



Nexia EA

**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, 2018**

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, 2018

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, 2018, 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, 2018 were authorized for issue on April 30, 2019 by the Management Board of the Company.

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 30, 2019
Ganja, the Republic of Azerbaijan



Ruslan Garayev
Finance Manager

April 30, 2019
Ganja, the Republic of Azerbaijan



Nexia EA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Non-Banking Credit Organization "Viator Microcredit Azerbaijan" Limited Liability Company:

Opinion

We have audited the financial statements of "Viator Microcredit Azerbaijan" Limited Liability Company as at 31 December 2018, and the statement of profit or loss and other 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.

In our opinion the financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw your attention to Note 3 - Summary of significant accounting policies and Note 19 - Risk management policies. IFRS 9 replaces IAS 39 "Financial Instruments - Recognition and Measurement". On adoption, the Organization has applied the requirement of IFRS 9 retrospectively without restating the comparatives. The difference between previously reported carrying amounts as of 31 December 2017 and new carrying amounts as of 1 January 2018, mainly arising from impairment, has been recognized in opening retained earnings.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

30 April 2019

Baku, Republic of Azerbaijan

Nexia EA



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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT DECEMBER 31, 2018

(in Azerbaijani Manats)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Interest income calculated using the effective interest		1,440,094	1,810,608
Interest expense		(19,564)	(230,456)
Net interest income before provision for impairment losses on interest bearing assets		1,420,530	1,580,152
Provision for impairment losses on interest bearing assets		711,138	(1,189,843)
Net interest income		2,131,668	390,309
Staff costs and related contributions	5	(887,061)	(1,079,464)
General and administrative expenses	6	(367,921)	(533,022)
Foreign exchange gain/(loss)		88	(64,992)
Other income, net		25,780	15,323
Other (loss)/gain		(241,839)	14,100
Income/(Loss) before income tax		660,715	(1,257,746)
Income tax expense	7	(128,906)	(75,122)
Net income/(loss) for the year		531,809	(1,332,868)
Other comprehensive income for the year, net of tax			
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		531,809	(1,332,868)

On behalf of the Management Board:

Aynur Aliyeva
Executive Director



April 30, 2019
Ganja, the Republic of Azerbaijan

Rustam Garayev
Finance Manager

April 30, 2019
Ganja, the Republic of Azerbaijan

The notes on pages 8-36 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, 2018**
(In Azerbaijani Manats)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	8	241,497	75,726
Loans to customers	9	4,050,309	4,404,088
Property and equipment	10	469,321	492,140
Assets held for sale		3,000	
Deferred income tax asset	7	24,588	122,846
Other assets	11	90,051	146,704
TOTAL ASSETS		4,878,766	5,241,504
LIABILITIES AND EQUITY			
LIABILITIES:			
Borrowings	12	3,963,143	4,550,647
Other liabilities	13	12,956	15,324
Total liabilities		3,976,099	4,565,971
EQUITY:			
Charter capital	14	693,774	693,774
Revaluation surplus		179,254	196,432
Retained earnings		29,639	(214,673)
Total equity		902,667	675,533
TOTAL LIABILITIES AND EQUITY		4,878,766	5,241,504

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 30, 2019
Ganja, the Republic of Azerbaijan



Ruslan Garayev
Finance Manager

April 30, 2019
Ganja, the Republic of Azerbaijan

The notes on pages 8-36 form an integral part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Azerbaijani Manats)

	Charter capital	Revaluation surplus	Retained earnings	Total equity
January 1, 2017	693,774	213,610	1,101,017	2,008,401
Net loss for the year	-	-	(1,332,868)	(1,332,868)
Amortization of revaluation surplus	-	(17,178)	17,178	-
December 31, 2017	693,774	196,432	(214,673)	675,533
Impact of adopting IFRS 9 at 1 January 2018	-	-	(304,675)	(304,675)
Restated balance at 1 January 2018	693,774	196,432	(519,348)	370,858
Net profit for the year	-	-	531,809	531,809
Amortization of revaluation surplus	-	(17,178)	17,178	-
December 31, 2018	693,774	179,254	29,639	902,667

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 30, 2019
Ganja, the Republic of Azerbaijan




Ruslan Garayev
Finance Manager

April 30, 2019
Ganja, the Republic of Azerbaijan

The notes on pages 8-36 form an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Azerbaijani Manats)**

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		1,675,373	1,669,906
Interest paid		(24,251)	(241,436)
Loans collected from customers, net		229,590	2,466,275
Payments to employees and suppliers		(1,233,404)	(1,548,521)
Taxes paid		-	(120,772)
Other receipts less other payments		116,622	16,051
Net cash inflow from operating activities		763,930	2,241,503
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property and equipment		(15,430)	(86,450)
Net cash outflow to investing activities		(15,430)	(86,450)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(582,817)	(2,356,317)
Net cash outflow to financing activities		(582,817)	(2,356,317)
Effect of exchange rate changes on cash and cash equivalents		88	(64,993)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		165,771	(266,257)
CASH AND CASH EQUIVALENTS, beginning of the year	8	75,726	341,983
CASH AND CASH EQUIVALENTS, end of the year	8	241,497	75,726

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

April 30, 2019
Ganja, the Republic of Azerbaijan



Ruslan Garayev
Finance Manager

April 30, 2019
Ganja, the Republic of Azerbaijan

The notes on pages 8-36 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, 2018 (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, 2018 and 2017, the Company had 6 branches and the average number of employees was 69 and 87, respectively.

Registered address and place of business

The legal address of the Company is 133 Bashir Safaroglu Street, Baku, the Republic of Azerbaijan and the location of its head office is N. Narimanov Ave., 132, Ganja, the Republic of Azerbaijan.

Operating Environment of the Company

The Company's operations are primarily located in Azerbaijan. Consequently, the Company is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan. In addition, the recent significant depreciation of the Azerbaijani Manat, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Azerbaijani Manats)

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.

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.

IFRS 9 Financial Instruments

As a result of the adoption of IFRS 9, the Organization has adopted consequential amendments to IAS 1 "Presentation of Financial Statements", which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method. Previously, the Organization disclosed this amount in notes to the financial statements. Additionally, the Organization has adopted consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but have not been applied to the comparative information.

IFRS 9 replaces IAS 39 "Financial Instruments – Recognition and Measurement". Comparative periods have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for 2018 under IFRS 9. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018.

a) Classification and valuation

The initial recognition of all financial assets, which are not in accordance with IFRS 9 terms of "payment of principal amount and interest" are classified as at fair value through profit or loss (FVTPL). Under this criterion, instruments such as debts instruments which are not relevant to "lending agreement", such as related conversion options or "call-option" loans, are classified as at (FVTPL). For financial assets that meet the criteria of "payment of principal amount and interest", the classification at the initial recognition of such financial assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Azerbaijani Manats)

are determined by the business model for which these instruments are managed:

- Financial assets held to maturity are measured at amortized cost;
- Financial assets held to maturity and held for sale are measured at fair value through other comprehensive income (FVOCI);
- Financial instruments operated on other basis, including trading financial assets, are measured in fair value through profit or loss (FVTPL).

b) Impairment

Implementation of IFRS 9 has completely changed the accounting treatment of the Organization's impairment loss of financial assets, as the result, IFRS 9 incurred loss model has been replaced with expected credit loss (ECL) approach. Since 1 January 2018, The Organization, together with loan commitments and financial guarantees contracts fair value through the statement of profit or Loss (FVTPL) with all loans that are not measured and other debt financial assets for expected credit loss (ECL) reserves are registered. Impairment on equity instruments is not calculated on IFRS 9.

c) Impact of implementation of IFRS 9

Adoption of IFRS 9 impact to Statement of Financial Position and Retaining earning as at 1 January 2018, also impact of method of calculate for incurred credit loss based on IAS 39 replace with ECL Which based on IFRS 9 shown below.

Based on IAS 39 opening balance as at January 1, 2018 against balances recorded in accordance with IFRS 9 as follow:

Measurement based on IAS 39		Reclassification	Recalculation		IFRS 9	
Category	Amount		ECL	Other	Amount	Category
Financial assets						
Cash and cash equivalents	At amortized cost					At amortized cost
	241,497	-	-	-	241,497	
Loans to customers	At amortized cost					At amortized cost
	4,404,088	-	(304,675)	-	4,099,413	
Retained earnings						
Closing balance for IAS 39 (31 December 2017)						(214,675)
Recognition of IFRS 9 ECL						(304,675)
Recalculated closing balance as of IFRS 9 (January 1, 2018)						(519,348)
Total change in equity for acceptance IFRS 9						(304,675)

The following table represents the cumulative initial loan loss provision as IAS 39 and IAS 37 "Provisions, potential liabilities and potential assets" credit obligations and financial guarantee contracts are reconciled with ECL under IFRS 9.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Azerbaijani Manats)

	IAS 39, as at December 31, 2017/Provision for loan loss on IAS 37	Recalculation	ECL based on IFRS 9 as at January 1, 2018
Impairment method for the followings			
Loans to customers at amortized calculated	(4,502,915)	(304,675)	(4,807,590)
Liabilities and contingent assets	(4,502,915)	(304,675)	(4,807,590)

Basis of measurement

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value - is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Organisation uses market observable data to the extent possible.

If the fair value of an asset or a liability is not directly observable, it is estimated by the Organisation (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Organisation at the end of the reporting period during which the change occurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(In Azerbaijani Manats)

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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Azerbaijani Manats)

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.

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	7.0%
Vehicles	20.0%
Computers and equipment	33.0%
Furniture and fixtures	20.0%
Other assets	25.0%

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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.

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.

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 property's 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.

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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.

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 it operates. The Company's functional currency is AZN.

Financial assets and liabilities denominated in foreign currencies are translated into AZN at the appropriate spot rates of exchange of the CBAR 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 foreign exchange translation gain/(loss) account.

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, 2018	December 31, 2017
USD/AZN	1.7000	1.7001
EUR/AZN	1.9468	2.0307

3. 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.

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.

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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 4,009,203 and AZN 4,502,915 as at December 31, 2018 and 2017, respectively.

Recoverability of deferred tax assets

The carrying value of deferred tax assets amounted to AZN 24,588 and AZN 122,846 as at December 31, 2018 and 2017, 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.

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4. STANDARDS ISSUED BUT NOT YET ADOPTED

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

Standard	Description	Effective date
IFRS 16, 'Leases'	The IASB issued the new standard for accounting for leases in January 2016. (a) The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. (b) Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. (c) Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.	1 January 2019

5. STAFF COSTS AND RELATED CONTRIBUTIONS

Staff costs and related contributions comprise:

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	648,043	797,971
Allowances, incentives and other benefits	102,582	100,143
Compulsory social security obligations	136,436	181,251
Total staff costs and related contributions	887,061	1,079,464

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6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	Year ended December 31, 2018	Year ended December 31, 2017
Security expenses	43,198	40,626
Bank commission	17,678	41,990
Rent expenses	34,025	35,372
Taxes other than income tax expense	5,957	24,926
Office supplies	29,001	43,946
Depreciation	23,946	86,375
Legal and court fees	2,380	67,690
Business trip expenses	16,346	19,952
Professional services and fees	18,260	20,673
Repair and maintenance	5,272	16,077
Transportation expenses	93	105
Utilities	17,876	26,523
Training expenses	425	1,622
Membership fees	6,348	25,760
Communication expenses	12,061	15,978
Institutional development costs	7,306	6,277
Insurance expenses	32,700	18,413
Others	95,049	40,715
Total general and administrative expenses	367,921	533,022

7. INCOME TAX EXPENSE

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, 2018 and 2017 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.

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	Year ended December 31, 2018	Year ended December 31, 2017
Deductible temporary differences:		
Loans to customers	-	3,496,344
Property and equipment	13,390	-
Other assets	111,202	76,520
Borrowings	4,209	-
Total deductible temporary differences	128,801	3,572,864
Taxable temporary differences:		
Property and equipment	-	(54,444)
Borrowings	-	(7,334)
Other liabilities	(5,863)	-
Total taxable temporary differences	(5,863)	(61,778)
Net deductible temporary differences	122,938	3,511,086
Deferred tax asset at the statutory tax rate	24,588	702,217
Deferred tax asset not recognized	-	(579,371)
Net deferred tax asset	24,588	122,846

The effective tax rate reconciliation is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Profit/(Loss) before income tax	660,715	(1,257,746)
Income tax expense/(benefit) at the statutory tax rate 20%	(132,143)	251,549
Tax effect of permanent differences	3,237	(326,671)
Change in deferred tax asset not recognized	-	-
Income tax expense	(128,906)	(75,122)
Current income tax expense	(30,648)	(11,117)
Change in the deferred tax assets	(98,258)	(64,005)
Income tax expense	(128,906)	(75,122)

	December 31, 2018	December 31, 2017
Deferred income tax asset		
Beginning of the period	122,846	186,851
Change in deferred income tax balances recognized in profit and loss accounts	(98,258)	(61,005)
Change in the deferred income tax recognized in other components of comprehensive income	-	-
End of the period	24,588	122,846

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8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2018	December 31, 2017
Cash on hand	3,013	2,851
Balances in bank accounts	238,484	72,875
Total cash and cash equivalents	241,497	75,726

9. LOANS TO CUSTOMERS

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

	December 31, 2018	December 31, 2017
Loans to customers	8,059,512	8,907,003
Less: Allowance for loan impairment	(4,009,203)	(4,502,915)
Total loans to customers	4,050,309	4,404,088

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

	December 31, 2018			December 31, 2017
	Stage 1	Stage 2	Stage 3	Total
Provision for impairment at 1 January	-	13,478	4,794,112	4,807,590
Provision for impairment during the year	-	(5,494)	(792,893)	(798,387)
Provision for impairment at 31 December	-	7,984	4,001,219	4,009,203

Customers operate in the following economic sectors:

	December 31, 2018	%	December 31, 2017	%
Loans to customers – agriculture	2,303,293	57	1,911,953	43
Loans to customers – trade	545,972	13	808,341	19
Loans to customers – others	1,201,044	30	1,683,794	38
Total loans to customers	4,050,309	100	4,404,088	100

Information about collateral at December 31, 2018 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - others	December 31, 2018 Total
Loans collateralized by:				
- jewellery	803,401	177,173	412,520	1,393,094
- personal guarantee	1,499,892	368,799	788,524	2,657,215
Total loans to customers	2,303,293	545,972	1,201,044	4,050,309

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Information about collateral at December 31, 2017 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - others	December 31, 2017 Total
Loans collateralized by:				
- jewellery	577,820	439,796	644,181	1,661,797
- personal guarantee	1,334,133	368,545	1,039,613	2,742,291
Total loans to customers	1,911,953	808,341	1,683,794	4,404,088

Analysis by credit quality of loans outstanding as at December 31, 2018 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - other	December 31, 2018 Total
Collectively assessed				
Not past due	799,952	696,732	1,106,299	2,602,983
Overdue:				
Less than 1 month overdue	15,546	2,635	7,070	25,251
1 to 3 months overdue	531	-	2,005	2,536
3 to 6 months overdue	1,299	1,742	533	3,574
6 to 12 months overdue	3,678	1,776	3,084	8,538
Over 12 months overdue	2,853,419	1,101,192	1,462,019	5,416,630
Total gross collectively assessed loans	3,674,425	1,804,077	2,581,010	8,059,512
Less: provision for loan impairment	(1,371,132)	(1,258,105)	(1,379,966)	(4,009,203)
Total loans to customers	2,303,293	545,972	1,201,044	4,050,309

Analysis by credit quality of loans outstanding as at December 31, 2017 is as follows:

	Loans to customers - agriculture	Loans to customers - trade	Loans to customers - other	December 31, 2017 Total
Collectively assessed				
Not past due	852,962	509,924	979,918	2,342,804
Overdue:				
Less than 1 month overdue	14,824	49	7,474	22,347
1 to 3 months overdue	1,781	652	5,610	8,043
3 to 6 months overdue	11,724	2,446	13,070	27,240
6 to 12 months overdue	53,353	10,714	29,329	93,396
Over 12 months overdue	2,913,562	1,140,107	2,359,504	6,413,173
Total gross collectively assessed loans	3,848,206	1,663,892	3,394,905	8,907,003
Less: provision for loan impairment	(1,936,253)	(855,554)	(1,711,108)	(4,502,915)
Total loans to customers	1,911,953	808,338	1,683,797	4,404,088

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As at December 31, 2018 and 2017 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, 2018 and 2017, 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.

Included in loans to customers AZN 54,539 and AZN 323,778 as at December 31, 2018 and 2017, respectively, represent accrued interest receivable.

As at December 31, 2018 and 2017, a maximum credit risk exposure on loans to customers amounted to AZN 4,050,309 and AZN 4,404,088 respectively.

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10. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Land and buildings	Vehicles	Computers and equipment	Furniture and fixtures	Other assets	Total
At revalued/initial cost						
January 1, 2017	458,941	81,657	57,319	26,470	68,409	692,796
Additions	70,800		5,063	265	10,322	86,450
Disposals	-	(11,907)	(13,557)	(1,309)	(11,050)	(37,823)
December 31, 2017	529,741	69,750	48,825	25,426	67,681	741,423
Additions	18,937	-	150			19,087
Disposals	-	(69,750)	(952)	(240)	(1,440)	(72,382)
December 31, 2018	548,678	-	48,023	25,186	66,241	688,128
Accumulated depreciation						
January 1, 2017	11,505	61,473	56,187	24,778	56,070	210,013
Charge for the year	62,264	9,455	6,197	1,814	6,645	86,375
Eliminated on disposal		(21,187)	(13,559)	(1,309)	(11,050)	(47,105)
December 31, 2017	73,769	49,741	48,825	25,283	51,665	249,283
Charge for the year	14,800	2,049	150	143	6,804	23,946
Eliminated on disposal	-	(51,790)	(952)	(240)	(1,440)	(54,422)
December 31, 2018	88,569	-	48,023	25,186	57,029	218,807
Net book value						
January 1, 2017	447,436	20,184	1,132	1,692	12,339	482,783
December 31, 2017	455,972	20,009	-	143	16,016	492,140
December 31, 2018	460,109	-	-	-	9,212	469,321

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As at December 31, 2018 and 2017, no property and equipment were pledged as a security for the borrowings.

11. OTHER ASSETS

Other assets comprise:

	December 31, 2018	December 31, 2017
Other non-financial assets:		
Prepaid taxes	76,107	140,029
Other prepayments	13,944	6,655
Total other assets	90,051	146,704

12. BORROWINGS

Borrowings comprise:

	December 31, 2018	December 31, 2017
Borrowings from local institutions	-	94,783
Borrowings from foreign institutions	3,963,143	4,455,864
Total borrowings	3,963,143	4,550,647

Included in borrowings AZN 4,209 and AZN 8,896 as at December 31, 2018 and 2017, respectively represent accrued interest payable.

On August 5, 2016, the Company signed the inter-creditor agreement with lenders. In relation to this agreement no creditor will take any enforcement action with respect to any debt from the date of this agreement until all loans have fully been repaid to each creditor. Each creditor agrees to reduce the rate of interest payable in respect of its loan to 5% effective as of August 1, 2016. All borrowed funds had been converted to US dollars at the rate of exchange USD 1.00 = EUR 0.8948 and USD 1.00 = AZN 1.5851, as at August 1, 2016, respectively. The repayment schedules were rescheduled as well. During the restructuring period, the Borrower may obtain new debt or equity financing for its operations from domestic or international sources. From that date three amendments have been signed to the contract. According to first amendment which has been signed June 30, 2017, each creditor agrees to reduce the rate of interest payable from formerly agreed 5% to 2% as of July 1, 2017. According to second amendment which has been signed February 28, 2018, each creditor agrees to waive its right to charge and to receive any interest payable in respect of its loan from March 1, 2018, and up to February 28, 2019. Third amendment which has been signed on June 30, 2018, agreement between parties to adjust repayment dates of principal amount.

13. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2018	December 31, 2017
Other financial liabilities:		
Accruals for unused vacations	2,956	5,324
Accrued expenses	10,000	10,000
Total other liabilities	12,956	15,324

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14. CHARTER CAPITAL

As at December 31, 2018 and 2017 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.

15. COMMITMENTS AND CONTINGENCIES

Compliance with requirements of the FIMSA

The Company has to comply with rules and requirements set by the FIMSA 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 FIMSA as at December 31, 2018 and 2017.

Capital commitments

The Company had no material commitments for capital expenditures outstanding as at December 31, 2018 and 2017.

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.

16. 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

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- 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);
 - (f) 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, 2018 and 2017 with related parties:

	*Normisjon	December 31, 2018 Viator AS	Key management personnel
Balances			
Borrowings	146,869	-	-
Transactions			
Interest expense	553	-	-
Non-interest expense	-	-	(187,841)

	*Normisjon	December 31, 2017 Viator AS	Key management personnel
Balances			
Loans to customers	-	-	3,039
Borrowings	168,350	-	-
Transactions			
Interest income	-	-	974
Interest expense	13,277	-	-
Non-interest expense	-	-	(198,181)

*Normisjon Region East and Normisjon Nordland Eiendom AS are two separate legal entities and affiliated parties of Normisjon network.

17. 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 only requirement of the FIMSA is a minimum amount of share capital of AZN 300,000.

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.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of financial instruments carried at amortized cost:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2018:

	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and cash equivalents	241,497	-	-	241,497
Loans to customers	-	-	4,050,309	4,050,309
TOTAL FINANCIAL ASSETS	241,497	-	4,050,309	4,291,806
FINANCIAL LIABILITIES				
Borrowings	-	-	3,693,143	3,693,143
Other financial liabilities	-	10,000	-	10,000
TOTAL FINANCIAL LIABILITIES	-	10,000	3,693,143	3,703,143

The following analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2017:

	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and cash equivalents	75,726	-	-	75,726
Loans to customers	-	-	4,404,088	4,404,088
TOTAL FINANCIAL ASSETS	75,726	-	4,404,088	4,479,814
FINANCIAL LIABILITIES				
Borrowings	-	-	4,550,647	4,550,647
Other financial liabilities	-	-	15,324	15,324
TOTAL FINANCIAL LIABILITIES	-	-	4,565,971	4,565,971

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For financial assets and financial liabilities that are liquid or having a short-term maturity it is assumed that the carrying amounts approximate to their fair value. All of the Company's financial assets excluding loans to customers and financial liabilities are either liquid or are maturing within three months from the reporting date.

The fair value of loans to customers is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial assets.

19. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Company's 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, 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 takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties giving rise to financial assets.

Expected credit loss (ECL) calculation mechanism is described below and the key elements are:

PD	Probability of default (PD)- is an estimate of the default for a certain amount of time the default was not deducted during the analyzed period and can still occur when include in the portfolio.
EAD	Exposure at Default, regardless of whether the contract is envisaged, return on principal and interest amounts, use of expected loan commitments and including accrued interest on unpaid payment after reporting date consider expected changes in risk size is an estimate of the risk indicators in the default future.
LGD	Loss Given Default. It is valuation of impairment when default occurs. This is based on the difference with the amount payable according to contract with based on the difference between the cash flows expected to be received by the creditor. This is usually referred as the percentage of LCD

In its ECL model, the Company is based on large-scale forecast data such as integrated economic indicators integrated into credit risk component evaluations. Impairment losses and deductions are accounted for separately from the modification losses that are accounted for as adjusted for the total carrying amount of the financial asset and are disclosed.

The Company believes that the credit risk has increased substantially when the credit rating has decreased significantly after initial recognition. Significant deterioration level varies from segment to segment and varies between Stage 2 and Stage 3 levels or within specified limit. The Company also applies Stage 2 class quality method to stimulate a significant increase in credit risk on an asset, such as entering a customer / object into an observer list or keeping an account. There is a rebuttable presumption that credit risk has increased significantly since initial recognition no later than when contractual payments are more than 30 days past due.

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management

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purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

ALLM of Company ECL, significant asset with credit impairment factors and calculates on an individual basis for some assets with significant credit risk increases. The Company calculates ECL to same group of borrowers of other classes assets on the basis of combination of internal and external borrowings.

ECL reserve is based on the lifetime expected credit losses. The Company measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

At the end of each reporting period, the Company has reviewed the risk of default on the remaining life of the financial instrument, as a result the policy of measuring changes on credit risk at initial recognition is implied. Based on the above process, the Company loans are classified as follows:

Stage 1:	If the credit risk has not increased significantly.
Stage 2:	IFRS 9 requires allowances based on 12 month expected losses. If the credit risk has increased significantly.
Stage 3:	If the loan is "credit-impaired".
ALLM:	The initial recognition of impaired financial assets are the acquired loans or loans made. At the initial recognition ALLM assets are registered at fair value and interest rate is recognized after adjusted expected interest rate (EIR). ECL recognizes only after changes on expected credit losses or liquidate.

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.

December 31, 2018			
	Maximum exposure	Collateralized by liquid assets	Net exposure after collateral pledged
Loans to customers	4,050,309	1,393,904	2,656,405
December 31, 2017			
	Maximum exposure	Collateralized by liquid assets	Net exposure after collateral pledged
Loans to customers	4,404,088	1,963,194	2,440,894

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:

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	The Republic of Azerbaijan	OECD countries	December 31, 2018
FINANCIAL ASSETS			
Cash and cash equivalents	241,497	-	241,497
Loans to customer	4,050,309	-	4,050,309
TOTAL FINANCIAL ASSETS	4,291,806	-	4,291,806
FINANCIAL LIABILITIES			
Borrowings	-	3,963,143	3,963,143
Other financial liabilities	10,000	-	10,000
TOTAL FINANCIAL LIABILITIES	10,000	3,963,143	3,973,143
NET POSITION	4,281,806	(3,963,143)	318,663

	The Republic of Azerbaijan	OECD countries	December 31, 2017
FINANCIAL ASSETS			
Cash and cash equivalents	75,726	-	75,726
Loans to customer	4,404,088	-	4,404,088
TOTAL FINANCIAL ASSETS	4,479,814	-	4,479,814
FINANCIAL LIABILITIES			
Borrowings	94,783	4,455,864	4,550,647
Other financial liabilities	15,324	-	15,324
TOTAL FINANCIAL LIABILITIES	110,107	4,455,864	4,565,971
NET POSITION	4,369,707	(4,455,864)	(86,157)

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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 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2018 Total
FINANCIAL ASSETS							
Loans to customers	32.24%	69,300	149,400	1,451,400	2,380,209	-	4,050,309
Total financial interest bearing assets		69,300	149,400	1,451,400	2,380,209	-	4,050,309
Cash and cash equivalents		241,497	-	-	-	-	241,497
Total financial assets		310,797	149,400	1,451,400	2,380,209	-	4,291,806
FINANCIAL LIABILITIES							
Borrowings	0.33%	-	-	3,963,143	-	-	3,963,143
Total interest-bearing financial liabilities		-	-	3,963,143	-	-	3,963,143
Other financial liabilities		10,000	-	-	-	-	10,000
Total financial liabilities		10,000	-	3,963,143	-	-	3,973,143
Liquidity gap		300,797	149,400	(2,511,743)	2,380,209	-	-
Interest sensitivity gap		69,300	149,400	(2,511,743)	2,380,209	-	-
Cumulative interest sensitivity gap		69,300	218,700	(2,293,043)	87,166	87,166	-

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	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2017 Total
FINANCIAL ASSETS							
Loans to customers	31.86%	1,825,707	426,895	1,293,691	857,795	-	4,404,088
Total financial interest bearing assets		1,825,707	426,895	1,293,691	857,795	-	4,404,088
Cash and cash equivalents		75,726	-	-	-	-	75,726
Total financial assets		1,901,433	426,895	1,293,691	857,795	-	4,479,814
FINANCIAL LIABILITIES							
Borrowings	2.55%	144,184	393,326	654,190	2,176,763	1,182,184	4,550,647
Total interest-bearing financial liabilities		144,184	393,326	654,190	2,176,763	1,182,184	4,550,647
Other financial liabilities		15,324	-	-	-	-	15,324
Total financial liabilities		159,508	393,326	654,190	2,176,763	1,182,184	4,565,971
Liquidity gap		1,741,925	33,568	639,502	(1,318,968)	(1,182,184)	
Interest sensitivity gap		1,681,523	33,568	639,502	(1,318,968)	(1,182,184)	
Cumulative interest sensitivity gap		1,681,523	1,715,091	2,354,593	1,035,625	(146,559)	

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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.

Impact on loss before income tax:

	As at December 31, 2018		As at December 31, 2017	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets:				
Loans to customers	40,503	(40,503)	44,040	(44,040)
Financial liabilities:				
Borrowings	(39,631)	39,631	(45,506)	45,506
Net impact on loss before income tax	872	(872)	(1,466)	1,466

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, 2018 Total
FINANCIAL ASSETS				
Cash and cash equivalents	68,014	173,115	368	241,497
Loans to customers	2,964,199	1,086,110	-	4,050,309
TOTAL FINANCIAL ASSETS	3,032,213	1,259,225	368	4,291,806
FINANCIAL LIABILITIES				
Borrowings	-	3,963,143	-	3,963,143
Other financial liabilities	10,000	-	-	10,000
TOTAL FINANCIAL LIABILITIES	10,000	3,963,143	-	3,973,143
OPEN CURRENCY POSITION	3,022,213	(2,703,918)	368	318,663

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The following table details the foreign currency exchange rate risk as at December 31, 2017:

	AZN	USD	EUR	December 31, 2017 Total
FINANCIAL ASSETS				
Cash and cash equivalents	43,933	31,230	563	75,726
Loans to customers	3,512,068	892,020	-	4,404,088
TOTAL FINANCIAL ASSETS	3,556,001	923,250	563	4,479,814
FINANCIAL LIABILITIES				
Borrowings	94,783	4,455,864	-	4,550,647
Other financial liabilities	15,324	-	-	15,324
TOTAL FINANCIAL LIABILITIES	110,107	4,455,864	-	4,565,971
OPEN CURRENCY POSITION	3,445,894	(3,532,614)	563	(86,157)

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, 2018		As at December 31, 2017	
	AZN/USD	AZN/USD	AZN/USD	AZN/USD
	+10%	-10%	+10%	-10%
Impact on loss before tax	(270,392)	270,392	(353,261)	353,261

	As at December 31, 2018		As at December 31, 2017	
	AZN/EUR	AZN/EUR	AZN/EUR	AZN/EUR
	+10%	-10%	+10%	-10%
Impact on loss before tax	37	(37)	56	(56)

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

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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.

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.

20. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after reporting period.

