

**First Factoring Company
Universal Credit Organization CJSC**

**Financial Statements
for the year ended 31 December 2017**

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Independent Auditors' Report

To the Board of Directors First Factoring Company Universal Credit Organization CJSC

Opinion

We have audited the financial statements of First Factoring Company Universal Credit Organization CJSC (the "Organization"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, 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.

Other Matter

The financial statements of the Organization as at and for the five-month period ended 31 December 2016 were audited by other auditor who expressed an unmodified opinion on those financial statements on 26 June 2017.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

The engagement partner on the audit resulting in this independent auditors' report is:


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

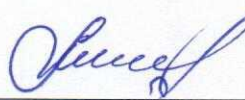

KPMG Armenia cjsc
28 June 2018



First Factoring Company Universal Credit Organization CJSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

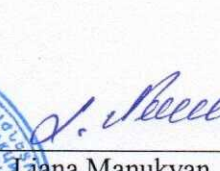
	Notes	2017 AMD'000	For the period from 2 August 2016 (date of incorporation) to 31 December 2016 AMD'000
Interest income	4	213,436	1,125
Interest expense	4	(24,624)	-
Net interest income		188,812	1,125
Fee and commission expense		(1,735)	(5)
Net foreign exchange (loss)/gain		(244)	6,314
Operating income		186,833	7,434
Personnel expenses		(50,904)	(16,502)
Other general administrative expenses		(11,503)	(3,137)
Profit/(loss) before income tax		124,426	(12,205)
Income tax (expense)/benefit	5	(2,926)	390
Profit/(loss) for the year/period		121,500	(11,815)
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Exchange differences on translation		30,478	-
Other comprehensive income for the year/period, net of income tax		30,478	-
Total comprehensive income for the year/period		151,978	(11,815)

The financial statements as set out on pages 5 to 33 were approved by management on 28 June 2018 and were signed on its behalf by:



 Lilit Gharajyan
 Chief Executive Director





 Liana Manukyan
 Chief Accountant

First Factoring Company Universal Credit Organization CJSC
Statement of Financial Position as at 31 December 2017

	Notes	31 December 2017 AMD'000	31 December 2016 AMD'000
ASSETS			
Cash and cash equivalents		128,428	227,544
Receivables from factoring	6	3,491,199	-
Property, equipment and intangible assets		5,558	6,877
Deferred tax assets		7,937	390
Total assets		3,633,122	234,811
LIABILITIES			
Loans and borrowings	7	2,615,864	2,456
Current tax liability		22,677	-
Other liabilities		11,246	4,170
Total liabilities		2,649,787	6,626
EQUITY			
Share capital	8	240,000	240,000
Additional paid-in capital		603,172	-
Foreign currency translation reserve		30,478	-
Retained earnings		109,685	(11,815)
Total equity		983,335	228,185
Total liabilities and equity		3,633,122	234,811

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

First Factoring Company Universal Credit Organization CJSC
Statement of Cash Flows for the year ended 31 December 2017

	2017 AMD'000	For the period from 2 August 2016 (date of incorporation) to 31 December 2016 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	70,882	1,125
Fee and commission payments	(1,735)	-
Payments to employees	(46,071)	(14,256)
Other general administrative expenses payments	(6,684)	(1,373)
Increase in operating assets		
Receivables from factoring	(3,285,297)	-
Decrease in operating liabilities		
Other liabilities	(775)	(951)
Net cash provided from operating activities before income tax paid	(3,269,680)	(15,455)
Income tax paid	-	-
Cash flows used in operations	(3,269,680)	(15,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(500)	(7,143)
Cash flows used in investing activities	(500)	(7,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	240,000
Receipts of other borrowed funds	3,151,300	2,456
Cash flows from financing activities	3,151,300	242,456
Net (decrease) / increase in cash and cash equivalents	(118,880)	219,858
Effect of changes in exchange rates on cash and cash equivalents	19,764	7,686
Cash and cash equivalents as at the beginning of the year / period	227,544	-
Cash and cash equivalents as at the end of the year / period	128,428	227,544

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

First Factoring Company Universal Credit Organization CJSC
Statement of Changes in Equity for the year ended 31 December 2017

AMD'000	Attributable to equity holders of the Organization				
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at 2 August 2016 (date of incorporation)	240,000	-	-	-	240,000
Total comprehensive income					
Loss and total comprehensive income for the period	-	-	-	(11,815)	(11,815)
Balance as at 31 December 2016	240,000	-	-	(11,815)	228,185
Balance as at 1 January 2017	240,000	-	-	(11,815)	228,185
Total comprehensive income					
Profit for the year	-	-	-	121,500	121,500
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Exchange differences on translation	-	-	30,478	-	30,478
Total other comprehensive income	-	-	30,478	-	30,478
Total comprehensive income for the year	-	-	30,478	121,500	151,978
Transactions with owners, recorded directly in equity					
Contributions and distributions					
Initial discount on low interest loans from other related parties net of taxes (note 8(d))	-	603,172	-	-	603,172
Total transactions with owners	-	603,172	-	-	603,172
Balance as at 31 December 2017	240,000	603,172	30,478	109,685	983,335

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organization and operations

First Factoring Company Universal Credit Organization CJSC (the Organization) was established on 2 August 2016. The principal activity of the Organization is the provision of factoring services exclusively to non-resident legal entities. The activities of the Organization are regulated by the Central Bank of Armenia (the CBA). The Organization has a credit organization license.

The Organization's registered office is 69 Teryan Street, Yerevan 0009, Republic of Armenia.

Based on the changes in the "Law on Profit Tax" of the Republic of Armenia and export program approved by the Government of Armenia on 2 July 2015, the Organization is subject to profit tax rate of 2%.

The Organization is owned by Avsholum Yunaev (98%) and Armholding CJSC (2%). The ultimate controlling party is Avsholum Yunaev. Related party transactions are detailed in note 12.

(b) Business environment

The Organization is located in Armenia and its operations are conducted primarily in Russian Federation. Consequently, the Organization is exposed to the economic and financial markets of Armenia and Russian Federation 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 Armenia and Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Organization is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

For the purposes of these financial statements, management elected to use the Armenian Dram (AMD) as the presentation currency.

In translating to the AMD, assets and liabilities that are included in the statement of financial position are translated at the foreign exchange rate ruling at the reporting date. All income and expense and equity items are translated at a rates at the dates of the transactions. The resulting exchange difference is recorded in the foreign currency translation reserve.

Financial information presented in AMD is rounded to the nearest thousand.

Any conversion of RUB amounts to AMD should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into AMD at the exchange rate shown, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the note 6 – impairment estimates of receivables from factorings.

(e) Changes in accounting policies and presentation

The Organization has adopted the following amendments to standards with a date of initial application of 1 January 2017:

- *Disclosure Initiative (Amendments to IAS 7)*. IAS 7 *Statement of Cash Flows* has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways.
- *Recognition of Deferred Tax Asset for Unrealised Losses (Amendments to IAS 12)*. The amendments to IAS 12 *Income Taxes* clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. The amendments show that the entity can recognise a deferred tax asset if the future bottom line of its tax return is expected to be a loss if certain conditions are met.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Organization.

(a) Foreign currency

Transactions in foreign currencies are translated to the RUB at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Cash and cash equivalents

Cash and cash equivalents include bank accounts. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Organization may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Organization has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Organization:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Organization has the positive intention and ability to hold to maturity, other than those that:

- the Organization upon initial recognition designates as at fair value through profit or loss
- the Organization designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Organization becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(v) Fair value measurement principles

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

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

When there is no quoted price in an active market, the Organization uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Organization determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Organization measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Organization recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) *Derecognition*

The Organization derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Organization neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organization is recognised as a separate asset or liability in the Statement of financial position. The Organization derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Organization enters into transactions whereby it transfers assets recognised on its Statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Organization neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost. In transfers where control over the asset is retained, the Organization continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Organization writes off assets deemed to be uncollectible.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Organization currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Impairment

The Organization assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Organization determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Organization would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the Organization, or economic conditions that correlate with defaults in the group.

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Organization reviews its loans and receivables to assess impairment on a regular basis.

The Organization first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Organization determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data related to similar borrowers. In such cases, the Organization uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan or receivable is uncollectable, it is written off against the related allowance for impairment.

The Organization writes off a balance (and any related allowances for loans and receivables losses) when management determines that the balances are uncollectible and when all necessary steps to collect the balances are completed.

(ii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(e) Provisions

A provision is recognised in the statement of financial position when the Organization has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(f) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Organization's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iii) Dividends

The ability of the Organization to declare and pay dividends is subject to the rules and regulations of the legislation of the Republic of Armenia.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(g) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences on the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for Organization. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(h) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(i) Comparative information

Comparative information is reclassified to conform to changes in presentation in the current year.

(j) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Organization plans to adopt these pronouncements when they become effective.

(a) IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Organization will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. A financial asset is classified into one of these categories on initial recognition.

The Organization has estimated that, on the adoption of IFRS 9 at 1 January 2018 these changes would not have material impact on the Organization's equity.

Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortized cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly

since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL. Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the PD x LGD x EAD approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Organization's equity at 1 January 2018 is within a range of AMD 30,000 thousand to AMD 35,000 thousand, representing a reduction related to impairment requirements.

The above assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Organization to revise its accounting processes and internal controls and these changes are not yet complete;
- the Organization is refining and finalizing its models for ECL calculations; and
- the new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Organization finalizes its first financial statements that include the date of initial application.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except that the Organization will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

4 Net interest income

	2017 AMD'000	For the period from 2 August 2016 (date of incorporation) to 31 December 2016 AMD'000
Interest income		
Receivables from factoring	211,386	-
Cash and cash equivalents	2,050	1,125
	<u>213,436</u>	<u>1,125</u>
Interest expense		
Loans and borrowings	(24,624)	-
	<u>(24,624)</u>	<u>-</u>
	<u>188,812</u>	<u>1,125</u>

5 Income tax (expense) / benefit

The Organization's applicable tax rate is the income tax rate of 2%.

	2017 AMD'000	For the period from 2 August 2016 (date of incorporation) to 31 December 2016 AMD'000
Current year tax expense	(22,677)	-
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	19,751	390
Total income tax (expense) / benefit	<u>(2,926)</u>	<u>390</u>

According to the change made in the Law on Income Tax of the Republic of Armenia on 3 March 2015, which is applicable from 1 January 2015, 2% income tax rate is applied to the taxable profit of resident taxpayers of the entities involved in export programs approved by the RA government that comply with the terms stipulated by the law. On 28 December 2017 the new export program was approved by the Government of Armenia which is effective till 2021.

The Organization is part of Armholding group whose export program is approved by the RA government, accordingly it is subject to profit tax rate of 2%.

Reconciliation of effective tax rate for the year ended 31 December:

	2017		For the period from 2 August 2016 (date of incorporation) to 31 December 2016	
	AMD'000	%	AMD'000	%
Profit / (loss) before tax	124,426		(12,205)	
Income tax at the applicable tax rate	(2,489)	2.0	-	-
Non-deductible expenses (non-taxable income)	(437)	0.4	390	(3.2)
	(2,926)	2.4	390	(3.2)

6 Receivables from factoring

	31 December 2017 AMD'000	31 December 2016 AMD'000
Receivables from factoring	3,491,199	-
Impairment allowance	-	-
Net receivables from factoring	3,491,199	-

None of the receivables from factoring are impaired or past due as at 31 December 2017.

(a) Industry and geographical analysis of the loan portfolio

Receivables from factoring are primarily from the legal entities located within Russian Federation who operate in the following economic sectors:

	31 December 2017 AMD'000	31 December 2016 AMD'000
Trade	3,491,199	-
	3,491,199	-
Impairment allowance	-	-
	3,491,199	-

(b) Significant credit exposures

As at 31 December 2017, the Organization has eight customers, whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2017 is AMD 3,363,185 thousand.

7 Loans and borrowings

	31 December 2017 AMD'000	31 December 2016 AMD'000
Unsecured borrowings from other related parties	2,529,408	-
Unsecured borrowings from shareholders	86,456	2,456
	2,615,864	2,456

(a) Terms and debt repayment schedule

Terms and conditions of outstanding borrowings were as follows:

'000 AMD	Currency	Nominal interest rate	Year of maturity	31 December 2017		31 December 2016	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured borrowing from other related parties	RUB	0%	2020	3,138,623	2,529,408	-	-
Unsecured borrowing from shareholder	RUB	0%	On demand	84,000	84,000	-	-
Unsecured borrowing from shareholder	AMD	0%	On demand	2,456	2,456	2,456	2,456
				3,225,079	2,615,864	2,456	2,456

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 AMD	Liability		Equity		
	Loans and borrowings	Share capital/ Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Total
Balance at 1 January 2017	2,456	240,000	(11,815)	-	230,641
Changes from financing cash flows					
Proceeds from loans	3,151,300	-	-	-	3,151,300
Additional paid in capital for below market loans from related parties	(615,376)	603,172	-	-	(12,204)
Foreign currency translation	(13,128)	-	-	-	(13,128)
Total changes from financing cash flows	2,525,252	843,172	(11,815)	-	3,356,609
The effect of changes in foreign exchange rates	65,988	-	-	-	65,988
Interest expense	24,624	-	-	-	24,624
Interest paid	-	-	-	-	-
Total equity related other changes	-	-	121,500	30,478	151,978
Balance at 31 December 2017	2,615,864	843,172	109,685	30,478	3,599,199

8 Share capital and reserves

(a) Issued capital

The authorized, issued and outstanding share capital comprises 195,918,367 ordinary shares (31 December 2016: 195,918,367) and 44,081,633 non-redeemable cumulative preference shares (31 December 2016: 44,081,633). All shares have a nominal value of AMD 1 (31 December 2016: 1 AMD).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Organization.

Holders of preference shares have no right of conversion or redemption, but are entitled to an annual dividend equal to AMD 0.01 per share in accordance with the Organization's Charter. If the dividend is not paid, preference shares carry the right to vote until the following Annual Shareholders' Meeting. The preference shares also carry the right to vote in respect of issues that affect the interests of preference shareholders, including reorganisation and liquidation of the company.

In the event of liquidation preference shareholders first receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements.

(c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Organization, which are determined according to the charter of the Organization.

(d) Additional paid-in capital

The additional paid-in capital relates to the contribution of AMD 603,172 thousand in respect of low interest loans from related party recognised initially at fair value in 2017.

9 Risk management

(a) Risk management policies and procedures

Management of risk is fundamental to the business of the Organization and forms an essential element of the Organization's operations. The major (significant) risks faced by the Organization are those related to market risk, credit risk and liquidity risk.

The risk management policies aim to identify, analyze and manage the risks faced by the Organization, to set appropriate risk limits and controls, and to continuously monitor risk levels and

adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The management of the Organization is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Organization operates within established risk parameters.

The Executive Director is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Board of Directors.

Both external and internal risk factors are identified and managed throughout the Organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Organization manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions, and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Asset and Liability Management Committee.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2017							
ASSETS							
Cash and cash equivalents	824	-	-	-	-	127,604	128,428
Receivables from factoring	540,520	2,333,814	377,432	239,433	-	-	3,491,199
	541,344	2,333,814	377,432	239,433	-	127,604	3,619,627
LIABILITIES							
Loans and borrowings	-	-	-	(2,529,408)	-	(86,456)	(2,615,864)
Other financial liabilities	-	-	-	-	-	(11,246)	(11,246)
	-	-	-	(2,529,408)	-	(97,702)	(2,627,110)
	541,344	2,333,814	377,432	(2,289,975)	-	29,902	992,517

AMD'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2016							
ASSETS							
Cash and cash equivalents	11,230	-	-	-	-	216,314	227,544
	11,230	-	-	-	-	216,314	227,544
LIABILITIES							
Loans and borrowings	-	-	-	-	-	(2,456)	(2,456)
Other financial liabilities	-	-	-	-	-	(4,170)	(4,170)
	-	-	-	-	-	(6,626)	(6,626)
	11,230	-	-	-	-	209,688	220,918

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2017 and 2016. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2017		31 December 2016	
	Average effective interest rate, %		Average effective interest rate, %	
	AMD	RUB	AMD	RUB
Interest bearing assets				
Bank accounts	1.0	0.0	1.0	0.0
Receivables from factoring	-	75.3	-	-
Interest bearing liabilities				
Loans and borrowings	-	12.0	-	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates, based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2017 and 2016, is as follows:

	31 December 2017 AMD'000	31 December 2016 AMD'000
100 bp parallel rise	(6,673)	-
100 bp parallel fall	(6,673)	-

(ii) Currency risk

The Organization has assets and liabilities denominated in AMD and RUB.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Organization hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2017:

	AMD AMD'000	RUB AMD'000	Total AMD'000
ASSETS			
Cash and cash equivalents	824	127,604	128,428
Receivables from factoring	-	3,491,199	3,491,199
Total assets	824	3,618,803	3,619,627
LIABILITIES			
Loans and borrowings	(2,456)	(2,613,408)	(2,615,864)
Other financial liabilities	(1,677)	(9,569)	(11,246)
Total liabilities	(4,133)	(2,622,977)	(2,627,110)
Net position	(3,309)	995,826	992,517

The following table shows the currency structure of financial assets and liabilities as at 31 December 2016:

	AMD AMD'000	RUB AMD'000	Total AMD'000
ASSETS			
Cash and cash equivalents	11,231	216,313	227,544
Total assets	11,231	216,313	227,544
LIABILITIES			
Loans and borrowings	(2,456)	-	(2,456)
Other financial liabilities	(4,170)	-	(4,170)
Total liabilities	(6,626)	-	(6,626)
Net position	4,605	216,313	220,918

A weakening of the RUB, as indicated below, against AMD at 31 December 2017 and 2016, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Organization considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2017	31 December 2016
	AMD'000	AMD'000
10% appreciation of AMD against RUB	(324)	451

A strengthening of the RUB against AMD at 31 December 2017 and 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization has policies and procedures for the management of credit exposures (both for recognized financial assets and unrecognized contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, to actively monitor credit risk. The credit policy is reviewed and approved by the Management.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Factoring receivables credit applications are originated by the relevant credit officers and are then passed on to the Credit Risk Department. Analysis reports are based on a structured analysis focusing on the customer's creditworthiness. The Board of Directors reviews and approves the factoring receivables credit application.

The Organization continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Organization.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2017	31 December 2016
	AMD'000	AMD'000
ASSETS		
Cash and cash equivalents	128,428	227,544
Receivables from factoring	3,491,199	-
Total maximum exposure	3,619,627	227,544

(d) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Organization maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on financial liabilities and credit related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment.

The maturity analysis for financial liabilities as at 31 December 2017 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount inflow (outflow)	Carrying amount
Non-derivative liabilities							
Loans and borrowings	(86,456)	-	-	-	(3,284,147)	(3,370,603)	(2,615,864)
Other financial liabilities	(8,246)	-	(3,000)	-	-	(11,246)	(11,246)
Total financial liabilities	(94,702)	-	(3,000)	-	(3,284,147)	(3,381,849)	(2,627,110)

The maturity analysis for financial assets and liabilities as at 31 December 2016 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount inflow (outflow)	Carrying amount
Non-derivative liabilities							
Loans and borrowings	(2,456)	-	-	-	-	(2,456)	(2,456)
Other financial liabilities	(4,170)	-	-	-	-	(4,170)	(4,170)
Total financial liabilities	(6,626)	-	-	-	-	(6,626)	(6,626)

The gross nominal inflow/(outflow) disclosed in the tables above represents the contractual undiscounted cash flows related to derivative financial assets and liabilities held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivative financial assets and liabilities that have simultaneous gross settlement.

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2017.

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	128,428	-	-	-	-	-	128,428
Receivables from factoring	-	540,520	2,711,246	239,433	-	-	3,491,199
Property, equipment and intangible assets	93	185	834	4,446	-	-	5,558
Deferred tax assets	-	-	-	7,937	-	-	7,937
Total assets	128,521	540,705	2,712,080	251,816	-	-	3,633,122
LIABILITIES							
Loans and borrowings	(86,456)	-	-	(2,529,408)	-	-	(2,615,864)
Current tax liability	-	-	(22,677)	-	-	-	(22,677)
Other liabilities	(8,246)	-	(3,000)	-	-	-	(11,246)
Total liabilities	(94,702)	-	(25,677)	(2,529,408)	-	-	(2,649,787)
Net position	33,819	540,705	2,686,403	(2,277,592)	-	-	983,335

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2016.

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	227,544	-	-	-	-	-	227,544
Property, equipment and intangible assets	115	229	1,032	5,501	-	-	6877
Deferred tax assets	-	-	-	390	-	-	390
Total assets	227,659	229	1,032	5,891	-	-	234,811
LIABILITIES							
Loans and borrowings	(2,456)	-	-	-	-	-	(2,456)
Other liabilities	(4,170)	-	-	-	-	-	(4,170)
Total liabilities	(6,626)	-	-	-	-	-	(6,626)
Net position	221,033	229	1,032	5,891	-	-	228,185

10 Capital management

The CBA sets and monitors capital requirements for the Organization.

The Organization defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, credit organizations, which according to its statutes, do not involve borrowings through public offerings, have to maintain monthly average minimum share capital of AMD 150,000 thousand (31 December 2016: AMD 150,000 thousand). The Organization has been in compliance with the minimum share capital requirements as at 31 December 2017 and 31 December 2016.

11 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Organization does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Organization obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business, the Organization is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(c) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

12 Related party transactions

(a) Control relationships

The Organization does not have a parent company. The ultimate controlling party is Avsholum Yunayev.

(b) Transactions with the management

Total remuneration included in personnel expenses for the year ended 31 December 2017 and for the period from 2 August 2016 (date of incorporation) to 31 December 2016 is as follows:

	2017 AMD'000	For the period from 2 August 2016 (date of incorporation) to 31 December 2016 AMD'000
Short-term employee benefits	20,208	8,274

(c) Transactions with ultimate controlling party and entities under his control

The outstanding balances and the related average effective interest rates as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position				
LIABILITIES				
Loans and borrowings				
<i>Ultimate controlling party</i>				
- In AMD	2,456	-	2,456	-
<i>Entities under control of ultimate controlling party</i>				
- In RUB	2,529,532	12.0	-	-
Profit or loss				
<i>Entities under control of ultimate controlling party</i>				
Interest expense	24,835	-	-	-

(d) Transactions with minority shareholder

The outstanding balances and the related average effective interest rates as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017		31 December 2016	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position				
LIABILITIES				
Loans and borrowings				
<i>Minority shareholder</i>				
- In RUB	84,000	-	-	-

13 Fair values of financial instruments

The Organization measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- 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.

As at 31 December 2017 and 31 December 2016 the estimated fair values of all financial instruments approximate their carrying amounts.