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

**Financial Statements and
Independent Auditors' Report
For the Year Ended 31 December 2020**

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“VIATOR MICROCREDIT AZERBAIJAN”
LIMITED LIABILITY COMPANY**

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For the Year Ended 31 December 2020

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 31 December 2020, 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:

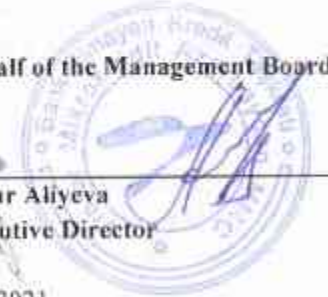
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial 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 31 December 2020 were authorized for issue on 5 April 2021 by the Management Board of the Company.

On behalf of the Management Board:


Aynur Aliyeva
Executive Director

5 April 2021
Ganja, the Republic of Azerbaijan


Ruslan Garayev
Finance Manager

5 April 2021
Ganja, the Republic of Azerbaijan



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 2020, 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 2020, 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.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

5 April 2021

Baku, Republic of Azerbaijan

Nexia



NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2020

(in Azerbaijani Manats)

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest income calculated using the effective interest method		1,697,373	1,319,281
Interest expense		(95,109)	(21,819)
Net interest income before provision for impairment losses on interest bearing assets		1,602,264	1,297,462
(Provision for)/benefit from impairment losses on interest bearing assets		(91,806)	2,015,788
Net interest income		1,510,458	3,313,250
Staff costs and related contributions	5	(946,941)	(892,345)
General and administrative expenses	6	(272,859)	(334,869)
Foreign exchange loss		(1,111)	(986)
Other income, net	7	1,871	1,102,490
Other gain		-	185,985
Income before income tax		291,418	3,373,525
Income tax expense	8	(127,102)	(26,439)
Net income for the year		164,316	3,347,086

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

Ruslan Garayev
Finance Manager

5 April 2021
Ganja, the Republic of Azerbaijan

5 April 2021
Ganja, the Republic of Azerbaijan

The notes on pages 8-35 form an integral part of these financial statements.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(In Azerbaijani Manats)

	Notes	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	9	393,452	1,112,377
Loans to customers	10	5,962,153	5,594,706
Property and equipment	11	382,238	350,639
Assets held for sale		73,800	73,800
Deferred income tax asset	8	-	32,333
Other assets	12	569	98,870
Total assets		6,812,212	7,262,725
Liabilities			
Borrowings	13	2,337,215	3,001,344
Tax payable		26,721	-
Other liabilities	14	17,172	11,628
Deferred tax liability	8	17,035	-
Total liabilities		2,398,143	3,012,972
Equity			
Share capital	15	693,774	693,774
Revaluation surplus		131,976	146,280
Retained earnings		3,588,319	3,409,699
Total equity		4,414,069	4,249,753
Total liabilities and equity		6,812,212	7,262,725

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

Ruslan Garayev
Finance Manager

5 April 2021
Ganja, the Republic of Azerbaijan

5 April 2021
Ganja, the Republic of Azerbaijan

The notes on pages 8-35 form an integral part of these financial statements.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

	Share capital	Revaluation surplus	Retained earnings	Total equity
1 January 2019	693,774	179,254	29,639	902,667
Net profit for the year	-	-	3,347,086	3,347,086
Amortization of revaluation surplus	-	(32,974)	32,974	-
31 December 2019	693,774	146,280	3,409,699	4,249,753
Net profit for the year	-	-	164,316	164,316
Amortization of revaluation surplus	-	(14,304)	14,304	-
31 December 2020	693,774	131,976	3,588,319	4,414,069

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

5 April 2021
Ganja, the Republic of Azerbaijan

Ruslan Garayev
Finance Manager

5 April 2021
Ganja, the Republic of Azerbaijan

The notes on pages 8-35 form an integral part of these financial statements.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from operating activities			
Interest received		1,683,307	1,317,776
Interest paid		(48,474)	(14,786)
Loans collected from customers, net		(445,187)	472,896
Payments to employees and suppliers		(1,118,164)	(1,206,291)
Taxes paid		(5,000)	(30,000)
Other receipts less other payments		7,415	1,105,682
Net cash inflow from operating activities		73,897	1,645,277
Cash flows from investing activities			
Payments for acquisition of property and equipment		(80,947)	(5,170)
Receipts from sales of property and equipment		-	6,674
Net cash (outflow to)/inflow from investing activities		(80,947)	1,504
Cash flows from financing activities			
Repayment of borrowings		(710,764)	(774,915)
Net cash outflow to financing activities		(710,764)	(774,915)
Effect of exchange rate changes on cash and cash equivalents		(1,111)	(986)
Net (decrease)/increase in cash and cash equivalents		(718,925)	870,880
Cash and cash equivalents at the beginning of the year	9	1,112,377	241,497
Cash and cash equivalents at the end of the year	9	393,452	1,112,377

On behalf of the Management Board:

Aynur Aliyeva
Executive Director

5 April 2021
Ganja, the Republic of Azerbaijan

Ruslan Garayev
Finance Manager

5 April 2021
Ganja, the Republic of Azerbaijan

The notes on pages 8-35 form an integral part of these financial statements.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 30 December 2002. The Company is regulated by the Central Bank of the Republic of Azerbaijan ("CBAR") 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 31 December 31 2020 the Company had 5 branches (31 December 2019: 5) and the average number of employees was 62 (2019: 65).

Registered address and place of business

The legal address of the Company is 133 Bashir Safarov 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

Due to rapid spread of COVID-19 pandemic in the early of 2020 many governments, including the Government of the Republic of Azerbaijan have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity.

It is expected that pandemic itself as well as measures for its consequences' minimization may influence the business of the entities in wide range of industries. Since March 2020 significant volatility in stock, currency and commodity markets exists, including decrease in crude oil prices.

In order to prevent the widespread of COVID-19 pandemic, the Government of the Republic of Azerbaijan keeps taking comprehensive measures in all directions. As a response, in March 2020 the President of the Republic of Azerbaijan signed a decree for action plans to minimize the impact of the pandemic. In accordance with this decree, anti-crisis stimulus package of AZN 2,500,000 thousand is being developed to support individuals and various businesses in the country. Also, the CBAR continues its monetary policy to ensure stability of AZN exchange rates.

The Company continues to assess pandemic effect and changing micro- and macroeconomic conditions on its activities, financial position and financial results.

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.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

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.

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.

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 Company 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 Company (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 / 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:

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

- 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 Company 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 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.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

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.

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.

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

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%
Vehicles	20%
Computers and equipment	33%
Furniture and fixtures	20%
Other assets	25%

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

NBCO "VIATOR MICROCREDIT AZERBAIJAN" LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(In Azerbaijani Manats)

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.

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).

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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.

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.

Share capital

Share capital is the amount of capital contributed by the shareholder. The Company may increase or decrease its share 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:

	31 December 2020	31 December 2019
USD/AZN	1.7000	1.7000
EUR/AZN	2.0890	1.9035

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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 measurement of expected credit losses (ECL) reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Estimation of amount and timing of future cash flows and collateral values to determine ECL and assessment of a significant increase in credit risk require judgement. The Company's ECL calculations are outputs of complex models with choice of variable inputs. Elements of the models are considered critical accounting judgements and estimations include:

- The Company's internal credit rating model, which determines PD for the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;

The amount of the allowance for impairment of loans to customers was AZN 2,088,213 and AZN 1,974,998 and as at 31 December 2020 and 2019, respectively.

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 2020, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of Insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

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

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5. STAFF COSTS AND RELATED CONTRIBUTIONS

	For the year ended 31 December 2020	For the year ended 31 December 2019
Wages and salaries	654,963	619,675
Allowances, incentives and other benefits	159,592	151,906
Compulsory social security obligations	132,386	120,764
Total staff costs and related contributions	946,941	892,345

6. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2020	For the year ended 31 December 2019
Security expenses	50,145	35,626
Depreciation	49,348	46,379
Institutional development costs	21,802	12,259
Rent expenses	18,317	21,866
Bank commission	17,870	18,055
Utilities	13,829	15,222
Professional services and fees	12,283	13,840
Communication expenses	10,652	11,065
Office supplies	9,034	18,822
Legal and court fees	2,340	2,840
Business trip expenses	7,758	22,133
Insurance expenses	7,373	13,472
Training expenses	6,767	5,687
Repair and maintenance	5,691	4,210
Taxes other than income tax expense	323	4,954
Others	39,327	88,439
Total general and administrative expenses	272,859	334,869

7. OTHER INCOME

	For the year ended 31 December 2020	For the year ended 31 December 2019
Recovery of written off loans	-	1,103,630
Other income/(expense)	1,871	(1,140)
Total other income	1,871	1,102,490

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8. 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 31 December 2020 and 2019 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.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Income tax expense	77,734	34,184
Deferred tax expense/(benefit)	49,368	(7,745)
Total income tax expense	127,102	26,439

The effective tax rate reconciliation is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit before income tax	291,418	3,373,525
Income tax expense at the statutory tax rate 20%	58,284	674,705
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-taxable income	-	(648,266)
Non-deductible expenses	68,818	-
Profit tax expense for the year	127,102	26,439

	31 December 2019	(Charged)/credited to profit and loss	31 December 2020
Tax effect of deductible temporary differences			
Loans to customers	18,891	10,173	29,064
Property and equipment	5,375	(5,707)	(332)
Other assets	11,896	(14)	11,882
Borrowings	(1,003)	(26,659)	(27,662)
Other liabilities	(2,826)	6,934	4,108
Revaluation surplus	-	(34,095)	(34,095)
Net deferred income tax asset	32,333	(49,368)	(17,035)

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9. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	3,325	5,430
Balances in bank accounts	390,127	1,106,947
Total cash and cash equivalents	393,452	1,112,377

10. LOANS TO CUSTOMERS

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

	31 December 2020	31 December 2019
Loans to customers:		
Agricultural sector	1,281,140	1,532,498
Trade sector	1,551,778	1,123,575
Service sector	3,129,498	2,794,683
Other sectors	2,154,361	2,250,841
Gross value of loans to customers	8,116,777	7,701,597
Less: Allowance for loan impairment	(2,088,213)	(1,974,998)
Net value of loans to customer	6,028,564	5,726,599
Deferred commission fee	(66,411)	(131,893)
Total loans to customers	5,962,153	5,594,706

Analysis of changes in gross carrying value and corresponding ECL in relation to agricultural sector loans during the year ended 31 December 2020 is as follows:

Gross carrying value – agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	358,247	8,813	1,165,438	1,532,498
New assets originated or purchased	199,150	-	-	199,150
Change in accrued interest	1,995	692	(252)	2,435
Assets repaid	(360,944)	(11,686)	(43,452)	(416,082)
Transfers to Stage 1	80,706	(34,196)	(46,510)	-
Transfers to Stage 2	(56,156)	65,944	(9,788)	-
Transfers to Stage 3	(74,651)	(15,875)	90,526	-
Amounts written off	-	-	(36,861)	(36,861)
31 December 2020	148,347	13,692	1,119,101	1,281,140
Expected credit loss– agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(31,529)	(1,987)	(719,904)	(753,420)
New assets originated or purchased	(746)	-	-	(746)
Change in accrued interest	(3)	(39)	(4)	(46)
Unwinding of discount	(841)	(229)	(1,602)	(2,672)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(79)	24	55	-
Transfers to Stage 2	4,559	(7,326)	2,767	-
Transfers to Stage 3	4,386	6,649	(11,035)	-
Net remeasurement of ECL	23,546	(1,154)	(123,249)	(100,857)
Amounts written off	-	-	10,093	10,093
31 December 2020	(202)	(2,986)	(817,760)	(820,948)

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Analysis of changes in gross carrying value and corresponding ECL in relation to other sectors loans during the year ended 31 December 2020 is as follows:

Gross carrying value – other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2020	1,093,574	1,081,588	75,679	2,250,841
New assets originated or purchased	1,766,300	-	-	1,766,300
Change in accrued interest	11,268	3,866	586	15,720
Assets repaid	(1,717,956)	(116,664)	(31,058)	(1,865,678)
Transfers to Stage 1	236,111	(213,838)	(22,273)	-
Transfers to Stage 2	(335,255)	620,920	(285,665)	-
Transfers to Stage 3	(33,193)	(689,641)	722,834	-
Amounts written off	-	-	(12,822)	(12,822)
31 December 2020	1,020,849	686,231	447,281	2,154,361

Expected credit loss – other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(96,078)	(326,405)	(42,484)	(464,967)
New assets originated or purchased	(1,138)	-	-	(1,138)
Change in accrued interest	(15)	(1,514)	(656)	(2,185)
Unwinding of discount	(2,216)	(4,669)	(1,869)	(8,754)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(114)	114	-	-
Transfers to Stage 2	3,046	(8,428)	5,382	-
Transfers to Stage 3	51	15,171	(15,222)	-
Net remeasurement of ECL	94,366	(33,181)	(261,242)	(200,057)
Amounts written off	-	-	974	974
31 December 2020	(1,593)	(357,836)	(289,998)	(649,427)

Analysis of changes in gross carrying value and corresponding ECL in relation to agricultural sector loans during the year ended 31 December 2019 is as follows:

Gross carrying value – agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	802,062	22,392	2,849,971	3,674,425
New assets originated or purchased	461,450	-	-	461,450
Assets repaid	(815,285)	(15,521)	(1,140,098)	(1,970,904)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(9,398)	9,398	-	-
Transfers to Stage 3	(81,800)	(7,456)	89,256	-
Recoveries	1,218	-	87,554	88,772
Amounts written off	-	-	(87,512)	(87,512)
Amounts restructured as other loans	-	-	(633,733)	(633,733)
31 December 2019	358,247	8,813	1,165,438	1,532,498

Expected credit loss – agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	-	(8,095)	(2,107,210)	(2,115,305)
New assets originated or purchased	(30,104)	-	-	(30,104)
Assets repaid	-	4,862	994,548	999,410
Net recalculation of loss reserve	(3,175)	(404)	(98,534)	(102,113)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	1,028	(1,028)	-	-
Transfers to Stage 3	722	2,678	(3,400)	-
Recoveries	-	-	(54,964)	(54,964)
Amounts written off	-	-	87,512	87,512
Amounts restructured as other loans	-	-	462,144	462,144
31 December 2019	(31,529)	(1,987)	(719,904)	(753,420)

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Analysis of changes in gross carrying value and corresponding ECL in relation to trade sector loans during the year ended 31 December 2019 is as follows:

Gross carrying value – trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	698,385	6,152	1,099,540	1,804,077
New assets originated or purchased	898,800	-	-	898,800
Assets repaid	(813,731)	(6,261)	(575,265)	(1,395,257)
Transfers to Stage 1	10,078	-	(10,078)	-
Transfers to Stage 2	-	7,447	(7,447)	-
Transfers to Stage 3	(484)	-	484	-
Recoveries	5,894	-	24,944	30,838
Amounts written off	-	-	(23,505)	(23,505)
Amounts restructured as other loans	-	-	(191,378)	(191,378)
31 December 2019	798,942	7,338	317,295	1,123,575

Expected credit loss – trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	-	(1,775)	(751,909)	(753,684)
New assets originated or purchased	(70,793)	-	-	(70,793)
Assets repaid	-	1,775	397,277	399,052
Net recalculation of loss reserve	(2,425)	-	(26,379)	(28,804)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	(2,230)	2,230	-
Transfers to Stage 3	-	-	-	-
Recoveries	(283)	-	(14,283)	(14,566)
Amounts written off	-	-	23,505	23,505
Amounts restructured as other loans	-	-	191,055	191,055
31 December 2019	(73,501)	(2,230)	(178,504)	(254,235)

Analysis of changes in gross carrying value and corresponding ECL in relation to service sector loans during the year ended 31 December 2019 is as follows:

Gross carrying value – service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	938,070	11,213	1,252,429	2,201,712
New assets originated or purchased	2,557,250	-	-	2,557,250
Assets repaid	(1,416,945)	(19,950)	(605,691)	(2,042,586)
Transfers to Stage 1	21,045	-	(21,045)	-
Transfers to Stage 2	-	190,281	(190,281)	-
Transfers to Stage 3	-	-	-	-
Recoveries	10,390	57,067	35,412	102,869
Amounts written off	-	-	(24,562)	(24,562)
31 December 2019	2,109,810	238,611	446,262	2,794,683

Expected credit loss – service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2019	-	(1,297)	(984,858)	(986,155)
New assets originated or purchased	(163,766)	-	-	(163,766)
Assets repaid	1,047	1,297	477,135	479,479
Net recalculation of loss reserve	(1,813)	-	165,955	164,142
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	(72,025)	72,025	-
Transfers to Stage 3	-	-	-	-
Recoveries	(124)	-	(20,514)	(20,638)
Amounts written off	-	-	24,562	24,562
31 December 2019	(164,656)	(72,025)	(265,695)	(502,376)

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Analysis of changes in gross carrying value and corresponding ECL in relation to other sectors loans during the year ended 31 December 2019 is as follows:

Gross carrying value – other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2019	168,128	1,479	270,093	439,700
New assets originated or purchased	1,425,850	-	-	1,425,850
Assets repaid	(508,018)	(33,495)	(79,784)	(621,297)
Transfers to Stage 1	7,127	-	(7,127)	-
Transfers to Stage 2	-	917,233	(917,233)	-
Transfers to Stage 3	-	(425)	425	-
Recoveries	487	196,796	659	197,942
Amounts written off	-	-	(16,465)	(16,465)
Amounts restructured (agricultural sector)	-	-	633,733	633,733
Amounts restructured (trade sector)	-	-	191,378	191,378
31 December 2019	1,093,574	1,081,588	75,679	2,250,841

Expected credit loss – other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2019	-	(533)	(153,526)	(154,059)
New assets originated or purchased	(96,515)	-	-	(96,515)
Assets repaid	799	350	69,094	70,243
Net recalculation of loss reserve	(362)	-	369,340	368,978
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	(326,422)	326,422	-
Transfers to Stage 3	-	200	(200)	-
Recoveries	-	-	(415)	(415)
Amounts written off	-	-	-	-
Amounts restructured (agricultural sector)	-	-	(462,144)	(462,144)
Amounts restructured (trade sector)	-	-	(191,055)	(191,055)
31 December 2019	(96,078)	(326,405)	(42,484)	(464,967)

On 28 February 2019, the President of the Republic of Azerbaijan signed a decree "On the additional measures to solve defaulted loans of individuals in the Republic of Azerbaijan" ("the Decree"). According to the Decree the increase in loan balances denominated in foreign currency resulted from devaluation of the national currency with total exposure up to USD 10,000 in all banks have been compensated by the government. During 2019 the Company received compensation as a result of above decree in the amount of AZN 2,911,886.

As a result of decree, company has improved quality of its non-performing loan portfolio and that resulted in recovery of provision for the year.

As a result of decree company has recovered written of loans in the amount of AZN 1,103,630, which is disclosed under Note 7 Other Income.

As at 31 December 2020 and 2019 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 31 December 2020 and 2019, 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 70,110 and AZN 56,044 as at 31 December 2020 and 2019, respectively, represent accrued interest receivable.

As at 31 December 2020 and 2019, a maximum credit risk exposure on loans to customers amounted to AZN 5,962,153 and AZN 5,594,706 respectively.

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11. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Land and buildings	Vehicles	Computers and equipment	Furniture and fixtures	Other assets	Total
1 January 2019	548,678	-	48,023	25,186	66,241	688,128
Additions	-	-	-	-	5,170	5,170
Disposals	(6,616)	-	(3,018)	(2,336)	(7,652)	(19,622)
Reclassification as assets held for sale	(70,800)	-	-	-	-	(70,800)
31 December 2019	471,262	-	45,005	22,850	63,759	602,876
Additions	-	78,000	2,947	-	-	80,947
Disposals	-	-	-	(224)	-	(224)
31 December 2020	471,262	78,000	47,952	22,626	63,759	683,599

Accumulated depreciation

1 January 2019	(88,569)	-	(48,023)	(25,186)	(57,029)	(218,807)
Charge for the year	(41,748)	-	-	-	(4,631)	(46,379)
Eliminated on disposal	-	-	3,018	2,336	7,595	12,949
31 December 2019	(130,317)	-	(45,005)	(22,850)	(54,065)	(252,237)
Charge for the year	(33,166)	(11,236)	(807)	-	(4,139)	(49,348)
Eliminated on disposal	-	-	-	224	-	224
31 December 2020	(163,483)	(11,236)	(45,812)	(22,626)	(58,204)	(301,361)

Net book value

1 January 2019	460,109	-	-	-	9,212	469,321
31 December 2019	340,945	-	-	-	9,694	350,639
31 December 2020	307,779	66,764	2,140	-	5,555	382,238

As at 31 December 2020 and 2019, no property and equipment were pledged as a security for the borrowings.

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12. OTHER ASSETS

	31 December 2020	31 December 2019
Prepaid taxes	-	57,694
Other prepayments	569	41,176
Total other assets	569	98,870

13. BORROWINGS

	31 December 2020	31 December 2019
Borrowings from local institutions	780,451	729,045
Borrowings from foreign institutions	1,556,764	2,272,299
Total borrowings	2,337,215	3,001,344

Included in borrowings AZN 6,471 and AZN 11,242 as at 31 December 2020 and 2019, respectively represent accrued interest payable.

On 5 August 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 agreed to reduce the rate of interest payable in respect of its loan to 5% effective as of 1 August 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 1 August 2016, respectively and repayment schedules were rescheduled. 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 30 June 2017, each creditor agrees to reduce the rate of interest payable from formerly agreed 5% to 2% as of 1 July 2017. According to second amendment which has been signed 28 February 2018, each creditor agrees to waive its right to charge and to receive any interest payable in respect of its loan from 1 March 2018, and up to 28 February 2019. Third amendment which has been signed on 30 June 2018, agreement between parties to adjust repayment dates of principal amount.

Borrowings from local institutions represent loan from CBAR. On 1 August 2019, according to decree signed by President of the Republic of Azerbaijan on 28 February 2019, agreement has been signed between the Company and CBAR. According to the agreement CBAR have provided loan to the company with 0.1% interest rate and for 5 years under the state guarantee in order to restructure loans to individuals with overdue days more than 360 as at the date of the Decree and issued starting 1 January 2012 till the date of the Decree with exposure of up to USD 10,000 or AZN 17,000. CBAR granted the loan to the Company on 29 December 2019 amounted AZN 922,962. Loan has been recognized on balance sheet based on amortized cost method using inter-bank market rate for loans with 5 years maturity which is 7.18%.

14. OTHER LIABILITIES

	31 December 2020	31 December 2019
Accruals for unused vacations	3,762	1,510
Accrued expenses	12,000	10,000
Payables to SSPF	-	118
Other liabilities	1,410	-
Total other liabilities	17,172	11,628

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15. SHARE CAPITAL

As at 31 December 2020 and 2019 share 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 CBAR

The Company has to comply with rules and requirements set by the CBAR 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 CBAR as at 31 December 2020 and 2019.

Capital commitments

The Company had no material commitments for capital expenditures outstanding as at 31 December 2020 and 2019.

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 favour 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.

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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 venture;
- (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 balances outstanding as at 31 December 2020 and 2019 with related parties:

Notes	31 December 2020		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Borrowings		2,337,215		3,001,344
- Normisjion*	58,639		80,396	
Loans to customers		5,962,153		5,594,706
- Key management personnel	11,986		9,538	

Company had the following transactions for the 31 December 2020 and 31 December 2019 with related parties:

Notes	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		1,697,353		1,319,281
- Key management personnel	1,940		974	
Interest expense		95,109		21,819
- Normisjion*	1,722		938	
Staff costs and related contributions		946,941		892,345
- Key management personnel	222,985		211,106	

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

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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 2019:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	1,106,947	-	-	1,106,947
Loans to customers	-	-	5,594,706	5,594,706
Total financial assets	1,106,947	-	5,594,706	6,701,653
Financial liabilities				
Borrowings	-	-	3,001,344	3,001,344
Other financial liabilities	-	10,000	-	10,000
Total financial liabilities	-	10,000	3,001,344	3,011,344

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.

20. 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 analysed 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

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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 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.

31 December 2020			
	Maximum exposure	Collateralized by liquid assets	Net exposure after collateral pledged
Loans to customers	5,962,153	4,928,358	1,033,795
31 December 2019			
	Maximum exposure	Collateralized by liquid assets	Net exposure after collateral pledged
Loans to customers	5,594,706	3,305,020	2,289,686

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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	OECD countries	31 December 2020
Financial assets			
Cash and cash equivalents	390,127	-	390,127
Loans to customers	5,962,153	-	5,962,153
Total financial assets	6,352,280	-	6,352,280
Financial liabilities			
Borrowings	780,451	1,556,764	2,337,215
Other financial liabilities	12,000	-	12,000
Total financial liabilities	792,451	1,556,764	2,349,215
Net position	5,559,829	(1,556,764)	4,003,065

	The Republic of Azerbaijan	OECD countries	31 December 2019
Financial assets			
Cash and cash equivalents	1,106,947	-	1,106,947
Loans to customers	5,594,706	-	5,594,706
Total financial assets	6,701,653	-	6,701,653
Financial liabilities			
Borrowings	729,045	2,272,299	3,001,344
Other financial liabilities	10,000	-	10,000
Total financial liabilities	739,045	2,272,299	3,011,344
Net position	5,962,608	(2,272,299)	3,690,309

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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	31 December 2020 Total
Financial assets							
Loans to customers	25.32%	1,085,677	1,014,459	2,270,001	1,589,432	2,584	5,962,153
Total interest-bearing financial assets		1,085,677	1,014,459	2,270,001	1,589,432	2,584	5,962,153
Cash and cash equivalents		390,127	-	-	-	-	390,127
Total financial assets		1,475,804	1,014,459	2,270,001	1,589,432	2,584	6,352,280
Financial liabilities							
Borrowings	1.29%	-	66,471	180,000	2,090,744	-	2,337,215
Total interest-bearing financial liabilities		-	66,471	180,000	2,090,744	-	2,337,215
Other financial liabilities		6,000	6,000	-	-	-	12,000
Total financial liabilities		6,000	72,471	180,000	2,090,744	-	2,349,215
Liquidity gap		1,469,804	941,988	2,090,001	(501,312)	2,584	
Interest sensitivity gap		1,085,677	947,988	2,090,001	(501,312)	2,584	
Cumulative interest sensitivity gap		1,085,677	2,033,665	4,123,666	3,622,354	3,624,938	

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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	31 December 2019 Total
Financial assets							
Loans to customers	32.57%	443,899	832,877	1,547,355	2,770,575	-	5,594,706
Total interest-bearing financial assets		443,899	832,877	1,547,355	2,770,575	-	5,594,706
Cash and cash equivalents		1,106,947	-	-	-	-	1,106,947
Total financial assets		1,550,846	832,877	1,547,355	2,770,575	-	6,701,653
Financial liabilities							
Borrowings	1.41%	13,869	121,689	701,768	2,164,018	-	3,001,344
Total interest-bearing financial liabilities		13,869	121,689	701,768	2,164,018	-	3,001,344
Other financial liabilities		-	10,000	-	-	-	10,000
Total financial liabilities		13,869	131,689	701,768	2,164,018	-	3,011,344
Liquidity gap		1,536,977	701,188	845,587	606,557	-	
Interest sensitivity gap		430,030	711,188	845,587	606,557	-	
Cumulative interest sensitivity gap		430,030	1,141,218	1,986,805	2,593,362	2,593,362	

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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 analysing 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:

	31 December 2020		31 December 2019	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets:				
Loans to customers	59,622	(59,622)	55,947	(55,947)
Financial liabilities:				
Borrowings	(23,372)	23,372	(30,013)	30,013
Net impact on loss before income tax	36,250	(36,250)	25,934	(25,934)

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	31 December 2020 Total
Financial assets				
Cash and cash equivalents	338,648	50,828	651	390,127
Loans to customers	5,631,344	330,809	-	5,962,153
Total financial assets	5,969,992	381,637	651	6,352,280
Financial liabilities				
Borrowings	780,451	1,556,764	-	2,337,215
Other financial liabilities	12,000	-	-	12,000
Total financial liabilities	792,451	1,556,764	0	2,349,215
Open currency position	5,177,541	(1,175,127)	651	4,003,065
	AZN	USD	EUR	31 December 2019 Total
Financial assets				
Cash and cash equivalents	1,002,779	103,809	359	1,106,947
Loans to customers	5,121,914	472,792	-	5,594,706
Total financial assets	6,124,693	576,601	359	6,701,653
Financial liabilities				
Borrowings	729,045	2,272,299	-	3,001,344
Other financial liabilities	10,000	-	-	10,000
Total financial liabilities	739,045	2,272,299	-	3,011,344
Open currency position	5,385,648	(1,695,698)	359	3,690,309

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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.

	31 December 2020		31 December 2019	
	AZN/USD +10%	AZN/USD -10%	AZN/USD +10%	AZN/USD -10%
Impact on loss before tax	(117,513)	117,513	(169,570)	169,570

	31 December 2020		31 December 2019	
	AZN/EUR +10%	AZN/EUR -10%	AZN/EUR +10%	AZN/EUR -10%
Impact on loss before tax	65	(65)	36	(36)

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.

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 PERIOD

No significant events have occurred after the reporting period.