FLLC Mikro Leasing

Financial Statements
as at and for the year ended
31 December 2019

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Independent Auditors' Report

To the Participants of FLLC "Mikro Leasing"

Opinion

We have audited the financial statements of FLLC "Mikro Leasing" (the "Company"), which comprise the statement of financial position as at 31 December 2019, 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 Company as at 31 December 2019, 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Vasyl Pavlenko

Audit Director

LLC "KPMG"

Minsk, Belarus

10 March 2020

All amounts are in BYN thousands

	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	9	435	6,080
Deposits	9	10,522	-
Loans and advances to customers		-	1
Right-of-use assets	14	1,907	-
Investment in finance lease	10	73,428	49,858
Prepayments		351	799
Other receivables		152	481
Current tax assets		-	10
Deferred expenses		568	451
Assets held for sale	11	541	458
Value Added Tax refundable		17	269
Property and equipment	12	197	173
Intangible assets		234	32
Deferred tax asset	21	585	364
Total assets		**88,937**	**58,976**
Liabilities			
Loans and borrowings	13	74,763	48,852
Lease liabilities	13, 14	1,877	-
Prepayments received		1,120	1,045
Current tax liabilities		151	-
Other payables	15	995	627
Total liabilities		**78,906**	**50,524**
Equity			
Share capital	16	1,095	1,095
Additional paid-in capital	16	782	441
Retained earnings		8,154	6,916
Total equity		**10,031**	**8,452**
Total equity and liabilities		**88,937**	**58,976**

The notes on pages 10-38 form an integral part of these financial statements.

All amounts are in BYN thousands

	Notes	2019	2018
Interest income from finance lease	17	15,561	9,261
Interest income calculated using the effective interest method	17	209	28
Interest expense	17	(5,535)	(4,220)
Net interest income		**10,235**	**5,069**
Impairment losses on financial instruments, including finance lease		(870)	(273)
Depreciation and amortization		(295)	(89)
Personnel expenses	18	(2,589)	(1,954)
Other income	19	496	389
Other expenses	20	(2,470)	(1,346)
Net (loss) gain on foreign currency exchange transactions		(1,047)	900
Profit before income tax		**3,460**	**2,696**
Income tax expense	21	(635)	(89)
Profit for the year		**2,825**	**2,607**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,825**	**2,607**

These financial statements were approved by management on 10 March 2019 and were signed on its behalf by:

Azalsho Tagaev
Director

Natalia Lustach
Chief Accountant

The notes on pages 10-38 form an integral part of these financial statements.

All amounts are in BYN thousands

	Notes	Share capital	Additional paid-in capital	Retained earnings	Total equity
Balance as at 1 January 2018		**1,095**	**441**	**5,923**	**7,459**
Transactions with owners of the Company					
Effect of recognition of loans on non-market terms, net of tax		-	-	(1,614)	**(1,614)**
Total transactions with owners of the Company		**-**	**-**	**(1,614)**	**(1,614)**
Total comprehensive income					
Profit for the year		-	-	2,607	2,607
Total comprehensive income		**-**	**-**	**993**	**993**
Balance as at 31 December 2018		**1,095**	**441**	**6,916**	**8,452**
Transactions with owners of the Company					
Effect of recognition and subsequent modifications of loans on non-market terms, net of tax	13	-	341	(1,587)	**(1,246)**
Total transactions with owners of the Company		**-**	**341**	**(1,587)**	**(1,246)**
Total comprehensive income		**-**	**-**		
Profit for the year		**-**	-	2,825	**2,825**
Total comprehensive income		**-**	**341**	**1,238**	**1,579**
Balance as at 31 December 2019		**1,095**	**782**	**8,154**	**10,031**

The notes on pages 10-38 form an integral part of these financial statements.

All amounts are in BYN thousands

	Notes	2019	2018
Cash flows from operating activities:			
Profit for the period		2,825	2,607
Adjustments for:			
- Depreciation and amortization		295	89
- Gain on sale of property and equipment	19	-	(2)
- Net loss/(gain) on foreign currency exchange transactions		1,047	(900)
- Net interest income	17	(10,235)	(5,069)
- Net impairment loss on deposits		253	-
- Net impairment loss on prepayments	20	42	34
- Net impairment loss on investment in finance lease	10	522	182
- Net impairment loss on other receivables		95	91
- Income tax expense	21	635	89
		(4,521)	**(2,879)**
Changes in:			
- investments in finance leases		(25,787)	(13,802)
- non-current assets held for sale, loans and advances to customers and receivables and other assets		695	(1,144)
- other payables		(26)	(119)
Cash outflow used in operations before income taxes and interest paid		**(29,639)**	**(17,944)**
Interest paid		(7,848)	(3,005)
Income tax paid		(286)	(75)
Interest received		16,936	9,768
Net cash used in operating activities		**(20,837)**	**(11,256)**
Cash flows from investing activities			
Acquisition of property and equipment		(49)	(93)
Proceeds from the sale of property, plant and equipment		-	195
Acquisition of intangible assets		(224)	(30)
Deposits placement		(14,367)	-
Deposits withdrawals		3,591	-
Net cash (used in)/from investing activities		**(11,049)**	**72**
Cash flows from financing activities			
Loans and borrowings received		53,880	35,053
Loans and borrowings repaid		(27,060)	(18,605)
Payment of lease liabilities	14	(294)	-
Net cash from financing activities		**26,526**	**16,448**
Net increase in cash and cash equivalents		**(5,360)**	**5,264**
Cash and cash equivalents at 1 January		**6,080**	**582**
Effect of movements in exchange rates on cash and cash equivalents		(285)	234
Cash and cash equivalents at 31 December		**435**	**6,080**

The notes on pages 10-38 form an integral part of these financial statements.

1. Reporting entity

Foreign limited liability company "Mikro Leasing" (hereinafter – "the Company") is a company engaged in lease activities and has been operating in Belarus since 2009. Legal address of the Company is 246050, 33 Lenina ave, Gomel, the Republic of Belarus. The Company has front offices in Minsk and all central regional cities of Belarus. The principal activity of the Company is the finance leasing of personal and commercial transport vehicles, equipment and special machinery.

As at 31 December the structure of the Company's share capital was as follows:

Name	Legal ownership interest as at 31 December 2019	Legal ownership interest as at 31 December 2018
Mikro Kapital Management S.A. (Luxemburg)*	99.9%*	-
Mikro Kapital S.a.r.l. (Luxemburg)*	-	99.9%
Trani Vincenzo	0.1%	0.1%
Total	**100%**	**100%**

* In December 2019 the share of Mikro Kapital S.a.r.l was sold to Mikro Kapital Management S.A. The respective amendments were included into the Company's charter and registered by Belarusian authorities in February 2020.

The Company is ultimately controlled by a single individual, Mr. Trani Vincenzo (Italy), who has the power to direct the transactions of the Company at his own discretion and for his own benefit. He also has a number of other business interests outside the Company.

The numbers of employees as at 31 December 2019 and 2018 were 79 and 69, respectively.

Belarusian business environment

The Company's operations are primarily located in Belarus. Consequently, the Company is exposed to the economic and financial markets of Belarus, which display emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, 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 Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past three years, have resulted in reduced inflation and a less-volatile Belarusian Rouble. However, the fairly recent devaluation of the Belarusian Rouble, and the subsequent period of high inflation, still leads to a certain level of uncertainty in the business environment.

The financial statements reflect management's assessment of how the Belarusian business environment has impacted the operations and financial position of the Company. The business environment in the future may differ from management's assessment.

2. Basis of accounting

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards.

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 5.

3. Functional and presentation currency

The national currency of the Republic of Belarus is the Belarusian Rouble ("BYN"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in BYN has been rounded to the nearest thousand, except when otherwise indicated.

4. Use of judgements and estimates

The preparation of financial statements in conformity with IFRSs 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 may differ from those estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 7 (g(v)) – measurement of ECL allowances for investment in finance lease; and
- Note 7 (e) – determining whether a lease is finance or operating.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Fair value of investment in finance lease

Management believes that the amount of net investment in finance lease is a reasonable approximation of its fair value considering relatively short nature of lease agreements and the market segment where the Company operates.

Fair value of loans and borrowings

The fair value of loans and borrowings at fixed interest rates is estimated based on calculation of discounted cash flows and applying interest rates from comparison of effective interest rates embedded into the financial instruments to rates available for financial instruments with similar credit risk, currency and maturities.

5. Changes in significant accounting policies

IFRS 16

The Company initially applied IFRS 16 Leases from 1 January 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 7 (e).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(**b**) **As a lessee**

As a lessee, the Company leases branch and office premises. The Company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under IAS 17

Previously, the Company classified branch and office premises leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at 1 January 2019 (see Note 5 (d)). Right-of-use assets are measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

(**c**) **As a lessor**

The accounting policies applicable to the Company’s as a lessor are not different from those under IAS 17. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

On application of IFRS 16 the Company clarified classification of insurance payments which are reimbursed by lessees from minimum lease payments composition’s perspective. Previously, in accordance with IAS 17, these payments were excluded from minimum lease payments. Starting from 1 January 2019 insurance payments reimbursed by lessees are treated as a part of minimum lease payments and accounted respectively for the contracts entered on or after 1 January 2019.

(d) Impact on financial statements

On transition to IFRS 16, at 1 January 2019, the Company recognized additional right-of-use assets against corresponding lease liabilities. No difference was recognized in retained earnings. The impact on transition is summarized below.

'000 BYN	**1 January 2019**
Right-of-use assets	2,059
Lease liabilities	(2,059)

For the impact of IFRS 16 on profit or loss for the period, see Note 14

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 6.31% for liabilities in EUR.

6. Basis of measurement

These financial statements have been prepared on historical cost basis.

7. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

Transactions in currencies other than functional currency are initially recorded at market rates of exchange as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences are recognized at net in profit or loss either in 'other income' or 'other expenses' depending on whether foreign currency movements are in a net gain or net loss position.

Exchange rates as of 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019	**Average rate for 2019**	**31 December 2018**	**Average rate for 2018**
US Dollar ('USD')/BYN	2.1036	2.0914	2.1598	2.0366
Russian Rouble ('RUB')/BYN	0.0340	0.0323	0.0311	0.0326
Euro ('EUR')/BYN	2.3524	2.3418	2.4726	2.4054

b) Interest

Interest income from finance lease is allocated over the lease term and is recognized in the statement of profit or loss and other comprehensive income based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease (see f).

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets upon initial recognition, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets upon initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The “amortized cost” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The “gross carrying amount of a financial asset” measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income and expense presented in the statement of profit or loss and other comprehensive include:

- interest income from finance lease;
- interest on financial assets and financial liabilities measured at amortized cost calculated using the effective interest method.

c) Other income and other expenses

Other income and other expenses are recorded on an accrual basis.

d) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively 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 recognized 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 assets are recognized 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 recognize 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 individual subsidiaries in the Company. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

e) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from borrowings received from third parties, from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

f) Investment in finance leases

The lease term and its recognition in the accounting system begins when the lessee has the right to use the leased asset.

When assets held are subject to finance lease, the Company recognizes the net investment in leases, which consists of the sum of the minimum lease term payments, and unguaranteed residual value (gross investment in lease) less the unearned finance lease income. The difference between the gross investment in finance lease and the present value of investment in finance lease is recognized as unearned finance lease income.

Finance lease income includes the amortization of unearned finance lease income.

Initial direct costs are included in the calculation of accounts receivable under finance leases. Subsequently receivables under finance lease decrease due to the proceeds under finance lease agreement, net of that portion of income that is attributable to interest income.

For fixed-rate leases, where the Company has right to revise interest rates and the lessee has an option to prepay the lease contract at par without significant penalty, the Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

g) Financial instruments

i) Recognition and initial measurement

Other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not hold any derivative financial instruments or financial assets to be classified as FVOCI or FVTPL.

Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is generally also recognized in profit or loss.

The Company does not hold financial liabilities to be classified as FVTPL.

iii) Modification of financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is generally recognized in profit or loss, except when loans are received on non-market terms from participants (see 7 (k)).

If a modification (or exchange) does not result in the derecognition of the financial liability the Company recognizes any adjustment to the amortized cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

iv) Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognized when it is extinguished.

The Company also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

v) Impairment of financial assets including finance lease

The Company recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost; and
- finance lease receivables.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs: Cash and cash equivalents and Deposits for which credit risk (i.e.

the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- the lessee is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortizedне cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all instruments, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

vi) Offsetting

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

h) Assets classified as held for sale

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and the results of subsequent remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Assets that are retained by the Company as a result of repossessing of collaterals, due to inability of lessees to settle lease payments, are classified to this category as the Company expects to recover their value only through sale.

i) Property and equipment

Property and equipment are carried at historical cost restated for hyperinflation less accumulated depreciation and impairment loss, if any.

Depreciation of assets commences from the date the assets are ready for their intended use. Depreciation of property and equipment is designed to write off assets over their useful economic lives and is calculated on a straight line basis, using the following percentages:

	% per annum
Computers and office equipment	6 – 67
Real estate	1
Equipment	13 – 20

Cost of property and equipment includes major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income as incurred.

Property and equipment that is retired or otherwise disposed are removed from the statement of financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the statement of profit or loss and other comprehensive income.

Useful lives, depreciation methods and residual values are reviewed at each reporting date.

j) Share capital

Contributions to share capital are recognized at cost restated for inflation from the date of contribution.

k) Additional paid-in capital and distribution of retained earnings

Gain on initial recognition of long-term loans received on non-market terms from a participant of the Company is recognized as additional paid-in capital directly in equity. Effects ones recognized as the additional paid-in capital remains as a component of equity and are not reclassified to retained earnings neither on loan repayment date nor on change of participants.

Loss on initial recognition of long-term loans received on non-market terms from a participant of the Company is recognized directly in equity as a distribution of retained earnings.

l) Intangible assets

Intangible assets are recorded in the financial statements at historical cost less accumulated depreciation and impairment losses.

Intangible assets with a finite useful life are depreciated using the straight-line method of depreciation over the expected useful lives, and recorded in the statement of profit and loss and comprehensive income. Useful lives of intangible assets vary from more than 1 year to 5 years

m)Retirement benefit costs

In accordance with the requirements of the Republic of Belarus legislation, the Company withholds amounts of pension contributions from employee salaries and pays them to the State pension fund. Such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state. The Company does not have any pension arrangements separate from the state pension system of the Republic of Belarus. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

8. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company’s financial statements.

– *Amendments to References to Conceptual Framework in IFRS Standards.*

– *Definition of a Business (Amendments to IFRS 3).*

– *Definition of Material (Amendments to IAS 1 and IAS 8).*

– *IFRS 17 Insurance Contracts.*

9. Cash and cash equivalents, deposits

As at 31 December 2019 and 31 December 2018 cash and cash equivalents consisted of the following:

000’BYN	**31 December 2019**	**31 December 2018**
Cash and cash equivalents BYN	317	742
Cash in transit in EUR	118	-
Cash and cash equivalents EUR	-	3,088
Cash and cash equivalents USD	-	2,250
Total	**435**	**6,080**

As at 31 December 2019 BYN 315 thousand of cash and cash equivalents were held at bank with Fitch’s B (stable) credit rating (31.12.2018: BYN 2 339 thousand of cash and cash equivalents) and BYN 20 thousand of cash and cash equivalents were held at bank with Moody's Baa3 credit rating. All other banks were unquoted.

As at 31 December 2019 and 31 December 2018 deposits consisted of the following:

000’BYN	**31 December 2019**	**31 December 2018**
Term deposits in banks with original maturity over 90 days before allowance for expected credit losses	10,775	-
Allowance for expected credit losses	(253)	-
Total deposits in banks	**10,522**	**-**

Deposits in banks as at 31 December 2019 were deposits in BYN and had floating interest rate of 8.5% (The refinance rate of the National Bank of Republic of Belarus minus 0.5%). The maturity of these deposits is September and November 2021.

As at 31 December 2019, all deposits are neither past due nor impaired and were held at bank with Fitch’s B (stable) credit rating. All balances of deposits are allocated to Stage 1.

10. Investments in finance leases

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after 31 December 2019 under IFRS 16.

’000 BYN	**31 December 2019**
Less than one year	50,443
One to two years	29,499
Two to three years	15,019
Three to four years	6,507
Four to five years	1,638
More than five years	-
Total undiscounted lease receivable	**103,106**
Unearned finance income	(28,821)
Net investment in the lease	**74,285**
Less impairment allowance	(857)
Net investment in the lease less impairment allowance	**73,428**

The following table sets out a maturity analysis of lease receivables to be received after 31 December 2018 under IAS 17.

000'BYN	**31 December 2018**
Gross investments in finance leases, receivable	
Less than one year	33,394
Between one and five years	36,940
More than five years	-
	70,334
Unearned finance income	(19,976)
Net investment in finance leases	50,358
Less impairment allowance	(500)
	49,858
Net investments in finance leases, receivable	
Less than one year	22,365
Between one and five years	27,993
More than five years	-
	50,358

Movements in the allowance for impairment in respect of investments in finance leases were as follows:

000'BYN	**2019**	**2018**
Balance at 1 January	**500**	**374**
Amounts written off	(165)	(56)
Net remeasurement of loss allowance	522	182
Balance at 31 December	**857**	**500**

The Company has lease agreements with companies, operating in the following industries:

	31 December 2019		**31 December 2018**	
000'BYN	**Net investment in finance leases**	**%**	**Net investment in finance leases**	**%**
Individuals	29,015	40%	17,566	35%
Trade	14,788	20%	11,740	24%
Transport services	9,853	14%	5,698	11%
Industry	8,185	11%	7,549	15%
Services	7,572	10%	6,133	12%
Construction	2,385	3%	415	1%
Leisure	720	1%	443	1%
Other	910	1%	314	1%
Total	**73,428**	**100%**	**49,858**	**100%**

Net investment in finance leases is collateralized by respective leased assets, i.e. vehicles, trucks, equipment and real estate. On or before the commencement of lease the Company requires from lessees a 20 to 40% prepayment.

11. Assets held for sale

Assets that are retained by the Company as a result of repossessing of collateral, due to the inability of lessees to settle lease payments, are classified as non-current assets held for sale as the Company expects to recover their value only through sale within twelve months.

As at 31 December 2019 and 31 December 2018 the structure of the assets held for sale was following:

000’BYN	31 December 2019	31 December 2018
Repossessed vehicles held for sale	285	458
Repossessed equipment held for sale	134	-
Repossessed premise held for sale	122	-
Total assets held for sale	**541**	**458**

As at 31 December 2019 and 31 December 2018 assets held for sale were stated at the lower of carrying amount and fair value less costs to sell.

12. Property and equipment

The movements in property, plant and equipment of the Company were as follows:

000’BYN	Real estate	Equipment	Vehicles	Computers, office equipment	Total
Cost					
Balance as at 1 January 2018	**86**	**61**	**302**	**51**	**500**
Additions	-	36	28	29	**93**
Disposals	-	(6)	(330)	(2)	**(338)**
Balance as at 31 December 2018	**86**	**91**	**-**	**78**	**255**
Balance as at 1 January 2019	**86**	**91**	**-**	**78**	**255**
Additions	-	3	-	46	**49**
Balance as at 31 December 2019	**86**	**94**	**-**	**124**	**304**
Accumulated Depreciation					
Balance as at 1 January 2018	**(9)**	**(24)**	**(82)**	**(31)**	**(146)**
Depreciation for the period	(2)	(6)	(61)	(12)	**(81)**
Disposals	-	1	143	1	**145**
Balance as at 31 December 2018	**(11)**	**(29)**	**-**	**(42)**	**(82)**
Balance as at 1 January 2019	**(11)**	**(29)**	**-**	**(42)**	**(82)**
Depreciation for the period	(1)	(7)	-	(17)	**(25)**
Balance as at 31 December 2019	**(12)**	**(36)**	**-**	**(59)**	**(107)**
Carrying amounts					
Balance as at 1 January 2018	**77**	**37**	**220**	**20**	**354**
Balance as at 31 December 2018	**75**	**62**	**-**	**36**	**173**
Balance as at 31 December 2019	**74**	**58**	**-**	**65**	**197**

13. Loans and borrowings, lease liabilities

The loans and borrowings as at 31 December 2019 and 31 December 2018 were the following:

31 December 2019	Current	Non-current	Total
EUR	987	7,057	**8,044**
USD	19,174	35,420	**54,594**
RUB	5,668	1,534	**7,202**
BYN	3,143	1,780	**4,923**
Total loans and borrowings	**28,972**	**45,791**	**74,763**

31 December 2018	Current	Non-current	Total
USD	18,150	15,651	**33,801**
RUB	802	9,835	**10,637**
BYN	2,700	1,714	**4,414**
Total loans and borrowings	**21,652**	**27,200**	**48,852**

As at 31 December 2019 and 31 December 2018 the loans were the following:

Loan agreement	Currency	Contractual interest rate	Maturity	31 December 2019	31 December 2018
Unsecured loans from participants[a]	USD	14.00% - 15.56%	2020-21	33,913	29,487
Unsecured loans from participants	RUB	12.78%	2020	5,656	10,637
Unsecured loans from participants	EUR	15.56%	2020	964	-
Secured bank loans	USD	6% - 9%	2021-22	15,601	4,314
Secured bank loans	USD	LIBOR (3m) + 5.13%	2021	5,080	-
Secured bank loans	RUB	RCBRF[b] + 3%	2021	1,546	-
Secured bank loans	EUR	5%	2021	7,080	-
Secured bank loans	BYN	11.75%-15%	2020-22	4,164	2,647
Secured bank loans	BYN	RNBRB[c] +2.25%	2020	759	1,767
Total loans and borrowings				**74,763**	**48,852**
Lease liabilities	USD	8.68% - 8.86%	2023-28	88	-
Lease liabilities	EUR	6.04% - 6.24%	2021-28	1,789	-
Total liabilities				**1,877**	**-**
Total loans and borrowings and lease liabilities				**76,640**	**48,852**

a) In November and December 2019 the Company signed 3 novation agreements with Mikro Fund, one of the participants of the Company. The novation agreements anticipated consolidation of a number of loans into one instrument with a shift in maturity. As a result of substantial change in contractual terms the fair value gain and loss of BYN 341 thousand (net of tax) and BYN (1,587) thousand (net of tax), respectively, on derecognition of novated loans and initial recognition of a new financial instrument under the rates higher than available in the market was recognized directly in additional paid-in capital as its contribution and in retained earnings as its distribution, respectively.

b) The refinance rate of the Central Bank of the Russian Federation.

c) The refinance rate of the National Bank of Republic of Belarus.

Loans granted by Mikro Fund anticipate repayment of both interest and principal amounts on the maturity date.

At 31 December 2019 finance lease receivables in the amount of BYN 22,652 thousand serve as collateral under loan agreements with OJSC Belgazprombank, CJSC Idea Bank, OJSC MTBank, JSC Reshenie Bank and CJSC Absolutbank (31 December 2018: BYN 10,879 thousand).

Reconciliation of movements of liabilities to cash flows arising from financing activities

000'BYN	**2019 Liabilities** _Loans and borrowings_	_Lease liabilities_	**Total**
Restated* balance at 1 January 2019	**48,852**	**2,059**	**50,911**
Changes from financing cash flows			
Repayment of borrowings	(27,060)	-	**(27,060)**
Payment of lease liabilities		(294)	**(294)**
Total changes from financing cash flows	**(27,060)**	**(294)**	**(27,354)**
The effect of changes in foreign exchange rates	**360**	**(99)**	**261**
Other changes			
Liability-related			
New loans and borrowings	53,880	-	**53,880**
New leases	-	10	**10**
Interest expense	5,420	115	**5,535**
Interest paid	(7,848)	-	**(7,848)**
Withholding tax charge	(361)	-	**(361)**
Effect of lease modifications	-	86	**86**
Total liability-related other changes	**51,091**	**211**	**51,302**
Equity-related			
Effect of recognition and subsequent modifications of loans on non-market terms	1,520	-	**1,520**
Total equity-related other changes	**1,520**	**-**	**1,520**
Balance at 31 December 2019	**74,763**	**1,877**	**76,640**

* the balance was restated for the effect of initial application of IFRS 16 Leases (Note 5(d)).

000'BYN	**2018 Liabilities** _Loans and borrowings_
Balance at 1 January 2018	**29,134**
Changes from financing cash flows	
Repayment of borrowings	(18,605)
Total changes from financing cash flows	**(18,605)**
The effect of changes in foreign exchange rates	**429**
Other changes	
Liability-related	
New loans and borrowings	35,053
Interest expense	4,220
Interest paid	(3,005)
Withholding tax charge	(343)
Total liability-related other changes	**35,925**
Equity-related	
Effect of recognition of loans on non-market terms	1,969
Total equity-related other changes	**1,969**
Balance at 31 December 2018	**48,852**

14. Leases as a lessee

The Company leases branch and office premises. The leases typically run for a period of 1 – 5 years, with an option to renew the lease after that date.

Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

000’BYN	**Branch and office premises**
Balance at 1 January 2019	**2,059**
Depreciation charge for the year	(248)
Additions to right-of-use assets	86
Effect of lease modifications	10
Balance at 31 December 2019	**1,907**

(ii) Amounts recognised in profit or loss

000’BYN	**2019**
2019 – Leases under IFRS 16	
Interest on lease liabilities (Note 17)	115
2018 – Operating leases under IAS 17	
Lease expense (Note 20)	317

(ii) Amounts recognised in statement of cash flows

000’BYN	**2019**
Total cash outflow for leases	**(294)**

15. Other payables

000’BYN	**31 December 2019**	**31 December 2018**
Tax payables	571	78
Payroll payables	241	194
Payables to suppliers	101	295
Audit accrual	68	46
Other payables	14	14
Total other payables	**995**	**627**
Total financial payables	**169**	**309**
Total non-financial payables	**826**	**318**

16. Share capital

As at 31 December 2018 the total authorized, issued and fully paid share capital was BYN 1,095 thousand, including the effect of inflation of BYN 13 thousand. There was no additional contribution to share capital by shareholders in 2019 and 2018.

The voting rights, rights to dividends and residual assets of the participants correspond to legal ownership interests (Note 1).

Additional paid-in capital is represented by fair value gains on initial recognition of long-term loans received under preferential market rates from the participant of the Company.

The Company recognized BYN 1,587 thousand (net of tax) (see Note 13) during 2019 and BYN 1,614 thousand (net of tax) during 2018 directly in retained earnings as fair value loss on initial recognition of long-term loans received on non-market term.

The Company recognized BYN 341 thousand (net of tax) (see Note 13) during 2019 directly in Additional paid-in capital as fair value gain on initial recognition of long-term loans received on non-market term.

17. Net interest income

000'BYN	**2019**	**2018**
Interest income from finance leasing	15,561	9,261
Interest income calculated using the effective interest method		
- interest on deposits and cash and cash equivalents	209	27
- interest on employees loans	-	1
Total interest income	**15,770**	**9,289**
Interest expense	(5,420)	(4,220)
Interest expense on lease liabilities	(115)	-
Total interest expense	**(5,535)**	**(4,220)**
Net interest income	**10,235**	**5,069**

18. Personnel expenses

000'BYN	**2019**	**2018**
Payroll	2,002	1,519
Payroll related charges	587	435
Total personnel expenses	**2,589**	**1,954**

19. Other income

000'BYN	**2019**	**2018**
Penalties	265	82
Written-off receivables recovery	60	-
Income from sale of lease inventory	19	215
Gain on sale of property and equipment	-	2
Other income	152	90
Total other income	**496**	**389**

20. Other expenses

000'BYN	**2019**	**2018**
Insurance expenses	850	-
Professional services	486	302
Advertising expenses	395	317
Utilities	34	31
Low cost materials	54	48
Communication services	48	32
Net impairment loss on prepayments	42	34
Bank services	35	26
Travelling expenses	30	30
Other tax expenses	25	39
Repair costs	24	38
Transport services	10	2
Rent expenses	-	271
Charity	-	16
Other expenses	437	160
Total other expenses	**2,470**	**1,346**

21. Income tax expense

The Company provides for current income tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations, which may differ from amounts calculated under the IFRS. In the Republic of Belarus the combined income tax rate constitutes 18% for the periods starting 1 January 2019 and 1 January 2020.

Deferred tax reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2019 and 31 December 2018 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

000'BYN	**2019**	**2018**
Current income tax expense	440	69
Deferred income tax expense	195	20
Income tax expense	**635**	**89**

Deferred tax assets and liabilities as at 31 December 2019 and 31 December 2018 are attributable to the following:

	Assets		**Liabilities**		**Net**	
000'BYN	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Deposits	46	-	-	-	46	-
Loans and advances to customers	23	23	-	-	23	23
Right-of-use assets	-	-	(343)	-	(343)	-
Investment in finance lease	-	210	(46)	-	(46)	210
Prepayments	14	-	-	-	14	-
Other receivables	65	48	-	-	65	48
Assets held for sale	5	-	-	(175)	5	(175)
Value Added Tax Refundable	-	-	(2)	(2)	(2)	(2)
Property and equipment	-	-	(10)	(13)	(10)	(13)
Lease liabilities	338	-	-	-	338	-
Inventory	17	13	-	-	17	13
Other assets	117	4	-	-	117	4
Prepayments received	-	6	-	-	-	6
Loans and borrowings	318	220	-	-	318	220
Other payables	43	30	-	-	43	30
Tax assets/(liabilities)	**986**	**554**	**(401)**	**(190)**	**585**	**364**

Relationship between income tax expense and accounting profit before income tax for the year ended 31 December 2019 and 31 December 2018 is presented as follows:

000'BYN	**2019**		**2018**	
Profit before tax		**3,460**		**2,696**
Tax at the Company`s domestic tax rate	**(18%)**	(623)	(18%)	(485)
Tax-exempt income and non-deductible expenses	**(1%)**	(42)	(2%)	(63)
Other permanent differences	**1%**	30	17%	459
Total income tax expense	**(18%)**	**(635)**	**(3%)**	**(89)**

Reconciliation of deferred taxes recognized in the income statement is as follows:

000'BYN	**2019**	**2018**
Deferred tax asset/(liability) as at the beginning of the year	364	(49)
Recognized directly in equity	416	433
Recognized in profit or loss	(195)	(20)
Deferred tax asset	**585**	**364**

22. Related party transactions

In the ordinary course of business the Company performs transactions with the main participants, management of the Company and other related parties.

Information on balances as at 31 December 2019 and 31 December 2018, transactions of the Company with related parties for the year ended 31 December 2019 and 31 December 2018 are presented as follows:

(a) Transactions with participants

000'BYN	**Note**	**Contractual interest rate, %**	**Outstanding balance 31 December 2019**	**Interest expense for 2019**	**Outstanding balance 31 December 2018**	**Interest expense for 2018**
Loans and borrowings	13	12.78%-15.56%	40,533	3,923	40,124	2,386
Total			**40,533**	**3,923**	**40,124**	**2,386**

(b) Transactions with key management

Key management remuneration was included in payroll (personnel expenses) in the amount of BYN 269 thousand for 2019 (2018: BYN 203 thousand).

(c) Transaction with companies under common control

In 2019 the Company singed in total 101 finance lease contracts with LLC "Carsharing club"(Belarus), the company under the common control. The average interest rate implicit in these lease contracts is 20.9%.

The amount of investments in finance lease and interest income for the period are presented below.

000'BYN	**31 December 2019**	**31 December 2018**
Investments in finance lease	3,627	2,140
Total	**3,627**	**2,140**

Transactions with LLC "Carsharing club" for the period:

000'BYN	**For year ended 31 December 2019**	**For year ended 31 December 2018**
Interest income from finance lease	734	100
Total	**734**	**100**

Transactions turnover with LLC "Mikro Kapital Corporate Services" (formerly - LLC "Gorod Deneg") for the period:

000'BYN	**For year ended 31 December 2019**	**For year ended 31 December 2018**
Professional services received	287	376
Total	**287**	**376**

Trade payables to LLC “Mikro Kapital Corporate Services” (formerly - LLC “Gorod Deneg”):

000’BYN	31 December 2019	31 December 2018
Trade payables	-	-
Total	**-**	**-**

23. Fair value of financial assets and financial liabilities

Set out below is a comparison of the carrying amounts and fair values of the Company’s financial instruments.

31 December 2019	Carrying value			Fair value			
	Finance lease receivable	Financial assets at amortized cost	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets							
Investment in finance leases	73,428	-	-				
Deposits	-	10,522	-				
Cash and cash equivalents	-	435	-				
Other receivables	-	122	-				
Total	**73,428**	**11,079**	**-**				
Financial liabilities							
Loans and borrowings	-	-	(74,763)	-	-	(75,208)	**(75,208)**
Lease liabilities			(1,877)			(1,991)	**(1,991)**
Other payables	-	-	(169)				
Total	**-**	**-**	**(76,809)**	**-**	**-**	**(77,199)**	**(77,199)**

31 December 2018	Carrying value			Fair value			
	Finance lease receivable	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets							
Investment in finance leases	49,858	-	-				
Cash and cash equivalents	-	6,080	-				
Loans and advances to customers	-	1	-				
Other receivables	-	171	-				
Total	**49,858**	**6,252**	**-**				
Financial liabilities							
Loans and borrowings	-	-	(48,852)	-	-	(48,888)	**(48,888)**
Other payables	-	-	(309)				
Total	**-**	**-**	**(49,161)**	**-**	**-**	**(48,888)**	**(48,888)**

The Company did not perform fair value analysis on cash and cash equivalents, deposits and other payables, investment in finance lease, loans and advances to customers as due to the nature of these financial instruments their carrying values are generally equivalent to their fair values.

The following table shows the valuation techniques use in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique
Loans and borrowings	Discounted cash flows: the valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

There were no transfers between fair value hierarchy levels in 2019 and 2018.

24. Financial risk and capital management policies

Management of risk and capital is an essential element of the Company's operations. The main financial risks inherent to the Company's operations are those related to credit risk exposures, liquidity, market movements in interest rates and foreign exchange rates. A description of the Company's risk management policies in relation to those risks follows.

Credit risk

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

The Company's maximum exposure to credit risk is generally equal to the carrying amounts of financial assets.

As at 31 December the maximum exposure to credit risk was as follows:

000'BYN	**31 December 2019**	**31 December 2018**
Investment in finance lease (Note 10)	73,428	49,858
Deposits (Note 9)	10,522	-
Loans and advances to customers	-	1
Cash and cash equivalents (Note 9)	435	6,080
Other receivables	122	171
Total	**84,507**	**56,110**

All of the aforementioned financial assets' counterparties are domiciled in Belarus. Except of the banks (Note 9) none of these counterparties have external credit ratings.

Expected credit loss (ECL) assessment for investments in finance lease

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The Company calculates ECL by multiplying the lifetime PD by LGD and EAD. There are two major groups of finance lease receivables for which ECL estimated separately: private persons and legal entities.

To estimate PDs the Company collects performance and default information about its credit risk exposures analyzed by types of counterparties. The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the seniority of the claim and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

The following table provides information about the exposure to credit risk and ECLs for finance lease receivables as at 31 December 2019:

000’BYN	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Private persons				
Current (not past due)	0.3%	25,549	(82)	No
1-90 days past due	0.7%	3,442	(25)	No
More than 90 days past due	30.5%	298	(91)	Yes
Legal entities				
Current (not past due)	0.7%	38,417	(280)	No
1-90 days past due	2.3%	5,703	(133)	No
More than 90 days past due	28.1%	876	(246)	Yes
Total		**74,285**	**(857)**	

The following table provides information about the exposure to credit risk and ECLs for finance lease receivables as at 31 December 2018:

000’BYN	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Individual persons				
Current (not past due)	0.4%	14,809	(62)	No
1-90 days past due	0.9%	2,792	(24)	No
More than 90 days past due	28.6%	31	(9)	Yes
Legal entities				
Current (not past due)	1.0%	28,085	(271)	No
1-90 days past due	2.5%	4,533	(112)	No
More than 90 days past due	20.8%	108	(22)	Yes
Total		**50,358**	**(500)**	

As at 31 December 2019, the Company has guarantee deposits placed as collateral for obligations under loan agreements received. These deposits do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Types of financial assets/liabilities as at 31 December 2019	Gross amounts of recognised financial asset/liability	Related amounts not offset in the statement of financial position	
		Financial instruments	Net amount
Bank deposits (Note 9)	10,522	(10,232)	290
Total financial assets	**10,522**	**(10,232)**	**290**
Loans and borrowings (Note 13)	(10,232)	10,522	290
Total financial liabilities	**(10,232)**	**(10,522)**	**290**

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Company's reputation. The Company monitors liquidity by preparing monthly forecast statements of cash flows. In case a liquidity gap is expected additional loan agreements are negotiated.

Information concerning contractual maturity dates of financial liabilities as at 31 December 2019 including interest payments is presented below:

000'BYN	Carrying amount	Cash flows under contract	Up to 1 year	1 year to 5 years	Over 5 years
Loans and borrowings	74,763	82,259	33,497	48,762	-
Lease liabilities	1,877	2,398	339	1,163	896
Other payables	169	169	169	-	-
Total	**76,809**	**84,826**	**34,005**	**49,925**	**896**

Information concerning contractual maturity dates of financial liabilities as at 31 December 2018 including interest payments is presented below:

000'BYN	Carrying amount	Cash flows under contract	Up to 1 year	1 year to 5 years	Over 5 years
Loans and borrowings	48,852	53,790	24,255	29,535	-
Other payables	309	309	309	-	-
Total	**49,161**	**54,099**	**24,564**	**29,535**	**-**

For the purposes of managing liquidity risk the Company uses on a regular basis the analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. The following table provides such analysis of assets and liabilities:

	31 December 2019			31 December 2018		
000'BYN	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Assets						
Investment in finance leases	33,887	39,541	**73,428**	21,865	27,993	**49,858**
Deposits	10,522	-	**10,522**	-	-	**-**
Cash and cash equivalents	435	-	**435**	6,080	-	**6,080**
Loans to customers	-	-	**-**	1	-	**1**
Other receivables	122	-	**122**	171	-	**171**
Total	**44,966**	**39,541**	**84,507**	**28,117**	**27,993**	**56,110**
Liabilities						
Loans and borrowings	(28,972)	(45,791)	(74,763)	(21,652)	(27,200)	(48,852)
Lease liabilities	(328)	(1,549)	(1,877)	-	-	-
Other payables	(169)		(169)	(309)	-	(309)
Total	**(29,469)**	**(47,340)**	**(76,809)**	**(21,961)**	**(27,200)**	**(49,161)**
Net Position	**15,497**	**(7,799)**	**7,698**	**6,156**	**793**	**6,949**

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As at 31 December 2019 and 31 December 2018 the Company's analysis by currencies risk was as follows:

31 December 2019	USD	EUR	RUB	Total
Financial assets				
Investment in finance leases	48,755	7,583	7,963	**64,301**
Cash and cash equivalents	118	-	-	**118**
Other receivables	33	7	2	**42**
Total financial assets	**48,906**	**7,590**	**7,965**	**64,461**
Financial liabilities				
Loans and borrowings	(54,594)	(8,044)	(7,202)	**(69,840)**
Lease liabilities	(88)	(1,789)	-	**(1,877)**
Other payables	(8)	(69)	(48)	**(125)**
Total financial liabilities	**(54,690)**	**(9,902)**	**(7,250)**	**(71,842)**
Total open currency position	**(5,784)**	**(2,312)**	**715**	**(7,381)**

31 December 2018	USD	EUR	RUB	Total
Financial assets				
Investment in finance leases	28,992	7,925	9,363	**46,280**
Cash and cash equivalents	2,250	3,088	-	**5,338**
Loans to customers	1	-	-	**1**
Other receivables	1	-	1	**2**
Total financial assets	**31,244**	**11,013**	**9,364**	**51,621**
Financial liabilities				
Loans and borrowings	(33,801)	-	(10,637)	**(44,438)**
Other payables	-	(14)	-	**(14)**
Total financial liabilities	**(33,801)**	**(14)**	**(10,637)**	**(44,452)**
Total open currency position	**(2,557)**	**10,999**	**(1,273)**	**7,169**

Currency risk sensitivity analysis

The following tables detail the Company's sensitivity to increase and decrease of exchange rates of US dollar, Euro and Russian Rouble to Belarusian Rouble. Rates presented in the tables below are the sensitivity rates used when reporting foreign currency risk internally to key management personnel of the Company and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for respective percentage compared to currently exchange rate as at the respective reporting date.

	31 December 2019		**31 December 2018**	
	10% appreciation of USD against BYN	**10% depreciation of USD against BYN**	**5% appreciation of USD against BYN**	**5% depreciation of USD against BYN**
Impact on profit or loss before income taxes	(578)	578	(128)	128
Impact on net equity	(474)	474	(105)	105

	31 December 2019		31 December 2018	
	10% appreciation of EUR against BYN	**10% depreciation of EUR against BYN**	**5% appreciation of EUR against BYN**	**5% depreciation of EUR against BYN**
Impact on profit or loss before income taxes	(231)	231	550	(550)
Impact on equity	(189)	189	451	(451)

	31 December 2019		31 December 2018	
	10% appreciation of RUB against BYN	**10% depreciation of RUB against BYN**	**10% appreciation of RUB against BYN**	**10% depreciation of RUB against BYN**
Impact on profit or loss before income taxes	72	(72)	(127)	127
Impact on equity	59	(59)	(104)	104

The above tables demonstrate the effect of a change in a key assumption (change of currency rate towards Belarusian Rouble) while other assumptions remain unchanged. However, there is a correlation between the key assumption and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Management seeks to minimize open currency position in USD and RUB by negotiating leases in the currency of available financial resources. Management makes efforts to match loans and borrowings with new lease agreements linked to the same currency.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect profit or loss or the value of the financial instruments.

As at 31 December 2019 and 31 December 2018 the structure of the Company's financial instruments grouped by the types of nominal interest rate was as follows:

31 December 2019	**Effective interest rates range**	**Weighted-average interest rate**	**Zero interest rate**	**Fixed interest rate**	**Floating interest rate**	**Total**
Investment in finance lease	21%-70%	31.54%	-	-	73,428[a]	**73,428**
Deposits	RNBRB – 0.5%	8.5%			10,522	**10,522**
Cash and cash equivalents	-	-	435	-	-	**435**
Other receivables	-	-	122	-	-	**122**
Loans and borrowings	5 %-15.56 %	11.85%	-	(67,378)	(7,385)	**(74,763)**
Lease liabilities	6.04%-13.67%	6.31%	-	(1,877)	-	**(1,877)**
Other payables	-	-	(169)	-	-	**(169)**
Total open position			**388**	**(69,255)**	**76,565**	**7,698**

31 December 2019	**Effective interest rates range**	**Weighted-average interest rate**	**Zero interest rate**	**Fixed interest rate**	**Floating interest rate**	**Total**
31 December 2018	**Effective interest rates range**	**Weighted-average interest rate**	**Zero interest rate**	**Fixed interest rate**	**Floating interest rate**	**Total**
Investment in finance lease	9%-47%	25.5%	-	-	49,858 [a]	**49,858**
Cash and cash equivalents	-	-	6,080	-	-	**6,080**
Other receivables	-	-	171	-	-	**171**
Loans and borrowings	7.9%-13.6%	10.1%	-	(34,287)	(14,565)	**(48,852)**
Other payables	-	-	(309)	-	-	**(309)**
Total open position			**5,942**	**(34,287)**	**35,293**	**6,948**

a) including fixed-rate leases where the Company has a right to revise interest rates and the lessee has an option to prepay the lease contract at par without significant penalty (Note 7(f)).

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. A reasonably possible change of 100 basis points in interest rates of variable-rate instruments at the reporting date would have increased/decreased equity and profit and loss by BYN 628 thousand and BYN 766 thousand, respectively (2018: BYN 289 thousand and BYN 353 thousand, respectively). The analysis assumes that all other variables remain constant.

Capital management

Management of the Company aims to maintain an adequate capital structure and capital value to gain confidence of creditors, the market and to expand Company’s operations.

According to the Presidential Decree “On issues of leasing activities regulation”, dated 25 February 2014, the minimum regulatory capital of leasing company in Belarus must comprise EUR 50 thousand. As at 31 December 2019 and 31 December 2018 the Company complies with the minimum capital requirements.

25. Contingencies

Taxation contingencies

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities’ decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during 5 following calendar years. In certain cases this period is unlimited.

The current tax authority initiatives in Belarus continue to elaborate taxation regulations vis-à-vis related-party and cross-border transactions. The most significant concepts in this respect include a limitation on “deductible” expenses on controlled debts (interest, management fees, etc.), the concept of the beneficial ownership of income, and restrictions on the deductibility from the tax base of so-called "economically unjustified costs". Due to the introduction in 2019 of a new “unreasonable tax benefit” concept, uncertainties have increased in relation to tax planning and strategy optimisation. Any strategy where the main goal is to minimise tax charges is not permitted under this new tax concept, and respective operations should be taxed based on conditions that existed before implementing such strategy.

The application practice of the recently changed legislation is still evolving and should be considered based on the actual circumstances. Due to uncertainty the Company's tax position could be potentially impacted and additional tax risks going forward could arise.

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

26. Subsequent events

For the period from 31 December 2019 to the date of approval of these financial statements the refinance rate of the National Bank of Republic of Belarus has decreased from 9.00% to 8.75%.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Russian Rouble and the Belarusian Rouble.

From 31 December 2019 to the date of approval of these financial statements the Belarusian Rouble was strengthened against RUB by 7.09% and weaken against EUR and USD by 11.80% and 13.71%, respectively.