

ANIV UCO LLC
Annual financial statements
For the year ended 31 December 2017

Disclaimer

The attached report was originally prepared in Armenian and then translated into English for the convenience of readers. In the event of any differences between the English and Armenian versions, the Armenian will prevail.

ANIV UCO LLC

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Legal form:	Universal Credit Organization Limited Liability Company
Principal activities:	Providing loans, attracting borrowings
Executive Director:	Edgar Galstyan

INDEPENDENT AUDITOR'S REPORT

To the Board of ANIV UCO LLC

Opinion

We have audited the accompanying financial statements of "ANIV" UCO LLC (hereinafter "the Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with 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 the management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as 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 operation, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide those charged with governance/management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

"BDO Armenia" CJSC

Director

Vahagn Sahakyan

Auditor

Hrachya Hovhannisyan

07 April 2018
Yerevan

ANIV UCO LLC
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	2017 AMD'000	2016 AMD'000
Interest income	5	130,042	124,196
Interest expense	5	(26,759)	(24,085)
Net interest income		103,283	100,111
Fee and commission income		-	96
Net foreign exchange loss		990	633
Other operating income	6	15,220	15,045
Operating profit		119,493	115,885
Loss from loans and other borrowings, net	7	(12,588)	(45,641)
Employee benefit expenses	8	(43,864)	(42,113)
Other general administrative expenses	9	(13,037)	(14,406)
Other expenses	10	(3,915)	(7,183)
Profit before tax		46,089	6,542
Profit tax expense	11	(8,666)	53
Net profit		37,423	6,595
Other comprehensive income		-	-
Total comprehensive income		37,423	6,595



Executive Director
Edgar Galstyan




Chief Accountant
Ashot Manukyan

ANIV UCO LLC
Statement of financial position
For the year ended 31 December 2017

	Note	31.12.2017 AMD'000	31.12.2016 AMD'000
Assets			
Cash and bank accounts	22	3,314	4,954
Placements with banks	12	115,955	147,767
Loans to customers	13	862,636	882,383
Property and equipment and intangible assets		676	173
Deferred tax asset	14	1,766	1,531
Other assets	15	10,546	13,332
Total assets		994,893	1,050,140
Liabilities			
Attracted borrowings	17	649,235	719,058
Reserves		1,200	1,200
Other liabilities	18	7,588	3,435
		658,023	723,693
Equity			
Share capital	19	170,000	170,000
Capital reserve		23,000	22,000
Accumulated profit		143,870	134,447
		336,870	326,447
Total liabilities and equity		994,893	1,050,140

The financial statements from pages 6 to 37 were approved by the Management of ANIV UCO LLC on 07 April 2018 and signed by:

Executive Director
Edgar Galstyan

Chief Accountant
Ashot Manukyan

ANIV UCO LLC
Statement of cash flows
For the year ended 31 December 2017

	2017 AMD'000	2016 AMD'000
<i>Cash flows from operating activities</i>		
Interest receipts	127,173	119,862
Interest payments	(27,092)	(21,485)
Restoration of losses		-
Net commission received	-	6,925
Net receipts from transactions in foreign currencies	2,055	-
Salaries and benefits paid	(44,319)	(49,086)
Other income received	15,220	9,565
Other general administrative expenses	(7,555)	(15,074)
(Increase)/decrease in operating assets		
(Increase)/decrease in allocated funds	38,500	(282,844)
Profit tax paid	(8,901)	
Net cash from/ (used for) operating activities	95,081	(232,137)
<i>Cash flows from investing activities</i>		
Purchase of property and equipment and intangibles	(258)	-
Net cash used for investing activities	(258)	-
<i>Cash flows from financing activities</i>		
Dividends paid	(27,000)	(33,000)
Increase (decrease) of loans and borrowings	(69,490)	269,823
Net cash from financing activities	(96,490)	236,823
Effect of exchange rate changes on cash and cash equivalents	(17)	(115)
Net increase/(decrease) in cash	(1,684)	4,571
Cash at the beginning of the year	5,004	433
Cash at the end of the year (see Note 22)	3,320	5,004

ANIV UCO LLC
Statement of changes in owners' equity
For the year ended 31 December 2017

	Share capital AMD'000	Capital reserve AMD'000	Retained earnings/ Accumulated loss AMD'000	Total AMD'000
1 January 2017	170,000	22,000	134,447	326,447
Transactions with shareholders				
Investment in share capital	-	-	-	-
Dividends	-	-	(27,000)	(27,000)
Comprehensive income				
Profit for the year	-	-	37,423	37,423
Allocations to capital reserve	-	1,000	(1,000)	-
31 December 2017	170,000	23,000	143,870	336,870
1 January 2016	170,000	20,000	162,852	352,852
Transactions with shareholders				
Investment in share capital	-	-	-	-
Dividends	-	-	(33,000)	(33,000)
Comprehensive income				
Profit for the year	-	-	6,595	6,595
Allocations to capital reserve	-	2,000	(2,000)	-
31 December 2016	170,000	22,000	134,447	326,447

ANIV UCO LLC
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For the year ended 31 December 2017

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ANIV UCO LLC
Notes forming part of the financial statements
For the year ended 31 December 2017

1. About the Company

Aniv Universal Credit Organization Limited Liability Company (hereinafter “the Company”) was founded in 2008. The main goal of the company's activity is to provide micro-loans for the purpose of reducing vulnerable social group members and ensuring sustainable income in rural areas and involvement of borrowers to develop that activity.

The only participant of the Company is “Aniv” Rural Small Business Support Foundation.

Borrowings from the shareholders are the Company's main source of funding.

The Company's office is located at 35/6 Nalbandyan str., Yerevan, Armenia.

The average number of the Company's employees as of 31 December 2017 was 12 (2016: 12).

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 23. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand (AMD'000), unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2017

- Annual Improvements to IFRSs (2014 - 2016 Cycle): IFRS 12 Disclosure of interests in other entities,
- IAS 12 Income Taxes (Amendment - Recognition of Deferred Tax Assets for Unrealized Losses),
- IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments).

None of the mentioned amendments to Standards had a significant effect on the Company's financial statements.

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

#	Pronouncement	Nature of the impending change in accounting policy on adoption of the pronouncement	Date by which application of the IFRS is required	Date Company plans to apply the pronouncement initially	Impact of initial application on financial statements
1	IFRS 9 Financial Instruments (2014)	IFRS 9 Financial Instruments (2014) incorporates the final requirements on all three phases of the financial instruments projects - classification and measurement, impairment, and hedge accounting.	1 January 2018 Early adoption permitted	1 January 2018	Impact is presented below
2	IFRS 15, Revenue from contracts with customers	IFRS 15 has a single model to deal with revenue from contracts with customers. Its core principal is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services	1 January 2018 Early adoption permitted	1 January 2018	No impact envisaged
3	IFRS 16, Leases (2017)	Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of lease payments payable over the lease term.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged
4	IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: (a) there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.	1 January 2018 Early adoption permitted	1 January 2018	No impact envisaged

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

#	Pronouncement	Nature of the impending change in accounting policy on adoption of the pronouncement	Date by which application of the IFRS is required	Date Company plans to apply the pronouncement initially	Impact of initial application on financial statements
5	IFRIC 23 Uncertainty Over Income Tax	The interpretation addresses how to determine the taxable profit(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over treatment under IAS 12, Income Tax.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged

3. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Impairment of loans and receivables

The Company regularly reviews its loans and receivables to assess for impairment. The company's loan impairment provisions are established to recognize incurred impairment losses in loans and receivables portfolio. The Company considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty, since (i) they are highly sensitive to change from period to period, as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Company's estimated losses and actual losses would require the Company to record provisions which could have a material impact on its financial statements in future periods. Gross loans and provisions at 31 December 2017 and 2016 are presented in Note 13.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- **Level 1:** Quoted prices in active markets for identical items (unadjusted)
- **Level 2:** Observable direct or indirect inputs other than Level 1 inputs
- **Level 3:** Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Foreign exchange risk,
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

(a) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risks arise, are as follows:

- Loans to customers
- Receivables
- Cash and cash equivalents
- Placements with RA banks
- Trade and other payables
- Fixed-rate borrowed funds

(b) Financial instruments by category

Financial assets

	Loans and receivables	
	2017	2016
	AMD'000	AMD'000
Loans and borrowings to customers	862,636	882,383
Cash and cash equivalents	3,314	4,954
Placements with banks	115,955	147,767
	981,905	1,035,104

Financial liabilities

	Financial liabilities	
	2017	2016
	AMD'000	AMD'000
Loans and borrowings	649,235	719,058
Trade and other payables	759	1,302
	649,994	720,360

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, loans and borrowings provided to customers, trade and other payables, as well as received loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

related to determining the fair value of loans and borrowings, which are classified in level 3 of the fair value hierarchy, refer to Annex A.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The main business of the Company is to provide micro-loans. Respectively credit risk is of crucial importance in the Micro Financing Organization risk management. To avoid significant financial damage caused by this the Company uses various methods to identify and manage effectively the credit risks.

Microfinancing sector is generally subject to credit risk through loans granted to customers and bank deposits. As for the loans to customers, this risk is centralized in the Republic of Armenia.

Risk management and monitoring is carried out within the established powers. These procedures are implemented by the Credit Committees and Board of Directors of the credit institution.

Information submitted to Credit Committee is a preliminary analytical information based on appropriate study of the customer's initial application, his/her business and credit risks by credit specialist, the accuracy of which is checked by credit manager using the comparative method under the responsibility of the credit specialist and credit manager. Eventually the Credit Committee members assess the compliance of the application with established criteria (applicant's credit history, financial position, competitive ability, etc.).

Executive Director must identify operating, credit, product risks. Internal Audit conducts regular audits of the Company's representation offices and credit processes.

According to the Company's procedure on loan provision and servicing, credit specialists, operating unit, security accordingly analyze the overdue loans and pursues overdue balances. Work with overdue loans is organized under the supervision of the Executive Director.

All the loans are secured by personal guarantee. Moreover, as appropriate, and in case with the majority of the loans, the Company accepts collateral. However, a significant proportion of loans are made to individuals, where such safety measures cannot be achieved. Such risks are monitored on an ongoing basis and are subject to annual or more frequent reviews.

Restructured loans

Restructured loans are loans that have been restructured due to deterioration of the borrower's financial position, and the company has made certain concessions, which it would not otherwise consider. In case of loan restructuring it remains in that category despite the fact that its performance was satisfactory after restructuring.

Impairment allowance

The Organization establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is a collective loan loss allowance established for the Organization; homogeneous assets in respect of losses that have been incurred but not been identified on loans.

Maximum exposure of credit risk

The Organization's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks. For the financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral.

**Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)**

Above carrying amounts best represent the maximum exposure to credit risk also when taking into account of any collateral held or personal guarantees obtained. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 13.

Off-balance sheet risk

The Organization applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks.

Geographical concentration

The geographical concentration of the Company's assets and liabilities is restricted to the territory of Armenia.

For information regarding maturity of loans to customers refer to Note 13.

Cash in bank and short-term deposits

The Company believes that the risk of cash loss can be deemed as insignificant, since the financial institutions selected for investment of the Company's funds are reliable and authoritative.

A significant amount of cash is held with the following institutions:

	2017 AMD'000	2016 AMD'000
Bank 1	-	147,999
Bank 2	586	4,722
Bank 3	118,683	-
	119,269	152,721

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The Company manages fair value interest rate risk, avoiding financial instruments with variable interest rates.

At the end of the reporting year, the Company does not have financial instruments with variable interest rates and hence is not exposed to interest rate risk.

Foreign exchange risk

Foreign exchange risk arises when individual Company's entities enter into transactions denominated in a currency other than their functional currency.

The Company's foreign exchange risk mainly arises from changes in exchange rates related to USD denominated loans, and as a result the Company may incur significant losses. This risk is actually not controlled by the Company, taking into account the related management costs and lack of necessary management tools for such risks.

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

As of 31 December the Company's net exposure to foreign exchange risk was as follows:

Foreign currency financial assets / (liabilities)

	2017 AMD'000	2016 AMD'000
Net position	286,556	261,834

AMD 484.10 against USD 1 (2016: AMD 483.94 against USD 1) rate of RA Central bank effective at the reporting date was used by the Company to measure foreign currency financial instruments in Armenian drams. The effect of a 10% strengthening of USD against AMD at the reporting date on the USD-denominated financial instruments, all other variables held constant, would have resulted in an increase in post-tax profit for the year and net assets of AMD 22,924 thousand (2016: AMD 20,947thousand). A 10% weakening would, on the same basis, have decreased post-tax profit and net assets in the same amount.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section.

The liquidity risk of the Company is managed by the Company's treasury function. Each operation has a facility with Company's treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Company's cash requirements to be anticipated. Where the amount of the facility is above a certain level, agreement of the Board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 5 years AMD'000	Over 5 years AMD'000
31 December 2017					
Loans and borrowings	6,064	-	838	-	642,333
Trade and other payables	759	-	-	-	-
	6,823	-	838	-	642,333

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 5 years AMD'000	Over 5 years AMD'000
31 December 2016					
Loans and borrowings	6,397	-	838	-	711,823
Trade and other payables	891	-	-	-	-
	<u>7,288</u>	<u>-</u>	<u>838</u>	<u>-</u>	<u>711,823</u>

Analysis of asset and liability maturities by carrying items is presented below.

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

31 December 2017

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 3 years AMD'000	Over 3 years AMD'000	Overdue AMD'000	Indefinite- term AMD'000	Total AMD'000
Assets								
Cash and bank accounts	3,314	-	-	-	-	-	-	3,314
Cash in bank	-	-	115,955	-	-	-	-	115,955
Loans and borrowings to customers	16,872	45,010	209,954	414,066	170,508	6,226	-	862,636
PPE and intangibles	-	-	-	-	-	-	676	676
Deferred tax asset	-	-	-	-	-	-	1,766	1,766
Receivables and advances	5,865	-	-	-	-	-	-	5,865
Other assets	-	-	-	-	-	-	4,681	4,681
Total assets	26,051	45,010	325,909	414,066	170,508	6,226	7,123	994,893
Liabilities								
Borrowings from customers	-	-	-	-	649,235	-	-	649,235
Reserves	-	1,200	-	-	-	-	-	1,200
Advances received	-	871	-	-	-	-	-	871
Payables	-	6,717	-	-	-	-	-	6,717
Total liabilities	-	8,788	-	-	649,235	-	-	658,023
Net position	26,051	36,222	325,909	414,066	(478,727)	6,226	7,123	336,870

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

31 December 2016

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 3 years AMD'000	Over 3 years AMD'000	Overdue AMD'000	Indefinite- term AMD'000	Total AMD'000
Assets								
Cash and bank accounts	4,954							4,954
Cash in bank			147,767					147,767
Loans and borrowings to customers	39,031	56,924	277,984	404,266	72,346	31,832	-	882,383
PPE and intangibles							173	173
Deferred tax asset							1,531	1,531
Receivables and advances	8,651							8,651
Other assets							4,681	4,681
Total assets	52,636	56,924	425,751	404,266	72,346	31,832	6,385	1,050,140
Liabilities								
Borrowings from customers					719,058			719,058
Reserves		1,200						1,200
Advances received		1,111						1,111
Payables		2,324						2,324
Total liabilities	-	4,635	-	-	719,058	-	-	723,693
Net position	52,636	52,289	425,751	404,266	(646,712)	31,832	6,385	326,447

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, universal credit organizations as at December 31, 2017 have to maintain a minimum share capital of AMD 150,000 thousand (December 31 2016: AMD 150,000 thousand). The following table analyses the Company's capital resources for the purpose of capital adequacy.

	2017 AMD'000	2016 AMD'000
Loans and borrowings	649,235	719,058
Cash and deposits	(119,269)	(152,721)
Net debt	529,966	566,337
Equity	336,870	326,447
Debt to adjusted capital ratio (%)	1.6	1.7

5. Net Interest Income

	2017 AMD'000	2016 AMD'000
Interest income		
Loans to customers	113,160	113,971
Term deposits in banks	16,882	10,225
	130,042	124,196
Interest expense		
Borrowings attracted from customers	(26,759)	(24,085)
	(26,759)	(24,085)
Net interest income	103,283	100,111

6. Other operating income

	2017 AMD'000	2016 AMD'000
Income from fines and penalties	14,597	14,430
Other	623	615
	15,220	15,045

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

7. Loss from loans and other cash advances

	2017 AMD'000	2016 AMD'000
Income from asset loss restoration	87,339	65,468
Allocation to allowance for asset loss	(99,927)	(111,109)
	(12,588)	(45,641)

8. Employee benefit expenses

	2017 AMD'000	2016 AMD'000
Wages and salaries	35,833	35,916
Monetary benefits	7,625	3,564
Other	406	2,633
	43,864	42,113

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's Director, Chief Accountant, Deputy Chief Accountant. The costs related to remuneration of key management personnel are presented below.

	2017 AMD'000	2016 AMD'000
Salary, other compensations	18,451	17,760

9. Administrative expenses

	2017 AMD'000	2016 AMD'000
Vehicle maintenance	5,498	6,035
Lease	2,691	2,838
Non-refundable taxes, penalties	1,255	572
Audit, consultancy	1,200	1,200
Communication	1,001	993
Office running	607	602
Representation and PR	493	508
Depreciation, amortization	246	199
Travel	16	10
Provision and return of loans	-	1,449
Other	30	-
	13,037	14,406

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

10. Other Expenses

	2017 AMD'000	2016 AMD'000
Software maintenance	2,893	2,799
Other Employee expenses	-	3,500
Financial mediator	738	567
Other	284	317
	3,915	7,183

11. Profit tax expense

	2017 AMD'000	2016 AMD'000
Tax Expense		
Current tax expense		
Current tax on profits for the year	8,901	48
Total current tax	8,901	48
Deferred tax expense		
Origination and reversal of temporary differences (Note 14)	(235)	(101)
Total deferred tax expense/(income)	(235)	(101)
	8,666	(53)

The reasons of the difference between the factual tax expenses for the year and the determined rate for profit tax in Republic of Armenia are introduced below:

	2017 AMD'000	2016 AMD'000
Profit/ (loss) for the year	37,423	6,595
Profit tax expense	8,666	(53)
Profit/ (loss) before tax	46,089	6,542
Profit tax using the Company's domestic profit tax rate of 20.0% (2016 - 20.0%)	9,218	1,308
Expenses not deductible for tax purposes	(552)	(1,361)
Total tax expense	8,666	(53)

12. Placements with banks

	2017 AMD'000	2016 AMD'000
Deposits	117,126	149,255
Deposit reserve	(1,171)	(1,488)
	115,955	147,767

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

13. Loans to customers

	2017 AMD'000	2016 AMD'000
Loans to customers	880,530	903,828
Allowance for impairment losses	(17,894)	(21,445)
	862,636	882,383

Loans to customers include unsecured interest-free borrowing provided to the related party at a nominal value of AMD 18,000 thousand (impairment allowance is 180,000 thousand drams) (see Note 20).

Provisioning of loans and other borrowings

	2017 AMD'000	2016 AMD'000
Balance at the beginning of the period	21,445	29,609
Contributions to allowance, net	97,681	44,859
Written off loans / recovery of loans previously written off	(101,232)	(53,023)
Ending balance	17,894	21,445

Loans to customers per industry groups are presented below.

	2017 AMD'000	2016 AMD'000
Agriculture	628,511	633,417
Production	60,541	47,224
Trade	117,729	111,590
Transport, warehousing	34,163	45,076
Public food	6,997	1,684
Public health	-	1,046
Other	14,695	24,526
Related parties	-	17,820
	862,636	882,383

The table below summarizes carrying value of loans (as of 31 December 2017) to customers analyzed by type of security obtained by the Company

	2017 AMD'000	2016 AMD'000
Collateral by pledge of real estate	104,156	232,512
Collateral by pledge of vehicles	11,241	29,342
Collateral by pledge of other property	1,442	907
Personal guarantees	745,797	601,802
Unsecured	-	17,820
	862,636	882,383

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

As at December 31, 2016 and 2015 all loans to customers (100% of total portfolio) are granted to individuals and companies operating in Republic of Armenia, which represents a significant geographical concentration in one region.

The analysis of loan portfolio quality is introduced below, as of December 31, 2016;

At 31 December 2017

	Gross loans AMD'000	Provision for impairment AMD'000	Net loans AMD'000
Not overdue	850,520	(11,609)	838,911
Overdue	30,010	(6,285)	23,725
- 1-30 days overdue	5,142	(592)	4,550
- 31-60 days overdue	2,569	(261)	2,308
- 61-90 days overdue	15,124	(3,090)	12,034
- 91-180 days overdue	6,403	(1,928)	4,475
- 181-270 days overdue	772	(414)	358
	880,530	(17,894)	862,636

At 31 December 2016

	Gross loans AMD'000	Provision for impairment AMD'000	Net loans AMD'000
Not overdue	864,191	(13,640)	850,551
Overdue	39,637	(7,805)	31,832
- 1-30 days overdue	3,171	(407)	2,764
- 31-60 days overdue	10,484	(1,602)	8,882
- 61-90 days overdue	16,427	(2,088)	14,339
- 91-180 days overdue	4,314	(896)	3,418
- 181-270 days overdue	5,241	(2,812)	2,429
	903,828	(21,445)	882,383

As at 31 December 2017 and 2016 the Company did not have individually significant borrowers.

	2017 AMD'000	2016 AMD'000
Written off loans	105,707	89,929
Written off interest, penalties	50,406	50,141
	156,113	140,070

In the reporting year the Company has written off two big loans with gross value of AMD 36,455 thousand.

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

14. Deferred tax asset

	2017 AMD'000	2016 AMD'000
At 1 January	1,531	1,430
Tax expenses recognized in profit or loss	235	101
(Loss) gains recognized in other comprehensive income		-
At 31 December	1,766	1,531

Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

	Asset	Liability	Net	(Charged)/ credited to profit or loss	(Charged)/cred ited to equity
	AMD'000 2017	AMD'000 2017	AMD'000 2017	AMD'000 2017	AMD'000 2017
Calculation of interest income with effective rate	1,766	-	1,766	235	-
Available losses	-	-	-	-	-
Tax asset/(liabilities)	1,766	-	1,766	235	-
Set off of tax	-	-	-	-	-
Net tax assets/(liabilities)	1,766	-	1,766	235	-

	Asset	Liability	Net	(Charged)/ credited to profit or loss	(Charged)/cred ited to equity
	AMD'000 2016	AMD'000 2016	AMD'000 2016	AMD'000 2016	AMD'000 2016
Calculation of interest income with effective rate	1,531	-	1,531	101	-
Available losses	-	-	-	-	-
Tax asset/(liabilities)	1,531	-	1,531	101	-
Set off of tax	-	-	-	-	-
Net tax assets/(liabilities)	1,531	-	1,531	101	-

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

15. Other assets

	Gross		Allowance		Net	
	2017 AMD'000	2016 AMD'000	2017 AMD'000	2016 AMD'000	2017 AMD'000	2016 AMD'000
Advances	5,923	4,788	(59)	(48)	5,864	4,740
Current tax asset	1	3,950	-	(39)	1	3,911
Confiscated property	4,681	4,681	-	-	4,681	4,681
	10,605	13,419	(59)	(87)	10,546	13,332

16. Asset provisioning

Movements in the impairment allowance for account receivables, advances, placements with bank are as follows:

	Receivables, advances 2017 AMD'000	Cash 2017 AMD'000	Placements with bank 2017 AMD'000	Total 2017 AMD'000
At 1 January	87	50	1,488	1,625
Contributions to allowance, net	(28)	(44)	(317)	(389)
At 31 December	59	6	1,171	1,236

The company makes provisions on past due receivables at the following rates:

For 2017 and 2016

	Amount
Not past due	1%
3 months past due	10%
3-6 months past due	20%
6-9 months past due	50%
9 months and more past due	100%

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

17. Borrowed funds

	Lender	Currency	Maturity	Rate (%)	2017 AMD'000	2016 AMD'000
Secured loan	FFPMC SI	AMD	2020	4.0%	612,664	682,487
Unsecured loan	Yalkezian Inc.	AMD	2026	4.0%	36,571	36,571
					649,235	719,058

Fair value of borrowed funds approximates their carrying amounts.

ANIV UCO LLC

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

18. Other liabilities

	2017 AMD'000	2016 AMD'000
Payables to employees	436	891
Liabilities to budget	5,960	1,022
Payables to suppliers	322	411
Prepayments received	870	1,111
	7,588	3,435

The fair value of trade and other payables measured at amortised cost does not materially differ from their carrying value.

19. Share capital

The Company has one participant - "Aniv" Rural Small Business Support Foundation (registered in the Republic of Armenia).

20. Related party transactions

Key management personnel compensation is presented in Note 8.

The table below presents transactions with other related parties.

Relation with parties	Transaction type	Transaction amount		Debt balance	
		2017 AMD'00	2016 AMD'00	2017 AMD'00	2016 AMD'00
Founder	Provision of interest-free borrowing	(18,000)	18,000	-	17,820

The debt balance is presented without possible loss allowance (180 thousand drams).

21. Contingent Liabilities

As of 31 December 2017 and 2016 the Company had no liabilities related to equity investments.

As of 31 December 2017 and 2016 the Company has provided no guarantees regarding repayment of liabilities of any party.

As of 31 December 2017 and 2016 there were no significant legal actions against the Company.

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

22. Notes supporting statement of cash flows

Balance of cash and cash equivalents is presented below.

	2017 AMD'000	2016 AMD'000
Current accounts with banks	3,320	5,004
Current account allowance	(6)	(50)
	3,314	4,954

23. Effects of changes in accounting policies

IAS 36 - Recoverable Amount Disclosures - Amendments to IAS 36

The adoption of the amendments to IAS 36 has resulted in expanded disclosures of the recoverable amount when the Company has recognized an impairment.

Since the amendment only affects the disclosures there was no quantitative impact on the Company's consolidated financial statements.

24. Accounting policies

Income from main activity

Interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Organization and the amount of income can be measured reliably. 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 receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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.

Recognition of fee and commission income

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

**Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)**

Restructured loans

When the contractual payment terms of a loan have been modified because management have significant concerns about the borrower's ability to meet contractual payments when due, these loans are classified as 'restructured loans'. For retail lending, when considering whether there is 'significant concern' regarding a customer's ability to meet contractual loan repayments when due, management assess the customer's current financial situation and continued ability to repay. Where the customer is not meeting contractual repayments or it is evident that they will be unable to do so without the renegotiation, there will be a significant concern regarding their ability to meet contractual payments, and the loan will be disclosed as impaired, unless the concession granted is insignificant and there are no other indicators of impairment.

Where the modification of contractual payment terms of a loan represents a concession for economic or legal reasons relating to the borrower's financial difficulty, and is a concession that management would not otherwise consider then the restructured loan is disclosed as impaired.

Restructured loans are classified as unimpaired where the renegotiation has resulted from significant concern about a borrower's ability to meet their contractual payment terms but the restructured terms are based on current market rates and contractual cash flows are expected to be collected in full following the renegotiation.

When determining whether a loan that is restructured should be derecognized and a new loan recognized, management consider the extent to which the changes to the original contractual terms result in the restructured loan, considered as a whole, being a substantially different financial instrument. Factors that may indicate that the revised loan is a substantially different financial instrument include change in guarantees or loan covenants provided less significant changes to collateral arrangements, the addition of repayment provisions or prepayment premium clauses.

Loans that have been identified as restructured retain this designation until maturity or derecognition.

Write off of loans

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible or when objective and subjective conditions established by the RA Central Bank (Decision 63) are met. Loans and advances are written off after management has implemented all the feasible actions available to collect amounts due to the Company and after the ultimate uncollectable amounts are quantified. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities as "measured at fair value through profit or loss" or "other financial liabilities", depending on the purpose for which the liability was acquired.

The Company has no financial liability classified as "measured at fair value through profit or loss".

The Company's accounting policy for financial liabilities classified as "other financial liabilities" is presented below.

Other financial liabilities

Other financial liabilities include the following items:

Bank and other borrowings, which are initially recognized at fair value less costs attributable to transaction.

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

The difference between the fair and nominal values of loans received from the Company's shareholder (state) is directly recognized in equity as "additional capital".

Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Acquired intangible assets

Externally acquired intangible assets are initially recognized at cost and subsequently amortised on a straight-line basis over their useful lives.

Amortization is recognized in profit or loss.

Intangibles recognized by the Company and their useful economic lives are as follows:

Intangible asset	Useful economic life
Computer software	10 years

Dividends

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary difference can be utilized.

The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Property and equipment

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Computer software - 10% per annum straight line

Vehicles - 20% per annum straight line

Office equipment - 20-100% per annum straight line

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The first in, first out (FIFO) method is used to determine the cost of all ordinarily interchangeable inventories.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and net sales value), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

Annex A. Fair Value measurement disclosures

The following table sets out the valuation techniques used in the determination of fair values within level 2 and 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

Item	Fair value AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Loans to customers	862,636	The fair value of loans is estimated by discounting the future contractual cash flows at the current market interest rates.	Level 2	Discount rate of 12-27%
Payables	759	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	N/A
Loans and borrowings	649,235	The fair value of loans and borrowings is estimated by discounting the future contractual cash flows at the current market interest rates.	Level 2	Discount rate of 4%