"PASHA Capital Investment Company" Closed Joint Stock Company

Financial Statements and
Independent Auditor's Report
for Year Ended December 31, 2018

"PASHA CAPITAL INVESTMENT COMPANY" CLOSED JOINT STOCK COMPANY

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"PASHA CAPITAL INVESTMENT COMPANY" CLOSED JOINT STOCK COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of "PASHA Capital Investment Company" Closed Joint Stock Company as at December 31, 2018, and the results of its operations, cash flows and changes in shareholder's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2018 were approved by management on April 25, 2019:

On behalf of the Management:

Jeyhun Hajiyev,
General Director
"PASHA Capital Investment Company" CJSC

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders of "PASHA Capital Investment Company" Closed Joint Stock Company

Opinion

We have audited the financial statements of "PASHA Capital Investment Company" Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2018, 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 respects, the financial position of the Company as at December 31, 2018, 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 ("ISA"). 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* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Note 16 to the financial statements, 81% of the Company's sales for the year ended December 31, 2018 were to related parties. Our opinion is not modified in respect of this matter.

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.

Auditor's 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 auditor's 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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Deloitte and Touche LLAC

April 25, 2019
Baku, the Republic of Azerbaijan

PASHA CAPITAL INVESTMENT COMPANY CLOSED JOINT STOCK COMPANY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018
(in Azerbaijani Manats)

	Notes	December 31, 2018	December 31, 2017
Commission revenue	6	772,029	544,606
Total commission revenue		**772,029**	**544,606**
Staff costs		(58,483)	(24,332)
General and administrative expenses	7	(131,177)	(79,622)
Operating profit		**582,369**	**440,652**
Foreign exchange losses		-	(28,856)
Interest income		48,971	-
Loss on derivatives		-	(18,877)
Profit before income tax		**631,340**	**392,919**
Income tax expense	8	(125,056)	(79,532)
Net profit for the year		**506,284**	**313,387**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**506,284**	**313,387**

The notes on page 8 to 28 form an integral part of these financial statements.

PASHA CAPITAL INVESTMENT COMPANY CLOSED JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2018
(in Azerbaijani Manats)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Intangible assets	9	62,750	62,750
Long-term investment securities	12	47,034	-
Deferred tax assets		8,505	2,018
Total non-current assets		**118,289**	**64,768**
Current assets			
Cash and cash equivalents	11	987,805	1,048,693
Trade and other receivables	10	77,329	72,605
Short-term investment securities	12	1,324,022	-
Prepayments	13	90,450	7,124
Total current assets		**2,479,606**	**1,128,422**
TOTAL ASSETS		**2,597,895**	**1,193,190**
LIABILITIES AND EQUITY			
EQUITY			
Share capital	17	300,000	300,000
Retained earnings		1,227,497	721,213
TOTAL EQUITY		**1,527,497**	**1,021,213**
LIABILITIES			
Current liabilities			
Trade payables	14	53,104	120,743
Advances received	16	912,974	-
Deferred revenue	15	55,672	21,977
Tax payables	8	48,648	29,257
Total current liabilities		**1,070,398**	**171,977**
TOTAL LIABILITIES		**1,070,398**	**171,977**
TOTAL LIABILITIES AND EQUITY		**2,597,895**	**1,193,190**

The notes on page 8 to 28 form an integral part of these financial statements.

PASHA CAPITAL INVESTMENT CLOSED JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
(in Azerbaijani Manats)

	Share capital	Retained earnings	Total equity
January 1, 2017	**300,000**	**407,826**	**707,826**
Total comprehensive income for the year	-	313,387	313,387
December 31, 2017	**300,000**	**721,213**	**1,021,213**
Total comprehensive income for the year	-	506,284	506,284
December 31, 2018	**300,000**	**1,227,497**	**1,527,497**

The notes on page 8 to 28 form an integral part of these financial statements.

PASHA CAPITAL INVESTMENT CLOSED JOINT STOCK COMPANY

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

	Notes	December 31, 2018	December 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax		**631,340**	**392,919**
Adjustments for:			
Foreign exchange losses		-	28,856
Interest income accrued		(48,971)	-
Impairment loss recognised on trade receivables		10,314	6,166
Loss on derivatives		-	18,877
Cash flow from operating activities before changes in working capital		**592,683**	**446,818**
Movements in working capital:			
Increase in trade and other receivables		(15,038)	(72,432)
Increase in prepayments		(83,326)	(6,934)
(Decrease)/ increase in trade payables		(67,639)	81,067
Increase in advanced received		912,974	-
Increase in deferred revenue		33,695	11,250
Cash generated from operating activities:		**1,373,349**	**459,769**
Profit tax paid		(112,152)	(108,945)
Net cash from operating activities		**1,261,197**	**350,824**
CASH FLOW FROM INVESTING ACTIVITIES			
Payment on derivatives		-	(18,877)
Purchase of long-term investment securities		(47,034)	-
Interest received from deposits with banks		30,489	-
Purchase of short-term investment securities		(1,305,540)	-
Net cash from investing activities		**(1,322,085)**	**(18,877)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash from financing activities		**-**	**-**
Effect of exchange rate changes		-	(28,856)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(60,888)**	**303,091**
CASH AND CASH EQUIVALENTS, at the beginning of the year	11	**1,048,693**	**745,602**
CASH AND CASH EQUIVALENTS, at the end of the year	11	**987,805**	**1,048,693**

The notes on page 8 to 28 form an integral part of these financial statements.

1. GENERAL INFORMATION

"PASHA Capital Investment Company" Closed Joint Stock Company ("the Company") was incorporated and domiciled in the Republic of Azerbaijan on June 27, 2012. The Company operates under license number 088806 granted by the Ministry of Economy of the Republic of Azerbaijan on March 9, 2016.

The company's principal activity is provision of brokerage services to clients willing to invest in the local securities market and the provision of services to related parties mainly related to operations with securities. Services include brokerage, dealership, underwriting and financial advisory related to securities including fixed income securities and equities.

As at December 31, 2018 and 2017 the Company is owned by PASHA Holding.

The ultimate beneficial owners of the Company are Mrs. Leyla Aliyeva and Mrs. Arzu Aliyeva.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New standards and Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

- IFRS 9 *Financial Instruments*[1];
- IFRS 15 *Revenue from Contracts with Customers*[1];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[1].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to the other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Details of these new requirements as well as their impact on the Company's financial statements are described below:

- ***Classification and measurement of financial assets and financial liabilities.*** The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018.

  All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Assessment for the business model:

The business model of the Company represents how the Company manages its financial assets for generating cash flows. The business model specifies whether cash flows arise from the collection of contractual cash flows or the sale of financial assets, or both. This assessment is based on scenarios the Company expects to reasonably occur.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making such assessment, the Company considers contingent events that would change the amount and timing of cash flows, conditions that limit the Company's claim to cash flows, prepayments and extension terms and features that modify consideration for the time value of money. Such assessments are also briefly defined as contractual cash flow characteristics test.

The Company fulfils the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

Financial assets at fair value through profit or loss:

"Financial Assets at Fair Value Through Profit/Loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate (internal rate of return) method. Interest income obtained from financial assets measured at amortized cost is accounted in the income statement.

The management have reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has not had any impact on classification and measurement on financial assets.

- ***Impairment of financial assets*** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss (ECL) model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. IFRS 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. The Company considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The Company measures ECL on an individual basis, or on a collective basis for portfolios of securities that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

- ***Significant increase of credit risk***

  The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

- ***Summary of impact upon adoption of IFRS 9 - Classification and measurement***

  The following table set out the classification and measurement impact of adopting IFRS 9 on the separate statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 expected credit loss calculations. There were no reclassifications between fair value and amortized categories on transition date to IFRS 9. Management assessed that there were no Remeasurement impact on the Company's financial statements. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 ***Measurement category***	**As at December 31, 2017. IAS 39** ***Carrying Amount***	**Remeasurement**	**As at January 1, 2018. IFRS 9** ***Carrying Amount***	**IFRS 9** ***Measurement category***
Accounts receivable	Loans and receivables	72,605	-	72,605	Amortised cost

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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 or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Effective 1 January 2018, the company adopted IFRS 15 Revenue from contract with customers. Management assessed that it does not have an impact on the Company's financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Effective 1 January 2018, the company adopted IFRIC 22. Management assessed that it does not have an impact on the Company's financial statements.

New and revised IFRSs in issued but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16 *Leases*[1];
- IFRIC 23 *Uncertainty over Income Tax Treatments*[1];
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*[1].

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Effective 1 January 2019, the company adopted IFRS 16 Leases. Management assessed that it does not have an impact on the Company's financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

Effective 1 January 2019, the company adopted IFRIC 23. Management assessed that it does not have an impact on the Company's financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

In addition to that, the IASB considered the accounting for financial liabilities that are modified or exchanged that do not lead to derecognition and as a result included in the Basis for Conclusion two paragraphs on that matter. In those paragraphs the Board observes that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount is changed it will lead to an immediate gain or loss in profit or loss.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Effective 1 January 2019, the company adopted IFRS 9 Prepayment Features with Negative Compensation. Management assessed that it does not have an impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

The financial statements have been prepared on the historical cost basis. The financial statements are presented in Azerbaijani Manat ("AZN").

Revenue recognition

Commission Revenue

Commissions and fees are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Interest income

For all financial instruments measured at amortized cost interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

Foreign currency translation

According to IAS 21 *The Effects of Changes in Foreign Exchange Rates* and its interpretations, the Company's functional currency, which reflects the economic substance of the underlying events and circumstances of the Company, is AZN as the majority of the Company's revenues, costs, inventory purchased, and trade liabilities are either priced, incurred, payable or otherwise measured in AZN.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the statement of financial position date.

All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

AZN is not a fully convertible currency outside the territory of the Republic of Azerbaijan. Within the Republic of Azerbaijan, official exchange rates are determined daily by the Central Bank of the Republic of Azerbaijan ("Central Bank"). As at December 31, 2018 and 2017, the official rates of exchange were AZN 1.9468= Euro 1 and AZN 2.0307 = Euro 1 for EUR, respectively and AZN 1.7000= USD 1 and AZN 1.7001 = USD 1 for USD.

Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the comprehensive income when the asset is derecognized.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as the VAT deposit account with an original maturity of three months or less.

Prepayments

Prepayments are recognized and carried at the original amount of payment less provision for any amount at risk of non-performance by the counterparty. Prepayments are classified as either current or non-current depending on the expected period of expiration and the nature of goods and services purchased.

Fiduciary activities

The Company provides trustee services to its customers. The Company also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Company's financial statements. The Company accepts the operational risk on these activities, but the Company's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

Financial assets

Financial assets of the Company are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investment Securities at amortized cost

Investment securities are debt securities that are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Once a financial asset or a group of similar financial assets has been 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 that impairment loss. In the case of fixed rate debt instruments measured at amortized cost, the discount rate will be the original effective interest rate.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial assets and substantially all the risk and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statement of comprehensive income.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (other than financial guarantee), including trade and other payables are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Forwards and futures. Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specified price and date in the future.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index. In a currency swap, the Company pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Such financial instruments are held for trading, are initially recognized in accordance with the policy for initial recognition of financial instruments, and are subsequently measured at fair value. The fair values are estimated based on pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when the fair value is positive and as liabilities when it's negative. Gains and losses from transactions in the above instruments are reported in the statement of profit or loss as gains less losses arising from transactions in financial assets (liabilities) at fair value through profit or loss. Changes in the fair value of derivative instruments are included in gain/loss.

Impairment of non-financial assets

The Company assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Fair value measurement

Depending on their classification financial instruments are carried at fair value, or amortized cost as described below.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset from inception to the date of these financial statements or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment loss. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest rate method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related statement of financial position items.

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Related party transactions

For the purposes of IFRS financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arms' length basis.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities and recognized amounts of income and expenses that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Significant increase of credit risk

When measuring Expected Credit Losses (ECL) the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Classification of investment securities

The management has reviewed the Company's investment securities in the light of its capital maintenance and liquidity requirements and have confirmed the Company's positive intention and ability to hold those assets to maturity. The carrying amount of the investment securities is AZN 1,371,056 as at December 31, 2018. Details of these assets are set out in Note 12.

6. COMMISSION REVENUE

Commission revenue comprised the following:

	December 31, 2018	December 31, 2017
Commission from corporate bond operations	657,257	496,381
Commission from underwriting services	31,500	38,415
Commission from Eurobond operations	14,537	-
Commission from repo operations	7,245	-
Other	61,490	9,810
Total Commission Revenue	**772,029**	**544,606**

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

	December, 2018	December, 2017
Professional services	51,331	53,632
Membership fees	25,733	14,516
Rent	15,973	-
Impairment loss recognised on trade receivables	10,314	6,166
Bank service charges	1,690	4,551
Other	26,136	757
Total General and Administrative Expenses	**131,177**	**79,622**

8. INCOME TAX EXPENSE AND TAX PAYABLES

Major components of income tax expense were as follows for the years ended:

	December 31, 2018	December 31, 2017
Current income tax	131,543	81,550
Deferred tax benefit	(6,487)	(2,018)
Total income tax expense reported in the statement of comprehensive income	**125,056**	**79,532**

During 2018 and 2017, the Republic of Azerbaijan was the only tax jurisdiction in which the Company's profits were subject to taxation.

The following is a reconciliation of the income tax benefit to the amount that arose by applying the statutory tax rate to the profit before income tax reported in the financial statements as at December 31, 2018 and 2017, respectively:

Profit before income tax	**631,340**	**392,919**
Theoretical tax charge at statutory rate 20%	126,268	78,584
Tax effect of permanent differences	(1,212)	948
Income Tax expense	**125,056**	**79,532**

Taxes payable of the Company is comprised of corporate income tax payable in the amount of AZN 48,648 as at December 31, 2018 (2017: AZN 29,257).

9. INTANGIBLE ASSETS

As at December 31, 2018 intangible assets of the Company includes license for brokerage operations in the amount of AZN 62,750 (2017: AZN 62,750), which has indefinite life.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprised the following as at December 31:

	December 31, 2018	December 31, 2017
Receivables from agent services	64,281	47,286
Commission receivables	29,528	31,485
Allowance for expected credit losses	(16,480)	(6,166)
Total Trade and other Receivables	**77,329**	**72,605**

	December 31, 2018	December 31, 2017
Current and not impaired	10,150	4,525
Number of days past due but not impaired:		
1-30 days	40,295	17,963
31-60 days	9,685	35,514
61-90 days	453	1,661
91-180 days	949	11,230
181 days up to 1 year	15,285	1,657
More than 1 year	512	55
Total past due but not impaired	**67,179**	**68,080**
Total trade receivables	**77,329**	**72,605**

The average credit period of commission receivables is 15 days while actually the customer is required to pay in accordance with specific contractual terms. No interest is charged on trade and other accounts receivable.

In determining the recoverability of a trade and other accounts receivable, the Company considers any change in the credit quality of the trade and other accounts receivable from the date credit was initially granted up to the end of the reporting period.

Receivables from agent services are recognized by the Company on behalf of Baku Stock Exchange and National Deposit Center and the Company is not exposed to significant credit risk on such receivables.

See below for the movement in allowance for expected credit losses:

As at December 31, 2016	-
Charge for the year	6,166
Utilized	-
As at December 31, 2017	**6,166**
Charge for the year	10,314
Utilized	-
As at December 31, 2018	**16,480**

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held at Pasha Bank as at December 31, 2018. The bank is rated by Fitch Ratings at B+ as at December 31, 2018.

12. INVESTMENT SECURITIES

As at December 31, 2018 investment securities included two zero-coupon bonds and one coupon bond from the Ministry of Finance of Azerbaijan Republic. Investment securities are measured at amortized cost as of December 31, 2018.

13. PREPAYMENTS

Prepayments are mainly made to National Deposit Center for brokerage services in the amount of AZN 65,600 (2017: AZN 6,799) as at December 31, 2018.

14. TRADE PAYABLES

Trade Payables comprised the following as at December 31:

	December 31, 2018	December 31, 2017
Accrued expenses	34,922	35,400
Commission Payables	9,121	85,343
Other payables	9,061	-
Total Trade Payables	**53,104**	**120,743**

15. DEFERRED REVENUE

As at December 31, 2018 deferred revenue includes amount received from customers for brokerage services in the amount of AZN 55,672 (2017: AZN 21,977).

16. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholders, affiliates and entities under common ownership and control with members of key management personnel.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions with related parties:

		December 31, 2018		December 31, 2017	
	Notes	Related party amounts	Total category as per the statement of compre-hensive income	Related party amounts	Total category as per the statement of compre-hensive income
Commission revenue	6		**772,029**		**544,606**
- shareholders and entities in which a substantial interest is owned by shareholders of the Group		629,137		315,330	
General and administrative expenses	7		**131,177**		**79,622**
- shareholders and entities in which a substantial interest is owned by shareholders of the Group		4,761		4,422	
Foreign exchange losses			**-**		**28,856**
- shareholders and entities in which a substantial interest is owned by shareholders of the Group		-		28,856	

		December 31, 2018		December 31, 2017	
	Notes	Related party amounts	Total category as per the statement of financial position	Related party amounts	Total category as per the statement of financial position
Cash and Cash Equivalents	11		**987,805**		**1,048,693**
- shareholders and entities in which a substantial interest is owned by shareholders of the Group		987,805		1,048,693	
Advances Received			**912,974**		**-**
- shareholders and entities in which a substantial interest is owned by shareholders of the Group		718,961		-	

Advances Received

Advances Received balance in the amount of AZN 718,961 as of December 31, 2018 represents cash received by related party customer (Jalal Gasimov) for the purchase of Eurobonds.

Compensation of key management personnel

Key management personnel comprise members of the Management Board of the Company, totaling 2 (two) persons as at December 31, 2018 and as at December 31, 2017, respectively. Total compensation to key management personnel approximated AZN 34,831 and AZN 14,428 for the years ended December 31 2018 and 2017, respectively.

17. SHARE CAPITAL

As at December 31, 2018 and 2017, the authorized and outstanding number of the Company's shares was 3,000. The par value of each share is AZN 100. The share capital comprised the following as at December 31, 2018 and 2017:

	Number of shares issued and outstanding	Ownership %
PASHA Holding	3,000	100.00
Total	**3,000**	**100.00**

Dividends on ordinary shares

During 2018 and 2017, the Company did not declare any dividends.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade payables and advances received. Cash and cash equivalents, trade and other receivables and investment securities represent Company's financial assets arising directly from its operations.

The Company believes the amounts presented as financial instruments in the accompanying financial statements are reasonable estimates of their fair values. The fair value of cash and cash equivalents, trade and other receivables, investment securities, trade payables and advances received and is estimated to approximate carrying value due to their short-term nature.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of the following risks:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

Currency risks are presented for all financial assets and liabilities that are not denominated in AZN.

The table below summarizes currency risks based on reports reviewed by key management personnel as at December 31, 2018;

Financial assets	**AZN**	**USD**	**Total**
Cash and cash equivalents	37,123	950,682	**987,805**
Total Financial assets	**37,123**	**950,682**	**987,805**
Open currency position	**37,123**	**950,682**	**987,805**

The table below summarizes currency risks based on reports reviewed by key management personnel as at December 31, 2017:

Financial assets	**AZN**	**USD**	**Total**
Cash and cash equivalents	370,481	678,212	**1,048,693**
Total Financial assets	**370,481**	**678,212**	**1,048,693**
Open currency position	**370,481**	**678,212**	**1,048,693**

Sensitivity analysis

A weakening of the AZN, as indicated below, against the following currencies at December 31 would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Entity considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

As at December 31, 2018:

	USD impact	
	USD/AZN + 30%	**USD/AZN - 30%**
Profit/(loss) before tax	282,205	(282,205)

As at December 31, 2017:

	USD impact	
	USD/AZN + 30%	**USD/AZN - 30%**
Profit/(loss) before tax	203,464	(203,464)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Financial assets which are potentially subject to concentration of credit risk consist principally of trade and other receivables mainly from related parties, cash and cash equivalents reduced by the amount of petty cash and investment securities.

The Company's management reviews aging analysis of outstanding trade receivables from related parties and follows up on past due balances.

The maximum exposure to credit risk at December 31, 2018 and 2017 is as follows:

	December 31, 2018	**December 31, 2017**
Trade and other receivables	77,329	72,605
Investment securities at amortized cost	1,371,056	-
Cash and cash equivalents	987,805	1,048,693
Total financial assets	**2,436,190**	**1,121,298**

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the Finance Department of the Company. The Management monitors monthly rolling forecasts of the Company's cash flows.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratio against regulatory requirements.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Finance Department. The Finance Department responsibilities include:

(i) Cash flow forecasting and reporting on it to finance manager, if necessary; ii monitoring of largest vendors as a factor of risk of liquidity concentration;
(ii) Active involvement into domestic and international markets for obtaining mid-term and short-term borrowings in case of necessity; and
(iii) Monitoring of possible cash movements due to the expanding activity of the Company.

The liquidity analysis of the financial assets and liabilities as at December 31, 2018 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Financial Assets				
Cash and Cash Equivalents	987,805	-	-	987,805
Trade and other receivables	77,329	-	-	77,329
Short-term investment securities	1,079	512,543	810,400	1,324,022
Total Financial Assets	**1,066,213**	**512,543**	**810,400**	**2,389,156**
Financial Liabilities				
Trade payables	53,104	-	-	53,104
Advances received	912,974	-	-	912,974
Total Financial Liabilities	**966,078**	**-**	**-**	**966,078**
Liquidity Gap	100,135	512,543	810,400	1,423,078
Cumulative Liquidity Gap	**100,135**	**512,543**	**810,400**	**1,423,078**

The liquidity analysis of the financial assets and liabilities as at December 31, 2017 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Financial Assets				
Cash and Cash Equivalents	1,048,693	-	-	1,048,693
Trade and other receivables	72,605	-	-	72,605
Total Financial Assets	**1,121,298**	**-**	**-**	**1,121,298**
Financial Liabilities				
Trade payables	120,743	-	-	120,743
Total Financial Liabilities	**120,743**	**-**	**-**	**120,743**
Liquidity Gap	1,000,555	-	-	1,000,555
Cumulative Liquidity Gap	**1,000,555**	**-**	**-**	**1,000,555**

19. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, within the limits allowed, by agreements, obtain additional financial support on the market.

20. CONTINGENCIES AND OPERATING ENVIRONMENT

Business environment

Emerging markets such as Azerbaijan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Azerbaijan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future stability of the Azerbaijan economy is heavily influenced by reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

With the improvement of oil prices in 2017, the economy is showing signs of recovery. Although, foreign currency reserves of the country is increasing and contraction in the economy decreasing, there still remains uncertainty regarding economic growth, access to capital and cost of capital which could adversely affect the Group's future results and financial position and business prospects.

The Company's management is monitoring developments in the current environment and taking measures, considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future.

Fiduciary activities – The Company provides depositary services to its customers and does not charge any fees for providing such services. As at December 31, 2018, the Company hold its customer's Gold totaling AZN 2,172,065 at Pasha Bank.

Litigation – From time to time and in the normal course of business, claims against the Company are received from counterparties. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation – Commercial legislation of the Republic of Azerbaijan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on receivables, as an underestimation of the taxable profit. The management of the Company believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the current practice the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

21. SUBSEQUENT EVENTS

No subsequent events have occurred that would require recognition or disclosure in the financial statements.