“UNICAPITAL INVESTMENT COMPANY” OPEN JOINT STOCK COMPANY

The International Financial Reporting Standards Financial Statements and Independent Auditors’ Report

For the Year Ended December 31, 2018

“UNICAPITAL INVESTMENT COMPANY” OPEN JOINT STOCK COMPANY

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

The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the financial statements of "Unicapital Investment Company" Open Joint Stock Company (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2018, the results of its operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

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

The financial statements for the year ended December 31, 2018 were authorized for issue on May 10, 2019 by the Management.

On behalf of the Company:

Nadir Babazada
Acting General Manager

May 10, 2019
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

May 10, 2019
Baku, the Republic of Azerbaijan

The notes on pages 9-50 form an integral part of these financial statements.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and Management Board of "Unicapital Investment Company" Open Joint Stock Company:

Opinion

We have audited the financial statements of "Unicapital Investment Company" Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Related party transactions and balances

Without qualifying our opinion, we draw attention to Note 6 to the accompanying financial statements. The Company has significant balances and transactions with related parties. Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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 form material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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.

Baker Tilly Azerbaijan

May 10, 2019
Baku, the Republic of Azerbaijan

"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Azerbaijani Manats)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Trading revenue	6, 7	788,561	998,147
Total revenue		**788,561**	**998,147**
Staff costs	6, 8	(334,268)	(263,227)
General and administrative expenses	6, 8	(109,634)	(111,295)
Operating profit		**344,659**	**623,625**
Net gain/(loss) on foreign exchange operations		14,695	(14,392)
Interest income	6, 9	27,767	3,121
Interest expenses	6, 10	(2,842)	(101,062)
Loss on disposal of property and equipment		-	(19,700)
Profit before income tax		**384,279**	**491,592**
Income tax expense	11	(84,208)	(98,511)
Profit for the year		**300,071**	**393,081**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**300,071**	**393,081**

On behalf of the Company:

Nadir Babazada
Acting General Manager

May 10, 2019
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

May 10, 2019
Baku, the Republic of Azerbaijan

The notes on pages 9-50 form an integral part of these financial statements.

"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

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

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property and equipment	12	40,917	7,037
Intangible assets	13	16,880	1,995
Investment securities	6, 14	60,000	60,000
Deferred income tax assets	11	-	6,552
Total non-current assets		**117,797**	**75,584**
Current assets			
Amounts due from the principal broker	17	1,856,524	1,159,910
Commissions receivable	6, 18	60,603	267,314
Investment securities	6, 14	255,024	340,020
Restricted deposits	6, 16	673,482	163,975
Cash and cash equivalents	6, 15	748,804	584,240
Other assets	19	40,083	60,185
Total current assets		**3,634,520**	**2,575,644**
TOTAL ASSETS		**3,752,317**	**2,651,228**
LIABILITIES AND EQUITY			
LIABILITIES:			
Non-current liabilities			
Non-current portion of borrowing	20	117,229	-
Deferred income tax liabilities	11	812	-
Total non-current liabilities		**118,041**	-
Current liabilities			
Amounts due to customers	21	2,533,185	1,671,195
Current portion of long-term borrowing	20	52,969	-
Other liabilities	6, 22	11,395	113,377
Total current liabilities		**2,597,549**	**1,784,572**
Total liabilities		**2,715,590**	**1,784,572**
EQUITY:			
Share capital	23	300,000	300,000
Retained earnings		736,727	566,656
Total equity		**1,036,727**	**866,656**
TOTAL LIABILITIES AND EQUITY		**3,752,317**	**2,651,228**

On behalf of the Company:

Nadir Babazada
Acting General Manager

May 10, 2019
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

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"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Azerbaijani Manats)

	Share capital	Retained earnings	Total equity
January 1, 2017	**300,000**	**525,575**	**825,575**
Total comprehensive income for the year	-	393,081	393,081
Dividends declared	-	(352,000)	(352,000)
December 31, 2017	**300,000**	**566,656**	**866,656**
Adjustment on initial application of IFRS 9, net of tax (Note 4)	-	-	-
January 1, 2018	**300,000**	**566,656**	**866,656**
Total comprehensive income for the year	-	300,071	300,071
Dividends declared	-	(130,000)	(130,000)
December 31, 2018	**300,000**	**736,727**	**1,036,727**

On behalf of the Company:

Nadir Babazada
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May 10, 2019
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Javid Mammadov
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"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

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

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		384,279	491,592
Adjustments for non-cash items:			
Net (gain)/loss on foreign exchange operations		(14,695)	14,392
Depreciation and amortization	12, 13	11,256	8,473
Interest income	9	(27,767)	(3,121)
Interest expense	10	2,842	101,062
Loss on disposal of property and equipment	12	-	19,700
Cash flows from operating activities before changes in operating assets and liabilities		**355,915**	**632,098**
Changes in operating assets and liabilities			
Net decrease/(increase) in commissions receivable		206,690	(204,419)
Net (increase)/decrease in amounts due from the principal broker		(696,614)	152,059
Net (increase)/decrease in restricted deposits		(509,507)	686,179
Net decrease/(increase) in other assets		70,597	(40,098)
Net increase/(decrease) in amounts due to customers		861,990	(490,928)
Net (decrease)/increase in other liabilities		(920)	12,315
Cash inflow from operating activities before income tax and interest paid		**288,151**	**747,206**
Interest paid		(103,706)	-
Income tax paid		(112,623)	(125,319)
Net cash inflow from operating activities		**71,822**	**621,887**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property and equipment		(43,621)	(2,164)
Payment for intangible assets		(16,400)	-
Purchase of investment securities		(250,000)	(340,020)
Proceed from sale and redemption of investment securities		340,020	-
Interest received		22,743	3,121
Net cash inflow/(outflow) from investing activities		**52,742**	**(339,063)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from borrowings	20	170,000	-
Dividends paid		(130,000)	(352,000)
Net cash inflow/(outflow) from financing activities		**40,000**	**(352,000)**

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

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Effect of exchange rate changes on cash and cash equivalents		-	(13,415)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		164,564	(82,591)
CASH AND CASH EQUIVALENTS, *at the beginning of the year*	15	584,240	666,831
CASH AND CASH EQUIVALENTS, *at the end of the year*	15	748,804	584,240

On behalf of the Company:

Nadir Babazada
Acting General Manager

May 10, 2019
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

May 10, 2019
Baku, the Republic of Azerbaijan

The notes on pages 9-50 form an integral part of these financial statements.

1. INTRODUCTION

The Company and its principal activities

"Unicapital Investment Company" Open Joint Stock Company (the "Company") was incorporated and domiciled in the Republic of Azerbaijan on October 30, 2007. The Company operates under a certificate number 1401258741 granted by the Ministry of Taxes of the Republic of Azerbaijan from December 19, 2007.

The Company's principal activity is provision of brokerage services to clients willing to invest in the local securities market and provision of services related to operations with securities. Services include brokerage, dealership, asset management and access to online trading platform.

As at December 31, 2018 and 2017, the ownership structure of the Company was as follows:

Shareholder	December 31, 2018	December 31, 2017
"Unibank" Commercial Bank Open Joint Stock Company	100%	100%
Total	**100%**	**100%**

As at December 31, 2018 and 2017, ultimate controlling party of the Company is Mr. Eldar Garibov, who has the power to direct the transactions of the Company at his own discretion and for his own benefit.

Registered address and place of business

The registered legal address of the Company is 55 Rashid Behbudov Str., Nasimi district, Baku, the Republic of Azerbaijan.

Operating Environment of the Company

The Company's operations are conducted in the Republic of Azerbaijan. As an emerging market, at the present time the Republic of Azerbaijan is developing business and regulatory infrastructure that would generally exist in a more mature market economy.

The Azerbaijani economy contracted by 1.3% growth (year-on-year) in the first half of 2017, driven by a decline in oil GDP (7.2%) as oil revenues were decreased due to production volumes and oil prices. On the upside, and despite continued banking sector distress, the non-oil economy expanded by 1.7% for the first time in over a year, supported by the strong performance of the agriculture and manufacturing sectors. Annual inflation remained high at 13-14% during 2017, driven mainly by an increase in government-controlled tariffs for electricity, water, and gas, and in domestic food prices. Citing inflationary pressures, the Central Bank of the Republic of Azerbaijan continued to tighten the monetary policy stance during 2017 by scaling up liquidity absorption operations. The manat has appreciated by 4.4% against the U.S. dollar since end of 2016, reflecting its stronger external position and increased liquidity absorption operations. The troubled financial sector continues to exert a negative impact on the economy. Credit contracted by 15.6% in the first half of 2017, and the quality of assets continued to deteriorate.

According to Moody's, real GDP growth accelerated further after growing 0.1% in 2017 over the first five months of 2018 by 1.6% compared with the year-earlier period, and expects the economy to grow by 2% in 2018 and 3% in 2019. Growth will be aided by higher oil prices and increased gas exports.

Moody's Investors Service says that the credit profile of Azerbaijan (Ba2 stable) reflects its relatively high levels of gross government debt and guarantees, and fragile banking sector. These features reflect the legacy impact of the fall in oil prices and steep depreciation in the manat over 2014-2016. Conversely, the country's large financial assets provide significant support to the credit profile. Moody's conclusions are contained in its annual credit analysis, "Government of Azerbaijan - Ba2 stable". This credit analysis elaborates on Azerbaijan's credit profile in terms of economic strength, low (+); institutional strength, low (-); fiscal strength, high; and susceptibility to event risk, moderate. These are the four main analytic factors in Moody's Sovereign Bond Rating methodology.

Manat has remained stable during 2018. However, uncertainty over the exchange rate in the future and the ongoing fragility of the banking system hinder policy transmission into the real economy.

In February 2018, Standard & Poor's, international credit agency, affirmed long and short-term sovereign credit rating of Azerbaijan in foreign and local currency at 'BB+/B' upgrading rating outlook from negative to stable.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The Management is unable to predict, all developments in the economic environment which would have an impact on the Company's operations and consequently what effect, if any, they could have on the financial position of the Company. The management is currently performing sensitivity analyses under different oil prices scenarios and elaborating relevant action plans for mainlining sustainability of the business.

Azerbaijan is also trying to benefit from regional connectivity initiatives to boost transit and trade. In particular, the country is one of the sponsors of the East–West and North–South transport corridors. Construction of the Baku–Tbilisi–Kars railway line, connecting the Caspian region with Turkey, was completed in 2017. The Trans-Anatolian Natural Gas Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP) will deliver natural gas from Azerbaijan's Shah Deniz gas field to Turkey and Europe. The economy is expected to expand from 2018 onward, supported by an acceleration of oil GDP as the Shah Deniz gas field-one of the largest gas fields in the world-begins production. Non-oil output will continue to grow at a slow pace due to limited credit growth and the weak business environment.

In response to these challenges, Azerbaijani government announced plans to accelerate reforms and support to financial system. On December 6, 2016, President of the Republic of Azerbaijan approved "Strategic road maps for the national economy and main economic sectors in Azerbaijan". The road maps cover 2016-2020 development strategy, long-term outlook up to 2025 and vision beyond 2025.

Furthermore, during 2018 the government continued tight monetary policy as well as allocated foreign currency resources, which stabilised Azerbaijani manat. During 2018, 2018, CBAR gradually reduced refinancing rate from 15% to 9.75% with aim of normalising monetary policy.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorised at fair value through profit or loss ("FVPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from January 1, 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated.

This is the first set of the Company's annual financial statements in which IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described in Note 2.

Going concern

These financial statements have been prepared on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

The Management views the Company as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations of the Republic of Azerbaijan. Accordingly, assets and liabilities are recorded on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Some financial reporting frameworks contain an explicit requirement for the Management to make a specific assessment of the Company's ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern.

The Management's assessment of the going concern assumption involves making a judgment, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

Other basis of presentation criteria

These financial statements are presented in Azerbaijani Manats ("AZN"), which is also a functional currency of the Company. These financial statements have been prepared under the historical cost convention.

The Company maintains its accounting records in accordance with the laws of the Republic of Azerbaijan. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Recognition of trading revenue

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. In accordance with IFRS 15, a five-step model is as follows:

Step 1: Identify the contract with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognize revenue when the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue from contracts with customers is recognized as or when the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. This generally occurs when product is physically transferred into a customer location or other delivery mechanism. Revenue is measured at the consideration promised in a contract with a customer, less discounts and taxes.

Interest income and expense recognition

Interest income and expense are recorded in profit or loss for interest-bearing instruments on accrual basis using effective interest rate method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised 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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 26.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest 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. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by either observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Classification of financial instruments

From January 1, 2018 on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give right on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio management as well as compliance with those policies and practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 and 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 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 the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates, which is not consistent with the interest payment period.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The reclassification has a prospective effect.

Financial assets impairment – credit loss allowance for ECL

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL"). If the Company identifies SICR since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 25 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 25. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired. Note 25 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised as part of fair value reserve.

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVPL.

Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other current assets.

Amounts due from the principal broker

Amounts due from the principal broker that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Gains and losses on such financial assets are presented in profit or loss.

Investments in debt securities

Based on the business model and the cash flow characteristics, the Company classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Company may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Equity instruments at FVOCI

From January 1, 2018, upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which ease, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred in retained earnings.

Commissions receivable

Commissions receivable are carried at amortised cost using the effective interest method.

The Company uses a provision matrix to calculate expected credit losses for commission receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Amounts due to customers designated at FVPL

The Company designate amounts due to customers at FVPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment of property and equipment. If such indication exists, the Company estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of property and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as an impairment loss to the statement of profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and recorded as gain/(loss) in the statement of profit or loss and other comprehensive income.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when the expense is incurred.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Leasehold improvements (over the contract)	40%
Furniture and fixtures	25%
Computer equipment	25%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

All of the Company's intangible assets have indefinite useful life and primarily include acquired licenses for brokerage and other activities related to trading in securities.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

At the end of each reporting period, the Company reviews the carrying amounts of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit and loss accounts, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss accounts, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit and loss accounts.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax expense.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liability are offset and reported net on the statement of financial position if:

- The Company has a legally enforceable right to set off current income tax assets against current income tax liability; and

- Deferred income tax assets and the deferred income tax liability relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Azerbaijan also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Azerbaijan state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

The Company does not have any pension arrangements separate from the State Social Protection Fund of the Republic of Azerbaijan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Employee benefits

Wages, salaries, contributions to State Social Protection Fund of the Republic of Azerbaijan, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Contingent liabilities and assets

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

Investments made in the name of a client are not recorded as part of the Company's assets, as all risks and rewards under the signed agreements are attributable to the client.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared.

Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the Reporting Period" ("IAS 10") and disclosed accordingly.

Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment, in which it operates. The Company's functional currency is AZN.

Monetary assets and liabilities denominated in foreign currencies are translated into AZN at the appropriate spot rates of exchange of the Central Bank of the Republic of Azerbaijan ("CBAR") ruling at the end of reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain/(loss) on foreign exchange operations.

Rates of exchange

The exchange rates at reporting date used by the Company in the preparation of the financial statements are as follows:

	December 31, 2018	**December 31, 2017**
USD/AZN	1.7000	1.7001
EUR/AZN	1.9468	2.0307

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Fiduciary activities

Investments made in the name of a client are not recorded as part of the Company's assets, as all risks and rewards under the signed agreements are attributable to the client.

During the reporting period the Company received money from its clients and purchased debt securities or made short-term deposits on behalf of its clients. The Management did not record these held client money as cash and cash equivalents in the statement of financial position as these money did not meet asset recognition criteria (benefit and control) in accordance with " IAS 1 Presentation of Financial Statement".

The main reasons for not recognizing client money as cash and cash equivalents in the financial statements were the following assumptions and judgements;

- The Company did not have the legal right to use of the client money during the reporting period;
- The Company did not obtain benefit from the client money or use this held client money for its operating or investing purposes during the reporting period;
- The Company is not contractually obliged to compensate its clients for money held in its bank account and additionally client money are not available to fund general claims from creditors in the event of the insolvency or bankruptcy of the Company; and
- The Company must not recalculate and recognize foreign exchange gain or losses on held client money in its financial statement in accordance with the rules of Financial Market Supervisory Body (Regulatory Body).

Had the Management determined a different contractual basis for these client money, or a different accounting treatment, the presentation and disclosure of such balances within these financial statements may have been different.

Measurement of ECL allowance (from January 1, 2018)

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 25. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. For details of ECL measurement including incorporation of forward-looking information refer to Note 25.

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Company considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Company assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Company's control, is not recurring and could not have been anticipated by the Company, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realizing cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI")

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but

the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Company identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if an asset allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 6.

Fair value

The management of the Company applies significant judgment in determining the fair value of financial assets (amounts due from principal broker and restricted deposit) and financial liabilities (amounts due to customers) which are designated at fair value through profit and loss. Please see Note 27 for details.

Current taxes

Azerbaijani tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the Management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending in December 31, 2018. Except the effects of IFRS 9 "Financial Instruments", the adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company's accounting policies that have affected the amounts reported for the current or prior years.

IFRS 9 "Financial Instruments" – in July 2014, IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and Measurement. From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories were replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortized cost categories. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortized cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities remained largely the same as requirements of IAS 39. The Company's majority of financial assets were classified as financial assets measured subsequently at amortized cost. Financial liabilities of the Company were classified as financial liabilities measured subsequently at amortized cost. The Company does not choose to classify any financial liabilities as measured at fair value through profit or loss.

Impairment of financial assets. The Company applies the expected credit loss model to financial assets measured at amortized cost or at fair value through other comprehensive income.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset (except trade receivables, where the simplified approach is elected) is measured at an amount equal to 12-month expected credit losses. For trade and other receivables, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses are applied.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company elected option not to restate comparative information, but to record the effect on the transition date – January 1, 2018 – in the retained earnings.

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on January 1, 2018:

	Measurement category		**Carrying value per IAS 39 as at December 31, 2017**	**Effect***		**Carrying value per IFRS 9 as at January 1, 2018**
	IAS 39	IFRS 9		Remea-surement	Reclassi-fication	
Financial assets						
Cash and cash equivalents	L&R[1]	Amortized cost	584,240	-	-	584,240
Amounts due from the principal broker	FVTPL[2]	FVTPL	1,159,910	-	-	1,159,910
Restricted deposit	FVTPL	FVTPL	163,975	-		163,975
Investment securities – debt securities[5]	HTM[3]	Amortized cost	340,020	-	-	340,020
Investment securities – equity securities[6]	AFS[4]	FVOCI	60,000	-	-	60,000
Commission receivable	L&R	Amortized cost	267,314	-	-	267,314
Other financial assets	L&R	Amortized cost	7,290	-	-	7,290
Financial liabilities						
Amounts due to customers	FVTPL	FVTPL	1,671,195	-	-	1,671,195
Other financial liabilities	Other liability	Amortized cost	113,377	-	-	113,377

1. L&R: Loans and receivables;
2. FVTPL: Fair value through profit or loss;
3. HTM: Held-to-maturity;
4. AFS: Available-for sale;
5. As of January 1, 2018, the Company has classified a portion of its previous AFS portfolio as debt instruments at amortized cost. These instruments met the SPPI criterion were not actively traded and were held with the intention to collect cash flows and without the intention to sell;
6. The Company has elected the option to irrevocably designate its previous AFS equity instruments as Equity instruments at FVOCI.

*The Company adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" with the date of initial application as at January 1, 2018, which did not result in any material impact on the Company's financial statements on initial transition.

The IASB and FASB have issued their joint revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers", which was issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Company's revenue including interest revenue, fee and commission income and gains/(losses) on operations with securities which are covered by IFRS 9 Financial Instruments and IAS 17 Leases.

Amendments to IAS 40 "Transfers of Investment Property" are intended to clarify that an entity can only reclassify a property to/from investment property when, and only when, there is evidence that a change in the use of the property occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to IFRS 2 "Share-Based Payment" – The IASB have published final amendments to IFRS 2 "Share-based Payment" that clarify the classification and measurement of share-based payment transactions. Classification and Measurement of Share-based Payment Transactions contains the following clarifications and amendments:

Accounting for cash-settled share-based payment transactions that include a performance condition

Until issue of these amendments, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features

The IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Until issue of these amendments, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date;
- Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

The Company has adopted **Annual Improvements to IFRS Standards 2014-2016 Cycle** containing amendments below to IFRS 1 and IAS 28:

Standard	Subject of amendment
IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Deletion of short-term exemptions for the first-time adopters: The amendments delete the short-term exemptions in IFRS 1 that relate to IFRS 7, IAS 19, IFRS 12 and IAS 27.
IAS 28 "Investments in Associates and Joint Ventures"	Measuring an associate or joint venture at fair value: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

5. STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Company in advance of their effective dates, the following Interpretations were in issue but not yet effective.

IFRIC 23 "Uncertainty over Income Tax Treatments" addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

The interpretation applies to annual reporting periods beginning or after January 1, 2019.

Annual Improvements to IFRS Standards 2015-2017 Cycle contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

Standard	Subject of amendment
IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"	The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
IAS 12 "Income Taxes"	The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
IAS 23 "Borrowing Costs"	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are all effective for annual periods beginning on or after January 1, 2019.

Amendments to IAS 19 "Employee Benefits Plan Amendment, Curtailment or Settlement" – The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after January 1, 2019, but they can be applied earlier if an entity elects to do so.

Amendments to IAS 28 "Investments in Associations and Joint Ventures" – The IASB has published amendments to IAS 28 regarding the long-term interest in associates and joint Ventures. According to the amendment the entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 9 "Financial Instruments" – The IASB has published amendments to IFRS 9 regarding prepayment features with negative compensation and modifications of financial liabilities.

Prepayment Features with Negative Compensation amends the existing requirement of IFRS 9 regarding termination rights in order to allow measurement at amortized cost even in the case of negative compensation payments. The IASB also clarifies that the entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of modification or exchange.

The amendment is effective for annual periods beginning on or after January 1, 2019.

The Management is considering the implications of these standards, their impact on the financial statements and the timing of its adoption by the Company.

IFRS 16 "Leases", which specifies how IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued on January 13, 2016 and applies to an annual reporting period beginning on or after January 1, 2019.

The Company has chosen the application of IFRS 16 in accordance with IFRS 16:C5(b), i.e, retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application. Consequently, the Company will not restate the comparative information, instead will recognize the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at the date of initial application.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The Company might be effected by application of new standard as a Lessee.

IFRS 16 may change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off‐ balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Company will:

a) Recognize right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The Company has not yet evaluated the effects of application if this standard on its financial statements.

IFRS 17 "Insurance contracts" was issued in May 2017 and replaced IFRS 4 "Insurance contracts". The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. An entity shall apply IFRS 17 "Insurance Contracts" to insurance contracts, including reinsurance contracts, it issues; reinsurance contracts it holds; and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

IFRS 3 "Business Combinations". Amendment of the definition of "Business" – The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. According to the amendment new definition a "business" is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after January 1, 2020. Earlier application is permitted.

New definition of "Material" – The IASB has issued amendments to its definition of material to make it easier for companies to make materiality judgements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The changes are effective from January 1, 2020. Earlier application is permitted.

IFRS 10 "Consolidated Financial Statements" and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

6. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties are defined in IAS 24 "Related Party Disclosures". Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company's ultimate beneficial owner is disclosed in Note 1.

Included in the statement of comprehensive income for the years ended December 31, 2018 and 2017 are the following amounts that were recognized in transactions with related parties:

	December 31, 2018		**December 31, 2017**	
	Related party amounts	**Total category as per the statement of profit or loss**	**Related party amounts**	**Total category as per the statement of profit or loss**
Trading revenue				
- *shareholder and entities in which a substantial interest is owned by shareholder of the Company*	92,753	**788,561**	189,885	**998,147**
General and administrative expenses				
- *shareholder and entities in which a substantial interest is owned by shareholder of the Company*	(25,195)	**(109,634)**	(12,798)	**(111,295)**
Interest expenses				
- *shareholder and entities in which a substantial interest is owned by shareholder of the Company*	(2,644)	**(2,842)**	(101,062)	**(101,062)**
Net gain/(loss) on foreign exchange operations				
- *shareholder and entities in which a substantial interest is owned by shareholder of the Company*	14,695	**14,695**	(14,392)	**(14,392)**

The remuneration of directors and other members of key management is as follows:

	December 31, 2018		December 31, 2017	
	Related party amounts	**Total category as per the statement of profit or loss**	**Related party amounts**	**Total category as per the statement of profit or loss**
Key management personnel compensation:				
- *short-term employee benefits*	204,537	334,268	163,335	263,227
Total	**204,537**	**334,268**	**163,335**	**263,227**

Details of balances between related parties as at December 31, 2018 and 2017 are disclosed in below table:

	December 31, 2018		December 31, 2017	
	Related party balances	**Total category as per the statement of financial position**	**Related party balances**	**Total category as per the statement of financial position**
Cash and cash equivalents				
- *shareholders and entities in which a substantial interest is owned by shareholders of the Company*	748,804	**748,804**	584,240	**584,240**
Restricted deposits				
- *shareholders and entities in which a substantial interest is owned by shareholders of the Company*	673,482	**673,482**	163,975	**163,975**
Commissions receivable				
- *shareholders and entities in which a substantial interest is owned by shareholders of the Company*	5,400	**60,603**	114,581	**267,314**
Investment securities				
• *debt securities*	-	**255,024**	340,020	**340,020**
• *equity investment*	60,000	**60,000**	60,000	**60,000**

7. TRADING REVENUE

Trading revenue comprises:

	Year ended December 31, 2018	Year ended December 31, 2017
Commission income on volume of spread transactions	594,473	398,765
Brokerage fees on securities, notes and shares	234,006	498,906
Asset management fees on deposits placed	5,866	8,000
Underwriting service fee	-	112,206
Other revenue	2,833	-
Less: bonuses to the customers on volume of spread transactions	(48,617)	(19,730)
Total trading revenue	**788,561**	**998,147**

8. GENERAL AND ADMINISTRATIVE EXPENSES AND STAFF COSTS

General and administrative expenses and staff costs comprise:

	Year ended December 31, 2018	Year ended December 31, 2017
Salary and wages	334,268	263,227
Rent expense on online trading platform	18,000	18,000
Rent expenses	16,024	7,960
Bank charges	14,382	8,934
Hospitality expenses	12,754	6,247
Payments to the Financial Markets Supervisory Authority	11,550	7,000
Depreciation and amortization	11,256	8,473
Professional and legal service fees	9,840	29,090
Training expenses	4,720	12,300
Membership fees	4,220	2,660
Communication expenses	3,127	2,369
Office supplies	2,734	1,714
Others	1,027	6,548
Total general and administrative expenses and staff costs	**443,902**	**374,522**

9. INTEREST INCOME

Interest income calculated using the effective interest method comprises:

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income on investment securities measured at amortised cost	27,767	-
Interest income on short-term bank deposits	-	3,121
Total interest income calculated using the effective interest method	**27,767**	**3,121**

10. INTEREST EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expenses on unused funds received from individuals	2,644	101,062
Interest expense on borrowing	198	-
Total interest expenses	**2,842**	**101,062**

On October 6 and 9, 2017, the Company signed two separate agreements with individuals on asset management and received funds in the amount of total USD 4,000 thousand for the purchase of securities on behalf of the clients. According to the terms and conditions, the Company must pay interest on this amount, if attracted funds from these individuals had not been invested within agreed and stated time period. Interest rate per agreement was 6.68% per annum.

11. TAXATION

Provision has been made for all foreseeable taxation liabilities using a tax rate of 20%, which is effective for the fiscal year ended December 31, 2018 and 2017.

The Company measures and records its current income tax payable and its tax bases related to assets and liabilities in accordance with the statutory tax regulations of the Republic of Azerbaijan where the Company operates, which differ from IFRS.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Azerbaijan on taxable profits (as defined) under tax law in that jurisdiction.

	December 31, 2018	December 31, 2017
Deferred income tax (liabilities)/assets in relation to:		
Commissions receivable	2,134	(19,870)
Investment securities	1,005	-
Other liabilities	2,279	22,675
Property and equipment	(6,230)	3,747
Net deferred income tax (liabilities)/assets	**(812)**	**6,552**

The effective tax rate reconciliation is as follows for the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	Year ended December 31, 2017
Profit before income tax	384,279	491,592
Tax at the statutory tax rate (20%)	(76,856)	(98,318)
Tax effect of permanent differences	(7,352)	(193)
Income tax expense	**(84,208)**	**(98,511)**
Current income tax expense	(79,118)	(105,339)
Interest income from investment taxed at different rates	2,274	-
Deferred income tax (expense)/benefit	(7,364)	6,828
Income tax expense	**(84,208)**	**(98,511)**

	2018	2017
As at year beginning – deferred income tax assets/(liabilities)	6,552	(276)
Change in deferred income tax balances	(7,364)	6,828
As at year end – deferred income tax (liabilities)/assets	**(812)**	**6,552**

12. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Furniture and fixtures	Computer equipment	Leasehold improvement	Total property and equipment
Initial cost				
January 1, 2017	**6,381**	**2,641**	**26,900**	**35,922**
Additions	2,164	-	-	2,164
Disposals	-	-	(26,900)	(26,900)
December 31, 2017	**8,545**	**2,641**	**-**	**11,186**
Additions	9,460	4,650	29,511	43,621
December 31, 2018	**18,005**	**7,291**	**29,511**	**54,807**
Accumulated depreciation				
January 1, 2017	**(1,695)**	**(66)**	**(3,600)**	**(5,361)**
Charge for the year	(1,728)	(660)	(3,600)	(5,988)
Eliminated on disposals	-	-	7,200	7,200
December 31, 2017	**(3,423)**	**(726)**	**-**	**(4,149)**
Charge for the year	(2,701)	(1,122)	(5,918)	(9,741)
December 31, 2018	**(6,124)**	**(1,848)**	**(5,918)**	**(13,890)**
Net book value				
December 31, 2018	**11,881**	**5,443**	**23,593**	**40,917**
December 31, 2017	**5,122**	**1,915**	**-**	**7,037**

13. INTANGIBLE ASSETS

Intangible assets comprise:

	Licences and software
Initial cost	
January 1, 2017	**13,850**
December 31, 2017	**13,850**
Additions	16,400
Disposals	(11,000)
December 31, 2018	**19,250**
Accumulated amortization	
January 1, 2017	**(9,370)**
Charge for the year	(2,485)
December 31, 2017	**(11,855)**
Charge for the year	(1,515)
Eliminated on disposals	11,000
December 31, 2018	**(2,370)**
Net book value	
December 31, 2018	**16,880**
December 31, 2017	**1,995**

Intangible assets comprise of the licences for brokerage and other activities related to trading in securities and accounting software.

14. INVESTMENT SECURITIES

Investment securities comprise:

	December 31, 2018	December 31, 2017
Debt securities at amortized cost (previously classified as held-to-maturity)		
Corporate bonds	255,024	340,020
Total debt securities at amortized cost (previously classified as held-to-maturity)	**255,024**	**340,020**
Equity securities at FVOCI (previously classified as available-for-sale)		
Corporate shares	60,000	60,000
Total equity securities at FVOCI (previously classified as available-for-sale)	**60,000**	**60,000**
Total investment securities	**315,024**	**400,020**

On January 29 and April 19, 2018, the Company purchased the 250 (two hundred fifty) unsecured bonds with the price of AZN 1,000 each in the total amount of AZN 250,000 issued by "MET-AK" Limited Liability Company with interest rate of 14% and 12% per annum, respectively. Interest accrued on those bonds will be received on a quarterly and monthly basis, respectively.

The Company owns 4.76% of the authorized capital of "Baku Stock Exchange" CJSC since February 5, 2008 (300 shares with the price of AZN 200 each with a value of AZN 60,000).

All balances of investment securities are allocated to Stage 1. The ECL relating to investment securities of the Company rounds to zero.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company comprise the following balances:

	December 31, 2018	December 31, 2017
Cash balances with banks	748,804	584,240
Total cash and cash equivalents	**748,804**	**584,240**

There were no restrictions on the use of cash and cash equivalents as at December 31, 2018 and 2017.

All cash at bank balances are held in one commercial bank.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognize any credit loss allowance for cash and cash equivalents.

The credit quality of cash and cash equivalents balances may be summarised based on Standard & Poor's ratings as follows as at December 31, 2018:

	"Unibank" Commercial Bank OJSC	Total
- Not rated	748,804	748,804
Total cash and cash equivalents	**748,804**	**748,804**

The credit quality of cash and cash equivalents balances may be summarised based on Standard & Poor's ratings as follows as at December 31, 2017:

	"Unibank" Commercial Bank OJSC	Total
- Not rated	584,240	584,240
Total cash and cash equivalents	**584,240**	**584,240**

The published international rating (by Standard & Poor's) of the Republic of Azerbaijan is BB+ (2017: BB+).

16. RESTRICTED DEPOSITS

According to the terms and conditions of the contract signed with the local broker on March 1, 2016, the Company must set aside agreed relevant percent of amount received from customers engaged in marginal trading transactions as restricted deposits. These restricted deposits held in bank account is not available for immediate or general business use and is excluded from cash and cash equivalents.

The fair value changes relating to restricted deposits of the Company rounds to zero.

As at December 31, 2018 and 2017 restricted deposits amounted to AZN 673,482 and AZN 163,975, respectively.

17. AMOUNTS DUE FROM THE PRINCIPAL BROKER

According to the terms and conditions of the contract signed with the principal broker on March 1, 2016, the Company must transfer agreed relevant percent of amount received from customers engaged in marginal trading transactions to the principal broker. The Company uses online trading platform and pays monthly fixed rental fee for the services provided by the principal broker. The Company itself is responsible for losses arising from marginal trading and settles/receives these losses/gains on weekly basis with/from the principal broker.

As at December 31, 2018 and 2017, amount due from the principal broker amounted to AZN 1,856,524 and AZN 1,159,910, respectively.

The average credit period on receipt for the services received is repayable on demand. No interest is charged on the outstanding balances for amount due from the principal broker.

The fair value changes relating to amounts due from the principal broker of the Company rounds to zero.

The Company has not received any collateral for amount due from the broker company except the restricted deposits as described in Note 16.

18. COMMISSIONS RECEIVABLE

	December 31, 2018	December 31, 2017
Receivables on volume of spread transactions	45,717	51,242
Receivables on brokerage fees	14,886	101,491
Receivables on underwriting service	-	112,206
Receivables on dealership fees	-	2,375
Total commissions receivable	**60,603**	**267,314**

19. OTHER ASSETS

	December 31, 2018	December 31, 2017
Other financial assets		
Amounts due from bank on marginal trading	-	7,290
Total other financial assets	**-**	**7,290**
Other non-financial assets		
Prepaid taxes	40,083	52,895
Total other non-financial assets	**40,083**	**52,895**
Total other assets	**40,083**	**60,185**

20. BORROWINGS

	December 31, 2018	December 31, 2017
Non-current portion of borrowings	117,229	-
Current portion of borrowings	52,969	-
Total borrowings	**170,198**	**-**

On December 26, 2018 the Company entered into a loan agreement with "Rabitabank" OJSC. In line with this agreement the Company received USD 100,000 for the period of 36 months. The loan is payable on a monthly basis after the loan was issued. The loan was granted at a fixed nominal interest rate of 7% per annum. As at December 31, 2018 the amount outstanding under this facility was AZN 170,198 (2017: nil).

Included in borrowings AZN 198 and nil as at December 31, 2018 and 2017, respectively represent accrued interest payable.

The geographical, currency and interest rate analyses of borrowings are disclosed in Note 25.

A reconciliation of the opening and closing amounts of borrowing with relevant cash and non-cash changes from financing activities is stated below:

	Amount
January 1, 2018	-
Cash flows	
Proceed from borrowing	170,000
Non-cash changes	
Interest expense	198
December 31, 2018	**170,198**

21. AMOUNTS DUE TO CUSTOMERS

During the year customers placed deposits to the USD denominated bank account of the Company to engage in online marginal trading. According to the contract, these deposits are repayable on demand.

As at December 31, 2018 and 2017, the amounts due to customers amounted to AZN 2,533,185 and AZN 1,671,195, respectively.

The average credit period on payments for the services delivered is repayable on demand. No interest is charged on the outstanding balances for amounts due to customers.

The fair value changes relating to the amounts due to customers of the Company rounds to zero.

The Company has not pledged any collateral for amounts due to customers.

22. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Other financial liabilities:		
Accrued expenses	11,395	12,315
Accrued interest payable	-	101,062
Total other liabilities	**11,395**	**113,377**

23. SHARE CAPITAL

As at December 31, 2018 and 2017, the Company's authorized, issued and fully paid share capital amounted to AZN 300,000 and comprised 100,000 ordinary shares with par value of AZN 3 each.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Any dividends declared after the reporting period and before the financial statements are authorized for issue are disclosed in the subsequent events note.

Dividends declared and paid during the year were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Dividends declared during the year	130,000	352,000
Dividends paid during the year	(130,000)	(352,000)
Dividends payables	**-**	**-**

24. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Legal proceedings

From time to time and in the normal course of business, claims against the Company are received. On the basis of its own estimates and both internal and external professional advice, the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation

Tax, currency and customs legislation of the Republic of Azerbaijan is subject to varying interpretations, and changes, which can occur frequently. The Management's interpretation of such legislation as applied to the transactions and activities of the Company may be challenged by the relevant authorities.

Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. The Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

Capital expenditure commitments

As at December 31, 2018 and 2017, the Company had no significant contractual capital expenditure commitments.

Fiduciary activities

As at December 31, 2018, the Company held no funds of the clients under fiduciary agreement for carrying out investing activities on behalf of the clients.

25. FINANCIAL RISK MANAGEMENT

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, interest rate, liquidity and geographical), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk

Credit risk is the risk that a counterparty fails to perform its obligations, resulting in financial loss. The principal sources of credit risk to our business are from the principal broker company and individual clients.

Broker company is subject to a credit review when a new relationship is entered into and this is updated semi-annually (or more frequently as required e.g. on a change in the broker's corporate structure). Proposed maximum exposure limits for this broker company is then reviewed and approved by the management board. As part of its management of concentration risk, the Company is also committed to maintaining multiple brokers for each asset class. Where possible, the Company negotiates for its funds to receive client money protection which can reduce direct credit exposure.

Expected credit loss (ECL) measurement – definitions

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and determined by evaluating a range of possible outcomes.

Discount Rate – a tool to discount an expected loss to the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For financial asset with fixed maturity, the lifetime period is equal to the remaining contractual period

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit impaired (POCI) financial assets – financial assets that are credit-impaired upon initial recognition.

Low credit risk financial assets – assets that have an investment grade defined by external rating agencies or corresponding internal rating, debt instruments issued by Azerbaijan Republic and nominated in AZN, loans to companies owned by Azerbaijan Republic and nominated in AZN. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

ECL measurement – description of estimation techniques

General principle

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether the credit risk of the counterparty has increased significantly since initial recognition. This approach can be summarized in a three-stage model for ECL measurement:

Stage 1: a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition; loss allowance is based on 12-month ECLs.

Stage 2: if a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but not yet deemed to be credit-impaired; loss allowance is based on lifetime ECLs.

Stage 3: if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3 and loss allowance is based on lifetime ECLs.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Company only recognizes the cumulative changes in lifetime expected credit losses.

The Company can carry out three separate approaches for ECL measurement:

- assessment on an individual basis;
- assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- assessment based on external ratings.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below. It could be applied for products assessed on a portfolio basis and for products for which the Company has credit risk ratings assessment based on borrower-specific information.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for the next 12 months or instrument lifetime. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier period).

Margin risk

The Company operates a real-time marginal trading platform, with client profits and losses being constantly updated on each client's account. Margin risk principally arises when a client's total funds deposited with the Company are insufficient to cover any trading losses incurred.

In particular, Margin risk can arise where there are significant, sudden movements in the market i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which the client has an open position.

The Company mitigates, but does not eliminate, the margin risk in a number of ways, including the real-time monitoring of client positions via our 'close-out monitor', the ability of clients to set a level in advance at which the deal will be closed (the 'stop' level or 'guaranteed stop' level) and the use of tiered margining.

This risk is also mitigated in part through increased margin requirements on larger positions, applying the client suitability criteria, and is supported by an extensive training program which aims to educate clients in all aspects of trading and risk management which encourages them to collateralise their accounts at an appropriate level in excess of the minimum requirement.

Clients subject to the Company's 'close-out monitor'

The 'close out monitor' (COM) is an automated liquidation process whereby accounts which have broken the liquidation threshold are automatically identified. Where the client losses are such that their total equity falls below the specified liquidation level positions will be liquidated, resulting in reduced credit risk exposure for the Company.

Both the 'close out monitor' and client initiated 'stops' result in the transfer of market risk to the Company. Market risk arises following the closure of the underlying client position as the Company (subject to the market risk limits, discussed in the 'Market risk' section), may hold a corresponding hedging position that will, assuming sufficient market liquidity, be unwound.

In addition a subset of clients have what are known as "Limited Risk" accounts. For such accounts a level is set in advance (the "guaranteed stop" level) at which the deal will be closed, meaning a maximum client loss can be calculated at the opening of the trade. Clients placing trades with guaranteed stop levels pay a small premium on each transaction. The maximum loss is then the amount the client is required to deposit to open the trade, meaning that in most circumstances the client can never lose more than their initial margin deposit. Although no longer offered to new clients, the Company still has a significant number of clients with this type of account.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in foreign currencies and interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk

In respect of currency risk, the Management sets limits on the level of exposure by currency and in total. The positions are monitored on a monthly basis.

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

	AZN	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	1,632	747,172	748,804
Restricted deposits	-	673,482	673,482
Amounts due from the principal broker	-	1,856,524	1,856,524
Commissions receivable	14,886	45,717	60,603
Investment securities	315,024	-	315,024
TOTAL FINANCIAL ASSETS	**331,542**	**3,322,895**	**3,654,437**
FINANCIAL LIABILITIES			
Amounts due to customers	-	2,533,185	2,533,185
Borrowings	-	170,198	170,198
Other liabilities	11,395	-	11,395
TOTAL FINANCIAL LIABILITIES	**11,395**	**2,703,383**	**2,714,778**
OPEN CURRENCY POSITION	**320,147**	**619,512**	**939,659**

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

	AZN	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	324,176	260,064	584,240
Restricted deposits	-	163,975	163,975
Amounts due from the principal broker	-	1,159,910	1,159,910
Commissions receivable	112,366	154,948	267,314
Investment securities	60,000	340,020	400,020
Other assets	-	7,290	7,290
TOTAL FINANCIAL ASSETS	**496,542**	**2,086,207**	**2,582,749**
FINANCIAL LIABILITIES			
Amounts due to customers	-	1,671,195	1,671,195
Other liabilities	6,080	107,297	113,377
TOTAL FINANCIAL LIABILITIES	**6,080**	**1,778,492**	**1,784,572**
OPEN CURRENCY POSITION	**490,462**	**307,715**	**798,177**

The above analysis includes only financial assets and liabilities. Non-financial assets are not considered to give rise to any material currency risk. The control over foreign currency risk arising from trading operations is executed on a regular basis by the outsourced finance function of the Company and is managed in the following way:

i Monitoring of interconnection between foreign currency position level for each currency and the relevant liquidity level for these currencies;

ii Forecasting the tendencies of volatility the rates of foreign currencies especially USD.

Other than as a result of any impact on the Company's profit and loss, there is no other impact on the Company's equity as a result of such change in exchange rates. The exposure was calculated only for financial balances denominated in currencies other than the functional currency of the respective entity of the Company.

Currency risk sensitivity

The following tables detail the Company's sensitivity to a 10% increase and decrease in the AZN against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the AZN strengthens 10% against the relevant currency. For a 10% weakening of the AZN against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	As at December 31, 2018	
	USD/AZN +10%	**USD/AZN -10%**
Net impact on profit before income tax	61,951	(61,951)

	As at December 31, 2017	
	USD/AZN +10%	**USD/AZN -10%**
Net impact on profit before income tax	30,772	(30,772)

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 outsourced finance function 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 outsourced finance function. The outsourced finance function responsibilities include:

i cash flow forecasting and reporting on it;
ii monitoring of largest vendors as a factor of risk of liquidity concentration;
iii active involvement into domestic and international markets for obtaining mid-term and short-term borrowings in case of necessity; and
iv 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 month to 3 months	From 3 months to 1 year	From 1 year to 5 year	Maturity undefined	Total
FINANCIAL ASSETS						
Cash and cash equivalents	748,804	-	-	-	-	748,804
Restricted deposits	673,482	-	-	-	-	673,482
Amounts due from the principal broker	1,856,524	-	-	-	-	1,856,524
Commissions receivable	60,603	-	-	-	-	60,603
Investment securities	155,024	-	100,000	-	60,000	315,024
TOTAL FINANCIAL ASSETS	**3,494,437**	**-**	**100,000**	**-**	**60,000**	**3,654,437**
FINANCIAL LIABILITIES						
Amounts due to customers	2,533,185	-	-	-	-	2,533,185
Borrowings	4,456	8,591	39,922	117,229	-	170,198
Other liabilities	8,641	-	2,754	-	-	11,395
TOTAL FINANCIAL LIABILITIES	**2,546,282**	**8,591**	**42,676**	**117,229**	**-**	**2,714,778**
Liquidity gap	948,155	(8,591)	57,324	(117,229)	60,000	939,659
CUMULATIVE LIQUIDITY GAP	**948,155**	**939,564**	**996,888**	**879,659**	**939,659**	

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 month to 3 months	From 3 months to 1 year	From 1 year to 5 year	Maturity undefined	Total
FINANCIAL ASSETS						
Cash and cash equivalents	584,240	-	-	-	-	584,240
Restricted deposits	163,975	-	-	-	-	163,975
Amounts due from the principal broker	1,159,910	-	-	-	-	1,159,910
Commissions receivable	267,314	-	-	-	-	267,314
Investment securities	-	340,020	-	-	60,000	400,020
Other assets	7,290	-	-	-	-	7,290
TOTAL FINANCIAL ASSETS	**2,182,729**	**340,020**	**-**	**-**	**60,000**	**2,582,749**
FINANCIAL LIABILITIES						
Amounts due to customers	1,671,195	-	-	-	-	1,671,195
Other liabilities	8,815	104,562	-	-	-	113,377
TOTAL FINANCIAL LIABILITIES	**1,680,010**	**104,562**	**-**	**-**	**-**	**1,784,572**
Liquidity gap	502,719	235,458	-	-	60,000	798,177
CUMULATIVE LIQUIDITY GAP	**502,719**	**738,177**	**738,177**	**738,177**	**798,177**	

Geographical risk concentrations

The geographical concentration of the Company's financial assets and liabilities as at December 31, 2018 is set out below:

	The Republic of Azerbaijan	Total
FINANCIAL ASSETS		
Cash and cash equivalents	748,804	748,804
Restricted deposits	673,482	673,482
Amounts due from the principal broker	1,856,524	1,856,524
Commissions receivable	60,603	60,603
Investment securities	315,024	315,024
TOTAL FINANCIAL ASSETS	**3,654,437**	**3,654,437**
FINANCIAL LIABILITIES		
Amounts due to customers	2,533,185	2,533,185
Borrowings	170,198	170,198
Other liabilities	11,395	11,395
TOTAL FINANCIAL LIABILITIES	**2,714,778**	**2,714,778**
NET POSITION	**939,659**	**939,659**

The geographical concentration of the Company's financial assets and liabilities as at December 31, 2017 is set out below:

	The Republic of Azerbaijan	Total
FINANCIAL ASSETS		
Cash and cash equivalents	584,240	584,240
Restricted deposits	163,975	163,975
Amounts due from the principal broker	1,159,910	1,159,910
Commissions receivable	267,314	267,314
Investment securities	400,020	400,020
Other assets	7,290	7,290
TOTAL FINANCIAL ASSETS	**2,582,749**	**2,582,749**
FINANCIAL LIABILITIES		
Amounts due to customers	1,671,195	1,671,195
Other liabilities	113,377	113,377
TOTAL FINANCIAL LIABILITIES	**1,784,572**	**1,784,572**
NET POSITION	**798,177**	**798,177**

26. MANAGEMENT OF CAPITAL

The Company's objectives in the process of capital management are maintaining the Company's ability to follow the going concern principle to provide benefits to interested parties, and also maintaining the optimal structure of involved and own funds.

Under the current capital requirements set by the State Committee for Securities of the Republic of Azerbaijan in September 29, 2015, existing investment companies have to hold the minimum level of aggregate capital of AZN 300,000. During the reporting period, the Company had complied in full with its capital requirements set by regulatory body.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at December 31, 2018 and 2017 the carrying amounts of Company's financial assets (amounts due from principal broker and restricted deposit) and financial liabilities (amounts due to customers) approximated to their fair value due to repayable on demand.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

		Fair value measurement using			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2018	748,804	-	-	748,804
Investment securities	December 31, 2018	-	-	255,024	255,024
Commissions receivable	December 31, 2018	-	-	60,603	60,603
Liabilities for which fair values are disclosed					
Borrowings	December 31, 2018	-	-	170,198	170,198
Other liabilities	December 31, 2018	-	-	11,395	11,395

		Fair value measurement using			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2017	584,240	-	-	584,240
Investment securities	December 31, 2017	-	-	340,020	340,020
Commissions receivable	December 31, 2017	-	-	267,314	267,314
Other assets	December 31, 2017	-	-	7,290	7,290
Liabilities for which fair values are disclosed					
Other liabilities	December 31, 2017	-	-	113,377	113,377