,460	4,767,129
Provision for impairment losses on interest bearing assets		(3,573,336)	(225,638)
Net interest income		542,124	4,541,491
Staff costs and related contributions	6, 17	(1,981,638)	(2,235,400)
General and administrative expenses	7	(841,662)	(669,848)
Foreign exchange (loss)/gain		(651,272)	8,256
Other income, net		899	20,066
(Loss)/profit before income tax		(2,931,549)	1,664,565
Income tax expense	8	(198,391)	(390,207)
Net (loss)/profit for the year		(3,129,940)	1,274,358
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Net gain resulting on revaluation of property and equipment	11	10,541	-
Income tax recorded directly in other comprehensive income	8	(2,108)	-
Other comprehensive income for the year, net of tax		8,433	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(3,121,507)	1,274,358

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 25, 2016
Ganja, the Republic of Azerbaijan

Ruslan Garayev
Finance Manager

April 25, 2016
Ganja, the Republic of Azerbaijan

The notes on pages 8-47 form an integral part of these financial statements.

**NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN"
LIMITED LIABILITY COMPANY**

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(In Azerbaijani Manats)**

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	9	3,174,269	1,424,792
Loans to customers	10, 17	14,135,145	17,400,991
Property and equipment	11	523,399	536,975
Deferred tax asset	8	142,352	134,500
Other assets	12	312,100	16,328
TOTAL ASSETS		18,287,265	19,513,586
LIABILITIES AND EQUITY			
LIABILITIES:			
Borrowings	13, 17	13,848,161	11,623,546
Other liabilities	14, 17	56,349	145,145
Total liabilities		13,904,510	11,768,691
EQUITY:			
Charter capital	15	693,774	693,774
Revaluation surplus		221,183	220,060
Retained earnings		3,467,798	6,831,061
Total equity		4,382,755	7,744,895
TOTAL LIABILITIES AND EQUITY		18,287,265	19,513,586

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

Ruslan Garayev
Finance Manager

April 25, 2016
Ganja, the Republic of Azerbaijan

April 25, 2016
Ganja, the Republic of Azerbaijan

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**NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN"
LIMITED LIABILITY COMPANY**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015**
(In Azerbaijani Manats)

	Charter capital	Revaluation surplus	Retained earnings	Total equity
January 1, 2014	301,622	225,708	6,164,624	6,691,954
Retained earnings directed to charter capital	392,152	-	(392,152)	-
Profit for the year (restated)	-	-	1,274,358	1,274,358
Dividends declared	-	-	(221,417)	(221,417)
Amortization of revaluation surplus (restated)	-	(5,648)	5,648	-
December 31, 2014	693,774	220,060	6,831,061	7,744,895
Loss for the year	-	-	(3,129,940)	(3,129,940)
Other comprehensive income for the year	-	8,433	-	8,433
Dividends declared	-	-	(240,633)	(240,633)
Amortization of revaluation surplus	-	(7,310)	7,310	-
December 31, 2015	693,774	221,183	3,467,798	4,382,755

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 25, 2016
Ganja, the Republic of Azerbaijan

Ruslan Garayev
Finance Manager

April 25, 2016
Ganja, the Republic of Azerbaijan

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**NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN"
LIMITED LIABILITY COMPANY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Azerbaijani Manats)**

	Notes	Year ended December 31, 2015	Year ended December 31, 2014 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		5,803,579	5,811,256
Interest paid		(1,455,207)	(1,103,733)
Loans collected/(issued) to customers (net)		4,439,676	(3,710,471)
Payments to employees and suppliers		(2,852,155)	(2,803,157)
Taxes paid		(509,128)	(312,512)
Net cash inflow/(outflow) from operating activities		5,426,765	(2,118,617)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property and equipment		(31,506)	(14,393)
Proceeds from disposal of property and equipment		1,586	2,330
Net cash outflow from investing activities		(29,920)	(12,063)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		8,362,312	6,750,660
Repayment of borrowings		(12,605,666)	(4,330,120)
Dividends paid		(240,633)	(221,417)
Net cash (outflow)/inflow from financing activities		(4,483,987)	2,199,123
Effect of exchange rate changes on cash and cash equivalents		836,619	7,338
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,749,477	75,781
CASH AND CASH EQUIVALENTS, <i>beginning of the year</i>	9	1,424,792	1,349,011
CASH AND CASH EQUIVALENTS, <i>end of the year</i>	9	3,174,269	1,424,792

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 25, 2016
Ganja, the Republic of Azerbaijan

Ruslan Garayev
Finance Manager

April 25, 2016
Ganja, the Republic of Azerbaijan

The notes on pages 8-47 form an integral part of these financial statements.

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 *(In Azerbaijani Manats)*

1. INTRODUCTION

Company and its principal activity

"Viator Microcredit Azerbaijan" Limited Liability Company (the "Company") is a Non-Banking Credit Organization, which was incorporated and registered in Baku city Tax Department of Ministry of Taxes of the Republic of Azerbaijan under the registration number TIN1400163551 on December 30, 2002. The Company is regulated by the Central Bank of the Republic of Azerbaijan (the "CBRA") and conducts its business under special license number 136-QB. The Company's primary business consists of loan origination. Under the existing license the Company does not have the right to obtain cash deposits as collateral. The head office of the Company is located in Ganja, the Republic of Azerbaijan.

As at December 31, 2015 and 2014, the Company had 7 branches and the average number of employees was 147 and 154, respectively.

Registered address and place of business

The legal address of the Company is Bashir Safarov Str., 133, Baku, the Republic of Azerbaijan and the location of its head office is N. Narminanov Ave., 132, Ganja, the Republic of Azerbaijan.

Shareholders of the Company

Viator AS (Kingdom of Norway) is the sole owner of the Company. Normisjon, a Norwegian Evangelical Lutheran missionary organization is the ultimate controlling party of the Company as at December 31, 2015 and 2014.

Operating Environment of the Company

The Republic of Azerbaijan displays certain characteristics of an emerging market, including the existence of a currency that is not freely convertible in most countries outside of the Republic of Azerbaijan, restrictive currency controls, relatively high inflation and economic growth. The financial sector in the Republic of Azerbaijan is sensitive to adverse fluctuations in confidence and economic conditions. The Azerbaijani economy occasionally experiences falls in confidence in the financial sector accompanied by reductions in liquidity. Management is unable to predict economic trends and developments in the banking sector and what effect, if any, a deterioration in the liquidity of or confidence in the financial system could have on the financial position of the Company.

Considering significant drop in crude oil prices starting from the second half of 2014, there continues to be uncertainty regarding the economic growth, access to capital and cost of capital in the Republic of Azerbaijan. In addition, CBAR devalued the Azerbaijani Manat by approximately 34% on February 21, 2015 and further on December 21, 2015 introduced a floating exchange rate that resulted in one-time devaluation of the AZN against US dollar and other major currencies by approximately 48%. As the banks and credit organizations issued certain part of the loans to customer in foreign currencies, AZN depreciation against these currencies significantly affected the borrowers' ability to service these loans.

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) *(In Azerbaijani Manats)*

These events have also resulted in tightened liquidity in the banking sector combined with deposit/funds outflow and financial difficulties of a number of banks that have been placed under Central Bank administration as a result. The credit organizations financed by foreign financial institutions in foreign currencies also experienced significant difficulties in terms of compliance with the contract covenants and contractual payment schedules. However, all of the international lenders of the Company have accepted not to claim early repayments of their loans, and management is confident that even further negotiations will be accepted regarding the repayment schedule. The management of the Company is currently involved in the negotiations process with the customers on individual basis regarding the prolongation of payment terms and decrease of interest rates of loans issued to those customers. The management of the Company also believes that the Company will be able to recover the carrying value of these loans through the restructuring process and will be able to perform its debt obligations under the borrowing agreements. Management also believes that the Company's strong reputation, positive history and financial position will be a key factor that will enable the Company to retain the investor funds and manage its liquidity position. The Company continuously monitors its forecast of inflows and outflows in foreign currencies. Management believes it is taking all the necessary measures to support the sustainability and liquidity position of the Company in the current circumstances, however, any further deterioration in the liquidity of the financial markets, the increased outflow of funds from the banking system and volatility in the currency market may affect the Company's liquidity position in a manner not currently determinable.

The tax, currency and customs legislation within the Republic of Azerbaijan is subject to varying interpretations, and changes, which can occur frequently. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalized procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Republic of Azerbaijan. The future economic direction of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

On February 3, 2016 the President of the Republic of Azerbaijan signed a decree on the establishment of a public legal entity of the Financial Markets Monitoring Board in the Republic of Azerbaijan and certain functions of the Central Bank were transferred to this entity. The establishment of a public legal entity of the Financial Markets Monitoring Board aims to license, regulate and control the securities market, investment funds, insurance companies, credit organizations (banks, non-banking credit organizations and operator of postal communication) and payment systems, as well as improve control system over the money laundering prevention activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

As at December 31, 2015, the Company failed to comply with the most of the financial covenant set by financial institutions. Non-compliance with the financial covenants modifies the terms of the

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) *(In Azerbaijani Manats)*

borrowings which creates the negative liquidity gap (see Note 20) for the Company. The borrowings affected by the breach of the covenants of the Company as at December 31, 2015 were AZN 13,023,302. Subsequent to the reporting period, on March 31, 2016 the Company has signed a non-acceleration agreement with the lenders. In accordance with the terms of the agreement, lenders agreed to provide the Company with the opportunity to cure such covenant breaches and improve financial condition of the Company by not seeking early repayment of the outstanding principal amount till May 31, 2016. Management believes that non-compliance with the financial covenant would not affect the Company's ability to continue as a going concern as no actions have been undertaken or penalties charged by the related financial institution, therefore the financial statements do not include any adjustments that might result from the outcome of the uncertainty described above.

Accordingly, the Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's business plan, financial position, current and future plans, profitability of future operations and access to financial resources, and analyzed the impact of the recent financial crisis on future operations of the Company.

Other basis of presentation criteria

These financial statements are presented in Azerbaijani Manats ("AZN"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except measurement at a fair value of certain financial instruments and measurement of buildings at revalued amounts according to IFRS.

The Company maintains its accounting records in accordance with the laws of the Republic of Azerbaijan. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

The principal accounting policies are set out below:

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or 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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) (In Azerbaijani Manats)

Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. 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 and loss accounts.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "loans and receivables" and "available-for-sale" (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortized cost using the effective interest method.

Gains and losses are recognized in profit and loss accounts when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) *(In Azerbaijani Manats)*

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans granted by the Company are initially recognized at a fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of comprehensive income according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- A financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity;
- Other financial assets may be reclassified to available-for-sale or held-to-maturity categories only in rare circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity.

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) (In Azerbaijani Manats)

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit and loss accounts is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans to customers carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

Objective evidence that loans to customers are impaired includes observable data about the following events in respect of individually significant financial assets:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Company's disposal;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- worsening national or local economic environment affecting the borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as asset type, industry, geographical location, collateral type, payment status and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The main criterion used for determining objective evidence of loss from impairment of loans to customers representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of

NON-BANKING CREDIT ORGANIZATION "VIATOR MICROCREDIT AZERBAIJAN" LIMITED LIABILITY COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued) *(In Azerbaijani Manats)*

financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of the provision account and the amount of the loss is recognized in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Loans that have not been individually assessed are then included in the group of loans that are collectively assessed for impairment. The collectively assessed loans are grouped based on similar credit risk characteristics and on their past-due status and assessed accordingly. The collectively assessment methodology strives to ensure the provision for impairment reflects the loss events that have occurred, but have not yet been identified on an individual loan basis.

The process uses a combination of historical data and current observable data that reflect the existing situation and how it may affect the current loan portfolio. Historical data used is a set of actual loss rates calculated using the historical loan loss migration analysis. Existing economic data includes actual rates.

Using these data sets as inputs, the management then determines the new set of rates to be used for the next 6 month period.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group or on the basis of historical information on collections of past due debts. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 recognized (such as improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account in the statement of comprehensive income.

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In case of a write-off of the uncollectible loan and relating interest, the Company shall take necessary and adequate steps, envisaged by law, custom of business turnover or agreement, to collect this outstanding loan.

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Write-off of loans and advances

According to the policy of the Company loans and advances are written off against the allowance for impairment losses when deemed uncollectible.

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit and loss accounts.

On de-recognition of a financial asset other than in its entirety (for example when the Company retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit and loss accounts. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit and loss accounts. The net gain or loss recognized in profit and loss accounts incorporates any interest paid on the financial liability and is included in the "other income/(loss)" line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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, to the net carrying amount on initial recognition.

Borrowings

Borrowings are recorded when money are advanced to the Company by counterparty lenders. The non-derivative liability is carried at amortized cost. If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss accounts.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Company does not offset the transferred asset and the associated liability.

Property and equipment

Property and equipment, except buildings, are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings	2.5%
Vehicles	20.0%
Computers and equipment	33.0%
Furniture and fixtures	20.0%
Other assets	25.0%

Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

At the end of each reporting period, the Company 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

The date of the latest appraisal was December 31, 2015. The next revaluation is scheduled as at December 31, 2016.

Market value of property is assessed using the market approach method which involves analysis of market sales prices for similar real estate property which was also equal to the fair value of building under IFRS 13.

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Any revaluation increase arising on the revaluation of such buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the statement of comprehensive income. Revaluation surplus is transferred to retained earnings annually. The amount of the surplus is transferred is equal to the difference between depreciation charge based on the asset's original cost, and depreciation charge based on the revalued amount, adjusted for the tax effect relating to the surplus.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit and loss accounts.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss accounts.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit and loss accounts.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 Company's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 is realized. Deferred tax is charged or credited in the statement of comprehensive income, 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 income tax assets and liabilities are offset and reported net on the statement of financial position if:

- The Company has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Azerbaijan also has various other taxes, which are assessed on the similar organizations' activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Azerbaijan state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state social protection fund to employees.

The Company does not have any pension arrangements separate from the state pension system of the Republic of Azerbaijan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

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Contingencies

A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

Charter capital

Charter capital is the amount of capital contributed by the shareholder. The Company may increase or decrease its charter capital with approval of the shareholder granted in accordance with law. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared.

Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the Reporting Date" ("IAS 10") and disclosed accordingly.

Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment, in which the entity operates. The Company's functional currency is AZN.

Monetary assets and liabilities denominated in foreign currencies are translated into AZN at the appropriate spot rates of exchange of the Central Bank of the Republic of Azerbaijan ruling at the end of reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Company in the preparation of the financial statements are as follows:

	December 31, 2015	December 31, 2014
USD/AZN	1.5594	0.7844
EUR/AZN	1.7046	0.9522

On February 21, 2015 the Central Bank of the Republic of Azerbaijan ("CBAR") devalued the Azerbaijani Manat (AZN). As a result, the official exchange rates of AZN to the U.S. dollar fell to AZN 1.05 per U.S. dollar, and the official exchange rate of AZN to the Euro fell to AZN 1.19 per Euro, i.e. by approximately 34% from the exchange rates at the effective date of devaluation.

On December 21, 2015 the CBAR introduced a floating exchange rate that resulted in one-time devaluation of the AZN against U.S dollar and other major currencies by approximately 48%.

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Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Company's financial condition.

Management assumed that the Company will continue as going concern. In making this judgment management considered current intentions and financial position of the Company. As described in Note 13, the Company failed to comply with the financial covenants stipulated in borrowing agreements. The ability of the Company to continue as going concern is largely dependent on the willingness of investors and owners to provide financing for its operating activities and granting further waivers by the lenders to the Company for the breach of covenants stipulated in borrowing agreements.

Allowance for impairment of loans to customers

The Company regularly reviews its loans to assess for impairment. The Company's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Company considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Company's estimated losses and actual losses would require the Company to record provisions which could have a material impact on its financial statements in future periods.

The Company uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Company uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Company is not in a position to predict what changes in conditions will take place in country and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The amount of the allowance for impairment of loans to customers was AZN 3,719,400 and AZN 298,878 as at December 31, 2015 and 2014, respectively.

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Recoverability of deferred tax assets

The management of the Company created valuation allowance against deferred tax asset in the amount of AZN 651,234 as at December 31, 2015 (2014: nil). The carrying value of deferred tax assets amounted to AZN 142,352 and AZN 134,500 as at December 31, 2015 and 2014, respectively.

The management of the Company is confident that the carrying amount of deferred tax asset will be fully realized in the future.

Useful life of property and equipment

The Company assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

Current taxes

Azerbaijani tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending in December 31, 2015. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" – The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or a straight-line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The amendments apply retrospectively for annual periods beginning on or after July 1, 2014.

Annual improvements to IFRSs 2010-2012 Cycle – The Annual Improvements include amendments to a number of IFRSs, which have been summarized below.

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Standard	Subject of amendment
IFRS 2 "Share-based Payment"	Definition of vesting condition
IFRS 3 "Business Combinations"	Accounting for contingent consideration in a business combination
IFRS 8 "Operating Segments"	(i) Aggregation of operating segments (ii) Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 "Fair Value Measurement"	Short-term receivables and payables
IAS 16 "Property, Plant and Equipment"; IAS 38 "Intangible Assets"	Revaluation method – proportionate restatement of accumulated depreciation (amortisation)
IAS 24 "Related Party Disclosures"	Key management personnel

The amendments apply prospectively for annual periods beginning on or after July 1, 2014.

Annual improvements to IFRSs 2011-2013 Cycle – The Annual Improvements include amendments to a number of IFRSs, which have been summarized below.

Standard	Subject of amendment
IFRS 3 "Business Combinations"	Scope exceptions for joint ventures
IFRS 13 "Fair Value Measurement"	Scope of paragraph 52 (portfolio exception)
IAS 40 "Investment Property"	Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

The amendments apply prospectively for annual periods beginning on or after July 1, 2014.

Unless otherwise described above, the new Standards and Interpretations are not expected to significantly affect the Company's financial statements.

4. STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Company in advance of their effective dates, the following Interpretations were in issue but not yet effective.

Amendments to IAS 1 "Presentation of Financial Statements": Disclosure Initiative – The amendments to IAS 1 "Presentation of Financial Statements" clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendments are effective for annual periods beginning on or after January 1, 2016. Early application is permitted and entities do not need to disclose that fact because the IASB considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" – The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of intangible assets. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Amendments to IAS 16 and IAS 41 "Agriculture": Bearer Plants – The amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Amendments to IAS 27 "Equity Method in Separate Financial Statements" – The amendments to IAS 27 "Separate Financial Statements" allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost;
- In accordance with IFRS 9 (or IAS 39); or
- Using the equity method.

The entity must apply the same accounting for each category of investments. A consequential amendment was also made to IFRS 1 "First-time Adoption of International Financial Reporting Standards". The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

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The amendments are effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" – The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 "Business Combinations", between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted and must be disclosed.

Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" – The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 "Business Combinations". Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 "Impairment of Assets" regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

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The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

IFRS 14 "Regulatory Deferral Accounts" allows rate-regulated entities to continue recognizing regulatory deferral accounts in connection with their first-time adoption of IFRS. Existing IFRS preparers are prohibited from adopting this standard. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

The standard is effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

Annual improvements to IFRSs 2012-2014 Cycle – The Annual Improvements include amendments to a number of IFRSs, which have been summarized below.

Standard	Subject of amendment
IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"	Changes in methods of disposal
IFRS 7 "Financial Instruments: Disclosures"	Servicing contracts and applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 "Employee Benefits"	Discount rate: regional market issue
IAS 34 "Interim Financial Reporting"	Disclosure of information "elsewhere in the interim financial report"

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted and must be disclosed.

The IASB and FASB have issued their joint revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers", which replaces all existing IFRS and US GAAP revenue requirements. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2017. Earlier application is permitted.

IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods;

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- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss accounts. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss accounts. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit and loss accounts was recognized in profit and loss accounts.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 "Leases", which specifies how and IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 13, 2016 and applies to an annual reporting period beginning on or after January 1, 2019.

The management is considering the implications of these standards, their impact on the financial statements and the timing of its adoption by the Company.

5. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

Certain restatements and reclassifications have been made to the financial statements for the year ended December 31, 2014 to conform to the presentation for the year ended December 31, 2015 as current year presentation provides correct and better view of the financial performance of the Company.

The effect of restatements and reclassifications on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2014 is presented in the table below:

	Notes	As previously reported December 31, 2014	Effect of restatements/ reclassifications	As restated December 31, 2014
Statement of comprehensive income:				
Interest income	(a)	5,264,539	629,179	5,893,718
Commission income	(a)	629,179	(629,179)	-
Interest expense	(b)	(1,033,741)	(92,848)	(1,126,589)
General and administrative expenses	(b)	(762,696)	92,848	(669,848)
Other income	(c)	25,714	(5,648)	20,066
Other comprehensive loss	(c)	(5,648)	5,648	-

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	Notes	As previously reported December 31, 2014	Effect of Restatements/ reclassifications	As restated December 31, 2014
Statement of cash flows:				
Interest paid	(b)	(1,010,885)	(92,848)	(1,103,733)
Payments to employees and suppliers	(b)	(2,896,005)	92,848	(2,803,157)

(a) Reclassification of loan origination fees in the amount of AZN 629,179 to the interest income according to the accounting policy of the Company.

(b) Reclassification of withholding taxes paid on behalf of the lenders for the interest payments in the amount of AZN 92,848 to the interest expenses.

(c) Correction of error regarding the amortization of revaluation reserve to retained earnings.

6. STAFF COSTS AND RELATED CONTRIBUTIONS

Staff costs and related contributions comprise:

	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	1,293,248	1,318,056
Allowances, incentives and other benefits	313,020	519,793
Compulsory social security obligations	375,370	397,551
Total staff costs and related contributions	1,981,638	2,235,400

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	Year ended December 31, 2015	Year ended December 31, 2014 (restated)
Taxes other than income tax expense	156,033	4,293
Bank commission	124,665	143,085
Professional services and fees	108,657	82,348
Security expenses	87,248	73,726
Rent expenses	75,746	51,640
Depreciation	54,936	64,474
Office supplies	48,249	33,268
Transportation expenses	34,288	35,261
Business trip expenses	33,561	41,337
Repair and maintenance	22,323	14,979
Legal and court fees	20,494	1,871
Training expenses	16,172	38,647
Utilities	15,539	13,806
Membership fees	12,561	9,858
Institutional development costs	6,646	20,032
Communication expenses	6,403	4,952
Insurance expenses	5,826	5,822
Others	12,315	30,449
Total general and administrative expenses	841,662	669,848

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8. INCOME TAXES

The Company measures and records its current income tax payable and its tax bases related to assets and liabilities in accordance with the statutory tax regulations of the Republic of Azerbaijan where the Company operates, which differ from IFRS.

The Company is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at December 31, 2015 and 2014 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by taxation bases' differences for certain assets and liabilities.

Tax legislation of the Republic of Azerbaijan in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest which could be material for these financial statements.

	December 31, 2015	December 31, 2014
Deductible temporary differences:		
Loans to customers	4,013,428	645,806
Other liabilities	56,197	145,145
Total deductible temporary differences	4,069,625	790,951
Taxable temporary differences:		
Property and equipment	(56,118)	(54,627)
Borrowings	(45,578)	(63,824)
Total taxable temporary differences	(101,696)	(118,451)
Net deductible temporary differences	3,967,929	672,500
Deferred tax asset at the statutory tax rate	793,586	134,500
Deferred tax asset not recognized	(651,234)	-
Net deferred tax asset	142,352	134,500

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The effective tax rate reconciliation is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
(Loss)/profit before income tax	<u>(2,931,549)</u>	<u>1,664,565</u>
Tax at the statutory tax rate 20%	586,310	(332,913)
Tax effect of permanent differences	(133,467)	(57,294)
Change in deferred tax asset not recognized	<u>(651,234)</u>	<u>-</u>
Income tax expense	<u>(198,391)</u>	<u>(390,207)</u>
Current income tax expense	(206,243)	(434,333)
Change in the deferred tax assets	<u>7,852</u>	<u>44,126</u>
Income tax expense	<u>(198,391)</u>	<u>(390,207)</u>

	December 31, 2015	December 31, 2014
Deferred income tax asset		
Beginning of the period	<u>134,500</u>	<u>90,374</u>
Change in deferred income tax balances recognized in profit and loss accounts	9,960	44,126
Change in the deferred income tax recognized in other components of comprehensive income	<u>(2,108)</u>	<u>-</u>
End of the period	<u>142,352</u>	<u>134,500</u>

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2015	December 31, 2014
Cash on hand	10,067	3,836
Balances in bank accounts	<u>3,164,202</u>	<u>1,420,956</u>
Total cash and cash equivalents	<u>3,174,269</u>	<u>1,424,792</u>

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10. LOANS TO CUSTOMERS

Loans to customers are issued primarily to customers located within the Republic of Azerbaijan.

	December 31, 2015	December 31, 2014
Loans to customers	17,854,545	17,699,869
Less: Provision for loan impairment	(3,719,400)	(298,878)
Total loans to customers	14,135,145	17,400,991

Movement in the provision for impairment of loans to customers is as follows:

	December 31, 2015	December 31, 2014
Provision at the beginning of the year	298,878	73,756
Additional provisions recognized	3,573,336	225,638
Write-off of loans	(152,814)	(516)
Provision at the end of year	3,719,400	298,878

Customers operate in the following economic sectors:

	December 31, 2015	%	December 31, 2014	%
Loans to customers – agriculture	7,029,471	50%	7,855,529	45%
Loans to customers – trade	4,097,063	29%	5,965,329	34%
Loans to customers – manufacturing	1,711,243	12%	1,046,215	6%
Loans to customers – service	1,293,683	9%	2,529,991	15%
Loans to customers – others	3,685	0%	3,927	0%
Total loans to customers	14,135,145	100%	17,400,991	100%

Information about collateral at December 31, 2015 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - manufacturing	Loans to customers - service	Loans to customers - other	December 31, 2015 Total
Loans collateralized by:						
- jewellery	3,302,998	1,762,989	-	779,158	-	5,845,145
- personal guarantee	3,726,473	2,334,074	1,711,243	514,525	3,685	8,290,000
Total loans to customers	7,029,471	4,097,063	1,711,243	1,293,683	3,685	14,135,145

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Information about collateral at December 31, 2014 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - manufacturing	Loans to customers - service	Loans to customers - other	December 31, 2014 Total
Loans collateralized by:						
- jewellery	2,221,130	1,144,920	408,174	1,152,835	665	4,927,724
- personal guarantee	5,634,399	4,820,409	638,041	1,377,156	3,262	12,473,267
Total loans to customers	7,855,529	5,965,329	1,046,215	2,529,991	3,927	17,400,991

Analysis by credit quality of loans outstanding as at December 31, 2015 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - manufacturing	Loans to customers - service	Loans to customers - other	December 31, 2015 Total
Collectively assessed						
Not past due	4,916,744	2,634,075	1,113,181	808,715	81	9,472,796
Overdue:						
Less than 1 month overdue	1,271,528	951,486	388,356	320,177	183	2,931,730
1 to 3 months overdue	784,842	545,343	251,806	154,369	382	1,736,742
3 to 6 months overdue	870,147	454,186	239,414	202,529	5,398	1,771,674
6 to 12 months overdue	979,336	522,450	217,913	191,295	25,650	1,936,644
Over 12 months overdue	4,959	-	-	-	-	4,959
Total gross collectively assessed loans	8,827,556	5,107,540	2,210,670	1,677,085	31,694	17,854,545
Less: provision for loan impairment	(1,798,085)	(1,010,477)	(499,427)	(383,402)	(28,009)	(3,719,400)
Total loans to customers	7,029,471	4,097,063	1,711,243	1,293,683	3,685	14,135,145

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Analysis by credit quality of loans outstanding as at December 31, 2014 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - manufacturing	Loans to customers - service	Loans to customers - other	December 31, 2014 Total
Collectively assessed						
Not past due	7,905,429	5,972,603	1,045,229	2,533,054	3,547	17,459,862
Overdue:						
Less than 1 month overdue	33,445	63,858	13,162	27,173	420	138,058
1 to 3 months overdue	12,247	13,322	4,240	5,632	-	35,441
3 to 6 months overdue	22,585	25,482	2,259	16,182	-	66,508
Total gross collectively assessed loans	7,973,706	6,075,265	1,064,890	2,582,041	3,967	17,699,869
Less: provision for loan impairment	(118,177)	(109,936)	(18,675)	(52,050)	(40)	(298,878)
Total loans to customers	7,855,529	5,965,329	1,046,215	2,529,991	3,927	17,400,991

As at December 31, 2015 and 2014 all loans (100% of total loans to customers) were granted to individuals operating in the Republic of Azerbaijan, which represents an absolute geographical concentration in one region.

As at December 31, 2015 and 2014, there was no aggregate loan per borrower which individually exceeded 1% of total balance of loans to customers. The Company mainly lends micro and small credits to individuals and individual entrepreneurs.

As at December 31, 2015 and 2014 loans to customers included loans totaling AZN 4,151,303 and AZN 24,497, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

Included in loans to customers AZN 201,992 and AZN 257,800 as at December 31, 2015 and 2014, respectively, represent accrued interest receivable.

As at December 31, 2015 and 2014, a maximum credit risk exposure on loans to customers amounted to AZN 14,135,145 and AZN 17,400,991, respectively.

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11. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Buildings	Vehicles	Computers and equipment	Furniture and fixtures	Other assets	Total
At revalued/initial cost						
January 1, 2014	472,000	209,368	54,629	28,161	51,483	815,641
Additions	-	-	4,730	-	9,663	14,393
Disposals	-	(8,373)	(567)	-	-	(8,940)
December 31, 2014	472,000	200,995	58,792	28,161	61,146	821,094
Revaluation	(13,059)	-	-	-	-	(13,059)
Additions	-	19,350	3,030	-	9,126	31,506
Disposals	-	(6,872)	(3,614)	(836)	(1,565)	(12,887)
December 31, 2015	458,941	213,473	58,208	27,325	68,707	826,654
Accumulated depreciation						
January 1, 2014	-	126,444	44,862	19,404	37,875	228,585
Charge for the year	11,800	36,957	6,689	2,454	6,574	64,474
Eliminated on disposal	-	(8,373)	(567)	-	-	(8,940)
December 31, 2014	11,800	155,028	50,984	21,858	44,449	284,119
Charge for the year	11,800	27,311	5,595	2,354	7,876	54,936
Eliminated on disposal	-	(6,654)	(3,145)	(836)	(1,565)	(12,200)
Eliminated on revaluation	(23,600)	-	-	-	-	(23,600)
December 31, 2015	-	175,685	53,434	23,376	50,760	303,255
Net book value						
December 31, 2015	458,941	37,788	4,774	3,949	17,947	523,399
December 31, 2014	460,200	45,967	7,808	6,303	16,697	536,975
January 1, 2014	472,000	82,924	9,767	8,757	13,608	587,056

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The Company's buildings are represented by premises which were valued by an independent firm of valuers as at December 31, 2015. The valuation, which was performed in accordance with IFRS 13 "Fair Value Measurement", was arrived at by reference to market evidence of transaction prices for similar properties.

As at December 31, 2015 and 2014, included in property and equipment insured in the amount of AZN 458,941 and AZN 460,200, respectively.

As at December 31, 2015 and 2014, no property and equipment were pledged as a security for the borrowings.

As at December 31, 2015 and 2014, included in property and equipment were fully depreciated assets in the amount of AZN 189,112 and AZN 201,767, respectively.

If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be AZN 156,015 as at December 31, 2015 (December 31, 2014: AZN 160,598).

Details of the Company's buildings and information about the fair value hierarchy as at December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Level 2	Fair value	Level 2	Fair value
Buildings	458,941	458,941	460,200	460,200
Total	458,941	458,941	460,200	460,200

12. OTHER ASSETS

Other assets comprise:

	December 31, 2015	December 31, 2014
Other non-financial assets:		
Prepaid taxes	302,885	12,698
Other prepayments	9,215	3,630
Total other assets	312,100	16,328

13. BORROWINGS

Borrowings comprise:

	December 31, 2015	December 31, 2014
Borrowings from local institutions	824,859	813,310
Borrowings from foreign institutions	13,023,302	10,810,236
Total borrowings	13,848,161	11,623,546

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Included in borrowings AZN 236,067 and AZN 173,331 as at December 31, 2015 and 2014, respectively represent accrued interest payable.

The Company is obligated to comply with financial covenants in relation to borrowings from foreign institutions. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. However, the Company failed to comply with the most of the financial covenants set by financial institutions as at December 31, 2015. In accordance with those loan agreements where covenants are breached, provision is made for the borrowings to become due and/or repayable on demand. As at December 31, 2015, the borrowings impacted have been reclassified to being on demand within expected maturity of these financial statements. Subsequent to the reporting period, on March 31, 2016 the Company has signed a non-acceleration agreement with the lenders. In accordance with the terms of this agreement, lenders agreed to provide the Company with the opportunity to cure such covenant breaches and improve financial condition of the Company by not seeking early repayment of the outstanding principal amount till May 31, 2016.

14. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2015	December 31, 2014
Other financial liabilities:		
Accruals for unused vacations	32,597	145,145
Accrued expenses	23,752	-
Total other financial liabilities	56,349	145,145
Total other liabilities	56,349	145,145

15. CHARTER CAPITAL

As at December 31, 2015 and 2014 charter capital consisted of 100 shares with par value of AZN 6,937.74 each. Viator AS (Kingdom of Norway) owns 100% shares of the Company.

16. COMMITMENTS AND CONTINGENCIES

Compliance with requirements of the CBRA

The Company has to comply with rules and requirements set by the CBRA in accordance with the Law on Non-Banking Credit Organizations and other normative acts. The Company was in compliance with the rules and requirements set by the CBRA as at December 31, 2015 and 2014.

Capital commitments

The Company had no material commitments for capital expenditures outstanding as at December 31, 2015 and 2014.

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Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation

Provisions of tax legislation of the Republic of Azerbaijan are sometimes inconsistent and may have more than one interpretation, which allows the tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities.

It should be noted that the tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/ derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Company is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates.

Also according to the clarification of the Constitutional Court of the Republic of Azerbaijan, the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers have obstructed or hindered a tax inspection.

17. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Company; and that have joint control over the Company;
- (b) Associates – enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Company is a venturer;
- (d) Members of key management personnel of the Company or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);

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- (i) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions outstanding as at December 31, 2015 and 2014 with related parties:

	December 31, 2015		
	Normisjon	Viator AS	Key management personnel
Balances:			
Loans to customers	-	-	7,626
Borrowings	382,922	-	-
Other liabilities	-	-	85
Transactions:			
Interest income	-	-	967
Interest expense	23,034	-	-
Non-interest expense	-	-	255,951
Dividends	-	240,633	-

	December 31, 2014		
	Normisjon	Viator AS	Key management personnel
Balances			
Loans to customers	-	-	2,614
Borrowings	213,903	-	40,921
Other liabilities	-	-	34,764
Transactions			
Interest income	-	-	1,217
Interest expense	19,251	-	-
Non-interest expense	-	-	203,310
Dividends	-	221,417	-

18. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company is not subject to capital adequacy monitoring by any regulatory or supervisory body.

The capital structure of the Company consists of share capital, retained earnings and revaluation surplus as disclosed in the statement of changes in equity.

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The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, based on recommendations of the Board, the Company balances its overall capital structure through payment of dividends or new share issues.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

As at December 31, 2015 and 2014 the Company had no financial instruments measured at fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2015	3,174,269	-	-	3,174,269
Loans to customers	December 31, 2015	-	-	14,135,145	14,135,145
Liabilities for which fair values are disclosed					
Borrowings	December 31, 2015	-	-	13,848,161	13,848,161
Other financial liabilities	December 31, 2015	-	-	56,349	56,349

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2014	1,424,792	-	-	1,424,792
Loans to customers	December 31, 2014	-	-	17,400,991	17,400,991
Liabilities for which fair values are disclosed					
Borrowings	December 31, 2014	-	-	11,623,546	11,623,546
Other financial liabilities	December 31, 2014	-	-	145,145	145,145

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Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2015	Fair value 2015	Unrecognized gain/(loss) 2015	Carrying value 2014	Fair value 2014	Unrecognized gain/(loss) 2014
Financial assets						
Cash and cash equivalents	3,174,269	3,174,269	-	1,424,792	1,424,792	-
Loans to customers	14,135,145	14,135,145	-	17,400,991	17,400,991	-
Financial liabilities						
Borrowings	13,848,161	13,848,161	-	11,623,546	11,623,546	-
Other financial liabilities	56,349	56,349	-	145,145	145,145	-
Total unrecognized change in unrealized fair value			-			-

There is not any difference between the carrying amounts and fair values of the Company's financial instruments as the interest rates are at a market rate and have not changed subsequent to the reporting period.

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, without a specific maturity and variable rate financial instruments.

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

20. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Company's banking business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Company recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Company has established a risk management framework,

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whose main purpose is to protect the Company from risk and allow it to achieve its performance objectives. Through the risk management framework, the Company manages the following risks:

Credit risk

The Company is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Maximum exposure

The Company maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral.

	Maximum exposure	Collateralized loans	December 31, 2015 Net exposure after collateral pledged
Loans to customers	14,135,145	14,135,145	-

	Maximum exposure	Collateralized loans	December 31, 2014 Net exposure after collateral pledged
Loans to customers	17,400,991	17,400,991	-

Geographical concentration

The Management exercises control over the risk in the legislation and regulatory area and assesses its influence on the Company's activity. This approach allows the Company to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan. The geographical concentration of assets and liabilities is set out below:

	The Republic of Azerbaijan	Non-OECD countries	OECD countries	December 31, 2015 Total
FINANCIAL ASSETS				
Cash and cash equivalents	3,174,269	-	-	3,174,269
Loans to customers	14,135,145	-	-	14,135,145
TOTAL FINANCIAL ASSETS	17,309,414	-	-	17,309,414
FINANCIAL LIABILITIES				
Borrowings	824,859	-	13,023,302	13,848,161
Other financial liabilities	56,349	-	-	56,349
TOTAL FINANCIAL LIABILITIES	881,208	-	13,023,302	13,904,510
NET POSITION	16,428,206	-	(13,023,302)	3,404,904

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	The Republic of Azerbaijan	Non-OECD countries	OECD countries	December 31, 2014 Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,424,792	-	-	1,424,792
Loans to customers	17,400,991	-	-	17,400,991
TOTAL FINANCIAL ASSETS	18,825,783	-	-	18,825,783
FINANCIAL LIABILITIES				
Borrowings	813,310	-	10,810,236	11,623,546
Other financial liabilities	145,145	-	-	145,145
TOTAL FINANCIAL LIABILITIES	958,455	-	10,810,236	11,768,691
NET POSITION	17,867,328	-	(10,810,236)	7,057,092

Liquidity risk

An analysis of the liquidity and interest rate risks is presented in the following table. The tables have been drawn up to detail:

	Weighted average effective interest rate	Up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	December 31, 2015 Total
FINANCIAL ASSETS						
Loans to customers	29.15%	465,626	2,765,063	5,930,806	4,973,650	14,135,145
Total interest bearing financial assets		465,626	2,765,063	5,930,806	4,973,650	14,135,145
Cash and cash equivalents		3,174,269	-	-	-	3,174,269
Total financial assets		3,639,895	2,765,063	5,930,806	4,973,650	17,309,414
FINANCIAL LIABILITIES						
Borrowings	10.34%	13,027,314	-	320,847	500,000	13,848,161
Total interest bearing financial liabilities		13,027,314	-	320,847	500,000	13,848,161
Other financial liabilities		56,349	-	-	-	56,349
Total financial liabilities		13,083,663	-	320,847	500,000	13,904,510
Liquidity gap		(9,443,768)	2,765,063	5,609,959	4,473,650	
Cumulative liquidity gap		(9,443,768)	(6,678,705)	(1,068,746)	3,404,904	

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As described in Note 13, the Company failed to comply with the most of the financial covenants set by financial institutions as at December 31, 2015. Accordingly the management classified these borrowings as current. The liquidity disclosure for the borrowings would have been as follows if the Company complied with the financial covenants set by the lenders:

	Weighted average effective interest rate	Up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	December 31, 2015 Total
Borrowings	10.34%	236,068	2,964,475	4,753,933	5,893,685	13,848,161
	Weighted average effective interest rate	Up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	December 31, 2014 Total
FINANCIAL ASSETS						
Loans to customers	31.20%	406,048	4,393,749	9,212,441	3,388,753	17,400,991
Total interest bearing financial assets		406,048	4,393,749	9,212,441	3,388,753	17,400,991
Cash and cash equivalents		1,424,792	-	-	-	1,424,792
Total financial assets		1,830,840	4,393,749	9,212,441	3,388,753	18,825,783
FINANCIAL LIABILITIES						
Borrowings	11.72%	303,727	1,889,377	3,153,314	6,277,128	11,623,546
Total interest bearing financial liabilities		303,727	1,889,377	3,153,314	6,277,128	11,623,546
Other financial liabilities		145,145	-	-	-	145,145
Total financial liabilities		448,872	1,889,377	3,153,314	6,277,128	11,768,691
Liquidity gap		1,381,968	2,504,372	6,059,127	(2,888,375)	
Cumulative liquidity gap		1,381,968	3,886,340	9,945,467	7,057,092	

The majority of the Company's interest earning assets and interest bearing liabilities are at fixed rates of interest.

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Company's liquidity and its susceptibility to fluctuations in interest rates and exchange rates.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

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The maturity analysis of financial liabilities at December 31, 2015 is as follows:

	Weighted average effective interest rate	Up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	December 31, 2015 Total
FINANCIAL LIABILITIES						
Borrowings	10.34%	13,027,314	31,385	403,939	605,495	14,068,133
Total interest bearing financial liabilities		13,027,314	31,385	403,939	605,495	14,068,133
Other financial liabilities		56,349	-	-	-	56,349
TOTAL FINANCIAL LIABILITIES		13,083,663	31,385	403,939	605,495	14,124,482

The maturity analysis of financial liabilities at December 31, 2014 is as follows:

	Weighted average effective interest rate	Up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	December 31, 2014 Total
FINANCIAL LIABILITIES						
Borrowings	11.72%	354,884	2,300,820	3,674,112	7,067,877	13,397,693
Total interest bearing financial liabilities		354,884	2,300,820	3,674,112	7,067,877	13,397,693
Other financial liabilities		145,145	-	-	-	145,145
TOTAL FINANCIAL LIABILITIES		500,029	2,300,820	3,674,112	7,067,877	13,542,838

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. The Company measures risk by overseeing and analyzing current fluctuations and changes in the financial markets and the economy as a whole.

Interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

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Impact on (loss)/profit before income tax:

	As at December 31, 2015		As at December 31, 2014	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets:				
Loans to customers	141,351	(141,351)	174,010	(174,010)
Financial liabilities:				
Borrowings	(138,482)	138,482	(116,235)	116,235
Net impact on (loss)/profit before income tax	2,869	(2,869)	57,775	(57,775)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk is presented in the table below:

	AZN	USD	EUR	December 31, 2015 Total
FINANCIAL ASSETS				
Cash and cash equivalents	67,024	3,070,877	36,368	3,174,269
Loans to customers	7,318,657	6,816,488	-	14,135,145
TOTAL FINANCIAL ASSETS	7,385,681	9,887,365	36,368	17,309,414
FINANCIAL LIABILITIES				
Borrowings	1,437,118	11,801,750	609,293	13,848,161
Other financial liabilities	56,349	-	-	56,349
TOTAL FINANCIAL LIABILITIES	1,493,467	11,801,750	609,293	13,904,510
OPEN CURRENCY POSITION	5,892,214	(1,914,385)	(572,925)	3,404,904

	AZN	USD	EUR	December 31, 2014 Total
FINANCIAL ASSETS				
Cash and cash equivalents	490,402	910,375	24,015	1,424,792
Loans to customers	12,283,815	5,117,176	-	17,400,991
TOTAL FINANCIAL ASSETS	12,774,217	6,027,551	24,015	18,825,783
FINANCIAL LIABILITIES				
Borrowings	2,649,703	8,633,488	340,355	11,623,546
Other financial liabilities	145,145	-	-	145,145
TOTAL FINANCIAL LIABILITIES	2,794,848	8,633,488	340,355	11,768,691
OPEN CURRENCY POSITION	9,979,369	(2,605,937)	(316,340)	7,057,092

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Currency risk sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in the USD and EUR against AZN. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at December 31, 2015		As at December 31, 2014	
	AZN/USD +10%	AZN/USD -10%	AZN/USD +10%	AZN/USD -10%
Impact on (loss)/profit before tax	(191,439)	191,439	(260,594)	260,594

	As at December 31, 2015		As at December 31, 2014	
	AZN/EUR +10%	AZN/EUR -10%	AZN/EUR +10%	AZN/EUR -10%
Impact on (loss)/profit before tax	(57,293)	57,293	(31,634)	31,634

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to price risks of its products which are subject to general and specific market fluctuations.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors.

It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

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Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

21. EVENTS AFTER THE REPORTING DATE

On February 3, 2016 the President of the Republic of Azerbaijan signed a decree on the establishment of a public legal entity of the Financial Markets Monitoring Board in the Republic of Azerbaijan and Rufat Jabrayil Aslanli is appointed as the chairman of the Board of Directors of this Board. Hence, "Banks", "Non-Banking Credit Organisations", "Insurance Companies", "Securities markets" will comply with the Financial Markets Monitoring Board.

Subsequent to the reporting period, on March 31, 2016 the Company has signed a non-acceleration agreement with the lenders. In accordance with the terms of this agreement, lenders agreed to provide the Company with the opportunity to cure such covenant breaches and improve financial condition of the Company by not seeking early repayment of the outstanding principal amount till May 31, 2016.