“BAKU STOCK EXCHANGE” CLOSE JOINT STOCK COMPANY

The International Financial Reporting Standards
Financial Statements and Independent Auditors’ Report
For the Year Ended December 31, 2019

“BAKU STOCK EXCHANGE” CLOSE JOINT STOCK COMPANY

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 "Baku Stock Exchange" (herinafter "Company" or "BSE"). Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2019, the results of its operations, changes in equity and cash flows in accordance with International Financial Reporting Standards ("IFRS") for the year then ended.

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, 2019 were authorized for issue on April 29, 2020 by the Management of the Company.

On behalf of the Management Board:

Eldar Abdullayev
Acting Chairman of the Management Board

April 29, 2020
Baku, the Republic of Azerbaijan

Eldar Ganjaliyev
Accountant

April 29, 2020
Baku, the Republic of Azerbaijan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Executive Board of Baku Stock Exchange:

Opinion

We have audited International Financial Reporting Standards (IFRS) based financial statements of "Baku Stock Exchange" Close Joint Stock Company (hereinafter the "Company"), which comprise the statement of financial position as at December 31, 2019, and statement of 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 respect, the financial position of the Company as at December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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.

Other Matter – comparative information

The financial statements of "Baku Stock Exchange" Close Joint Stock Company as at and for the year ended December 31, 2018 from which the statement of financial position as at December 31, 2018 has been derived, excluding the adjustments described in Note 7 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on April 11, 2019.

As part of our audit of the financial statements as at and for the year ended December 31, 2019, we audited the adjustments described in Note 7 that were applied to restate the comparative information presented as at and for the year ended December 31, 2018 and the statement of financial position as at January 1, 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2018 or to the statement of financial position as at January 1, 2018, other than with respect to the adjustments described in Note 7 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 7 are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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

April 29, 2020
Baku, the Republic of Azerbaijan

"BAKU STOCK EXCHANGE" CLOSE JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(in Azerbaijani Manats)

	Notes	December 31, 2019	December 31, 2018 (Restated)*	January 1, 2018 (Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	8	2,365,594	137,665	164,713
Intangible assets	9	477,923	105,554	147,436
Prepayments for property, plant and equipment		451,287	-	-
Total non-current assets		**3,294,804**	**243,219**	**312,149**
Current assets				
Cash and cash equivalents	10	2,045,198	1,411,351	263,666
Deposits at banks	11	1,426,750	4,883,200	3,225,184
Investment securities	12	4,710,037	1,376,163	725,270
Tax prepayments		203,304	-	28,727
Prepayments	13	123,136	239,611	-
Other current assets	14	36,474	210,219	323,167
Total current assets		**8,544,899**	**8,120,544**	**4,566,014**
TOTAL ASSETS		**11,839,703**	**8,363,763**	**4,878,163**
EQUITY				
Charter capital	15	1,260,000	1,260,000	1,260,000
Share premium		151,800	151,800	151,800
Retained earnings		9,427,024	6,403,688	3,189,517
TOTAL EQUITY		**10,838,824**	**7,815,488**	**4,601,317**
LIABILITIES				
Non-current liabilities:				
Deferred tax liability	16	52,160	-	11,505
Lease liability	17	947,585	-	-
Total non-current liabilities		**999,745**	**-**	**11,505**
Current liabilities				
Other current liabilities	18	1,134	548,275	265,341
Total current liabilities		**1,134**	**548,275**	**265,341**
TOTAL LIABILITIES		**1,000,879**	**548,275**	**276,846**
TOTAL EQUITY AND LIABILITIES		**11,839,703**	**8,363,763**	**4,878,163**

* *See Note 7.*

On behalf of the Management Board:

Eldar Abdullayev
Acting Chairman of the Management Board

April 29, 2020
Baku, the Republic of Azerbaijan

Eldar Ganjaliyev
Accountant

April 29, 2020
Baku, the Republic of Azerbaijan

"BAKU STOCK EXCHANGE" CLOSE JOINT STOCK COMPANY

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(in Azerbaijani Manats)

	Notes	For the year ended December 31, 2019	For the year ended December 31, 2018 (Restated)*
Fee and comission income on transactions	19	4,489,890	5,477,929
Other service income	20	161,897	215,095
Total income		**4,651,787**	**5,693,024**
Salaries and other staff related payments	21	(747,747)	(858,882)
General and administrative expenses	22	(448,051)	(353,471)
Amortization of property and equipment	8	(31,057)	(46,183)
Amortization of intangible assets	9	(40,215)	(41,638)
Total operating expenses		**(1,267,070)**	**(1,300,174)**
Operating profit		**3,384,717**	**4,392,850**
Interest income	23	403,210	328,170
Other income		-	1,217
Loss on change in exchange rates		-	(340)
Revenue before income tax		**3,787,927**	**4,721,897**
Income tax	18	(764,591)	(938,456)
Net income during the reporting period		**3,023,336**	**3,783,441**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,023,336**	**3,783,441**

* *See Note 7.*

On behalf of the Management Board:

Eldar Abdullayev
Acting Chairman of the Management Board

April 29, 2020
Baku, the Republic of Azerbaijan

Eldar Ganjaliyev
Accountant

April 29, 2020
Baku, the Republic of Azerbaijan

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in Azerbaijani Manats)

	Notes	For the year ended December 31, 2019	For the year ended December 31, 2018 (Restated)*
Cash flows from operating activities			
Profit before income tax		3,787,927	4,721,897
Adjustments for non-cash items:			
Depreciation of property and equipment	8	31,057	46,183
Amortization of intangible assets	9	40,215	41,638
Interest income	23	(403,210)	(328,170)
Changes in operating assets and liabilities:			
Changes in prepayments		(53,702)	(69,434)
Changes in other current assets		173,745	112,948
Changes in other current liabilities		-	(19,890)
Net cash inflow from operating activities		**3,576,032**	**4,505,172**
Income tax paid		(1,462,876)	(683,436)
Cash flows from investing activities			
Purchase of property, plant, and equipment		(1,762,688)	(19,135)
Net change in deposits at banks		3,456,450	(1,658,016)
Purchase of investment securities		(3,163,697)	(821,070)
Received interest income on deposits from banks		173,522	279,254
Received interest income on investment securities		229,688	48,916
Purchase of intangible assets		(412,584)	-
Net cash outflow from investment activities		**(1,479,309)**	**(2,170,051)**
Cash flows from financial activities			
Dividend payments		-	(504,000)
Net cash outflow from financial activities		**-**	**(504,000)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		633,847	1,147,685
CASH AND CASH EQUIVALENTS, *at the beginning of the year*	10	1,411,351	263,666
CASH AND CASH EQUIVALENTS, *at the end of the year*	10	2,045,198	1,411,351

* *See Note 7.*

On behalf of the Management Board:

Eldar Abdullayev
Acting Chairman of the Management Board

April 29, 2020
Baku, the Republic of Azerbaijan

Eldar Ganjaliyev
Accountant

April 29, 2020
Baku, the Republic of Azerbaijan

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(in Azerbaijani Manats)

	Charter capital	Share premium	Retained earnings	Total capital
January 1, 2018, as previously reported *	**1,260,000**	**151,800**	**3,229,760**	**4,641,560**
Effect of restatement *			(105,513)	(105,513)
January 1, 2018, as previously reported *	**1,260,000**	**151,800**	**3,124,247**	**4,536,047**
Total comprehensive income for the year, restated*	-	-	3,783,441	3,783,441
Declared dividends	-	-	(504,000)	(504,000)
December 31, 2018, as previously reported *	**1,260,000**	**151,800**	**6,403,688**	**7,815,488**
Total comprehensive income for the year	-	-	3,023,336	3,023,336
December 31, 2019	**1,260,000**	**151,800**	**9,427,024**	**10,838,824**

* *See Note 7.*

On behalf of the Management Board:

Eldar Abdullayev
Acting Chairman of the Management Board

April 29, 2020
Baku, the Republic of Azerbaijan

Eldar Ganjaliyev
Accountant

April 29, 2020
Baku, the Republic of Azerbaijan

1. COMPANY AND ITS PRINCIPAL ACTIVITIES

“Baku Stock Exchange” Closed Joint Stock Company (the “Company”) was incorporated on October 23, 1997 and operates in the Republic of Azerbaijan.

The Company’s principal business activity is the organization of trading operations with all types of securities within the Republic of Azerbaijan. The Company operates under a license issued by the State Committee for Securities under the auspices of the President of the Republic of Azerbaijan (“SCS”) since February 2000.

Shareholders of the Company

As at 31 December 2019 and 2018, the shareholders of the Company were as follows:

	December 31, 2019, %	**December 31, 2018, %**
“Azerbaijan Industry Bank” OJSC	9.5239	9.5239
“Demir Investment Company” CJSC	4.7619	4.7619
“Kapital Partners” LLC	4.7619	4.7619
“Brokdil-Az” LLC	4.7619	4.7619
“Azer-Turk Bank” OJSC	4.7619	4.7619
“Bank of Baku” OJSC	4.7619	4.7619
“Kapital Bank” OJSC	4.7619	4.7619
Global Menkul Deqerler A.S.	4.7619	4.7619
Borsa Istanbul Anonim Shirketi	4.7619	4.7619
“Mars Investment” LLC	4.7619	4.7619
“Respublika Invest” LLC	4.7619	4.7619
“Capital Management Investment Company” OJSC	-	4.7619
“International Bank of Azerbaijan” OJSC	4.7619	4.7619
“UniCapital Investment Company” OJSC	4.7619	4.7619
“United Credit Bank” OJSC (In the process of liquidation)	4.7619	4.7619
“Yapi Kredi Bank Azerbaijan” OJSC	4.7619	4.7619
“Caspian Financial LTD” LLC	4.7619	4.7619
“Xalq Kapital Investment Company” CJSC	4.7619	4.7619
“Invest-AZ Investment Company” CJSC	4.7619	9.5238
“Plato Capital and Co. Investment Company” OJSC	4.7619	-
Invest-AZ Yatırım Menkul Degerler Anonim Shirketi	4.7619	-
Total	**100**	**100**

Registered legal address of the Company

The address of Company’s registered legal address is 19 Bul-Bul Avenue, Baku, the Republic of Azerbaijan.

On December 31, 2019, the business address of the Company was 11/31 Babek Avenue, Babek Plaza, and subsequently starting from February 1, 2020, the address has changed to 2A Hasan bey Zardabi Avenue, Chocolate Tower, Baku, the Republic of Azerbaijan.

2. OPERATING ENVIRONMENT OF THE COMPANY

The Company's operations are conducted in the Republic of Azerbaijan. Azerbaijan continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Azerbaijan's economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government as well as crude oil prices and stability of Azerbaijani Manat.

The Azerbaijan's economy has been negatively impacted by decline of oil prices and devaluation of Azerbaijani Manat during 2015. This resulted in reduced access to capital, a higher cost of capital, inflation and uncertainty regarding economic growth. In response to these challenges, Azerbaijani government announced plans to accelerate reforms and support financial system. On December 6, 2016 President of the Republic of Azerbaijan approved "Strategic road maps for the national economy and main economic sectors of Azerbaijan". The road maps cover 2016-2020 development strategy, long-term outlook up to 2025 and vision beyond.

Furthermore, during 2018 the government continued its monetary policy with respect to stability of Azerbaijani Manat as well as allocated foreign currency resources which stabilized Azerbaijani Manat. This policy continued in 2019 with the aim of maintaining macroeconomic stability.

The Company's management is monitoring changes in macroeconomic environment and taking precautionary measures it considers necessary in order to support the sustainability and development of the Company's business in the foreseeable future.

International credit rating agencies regularly evaluate credit rating of the Republic of Azerbaijan. Fitch and S&P evaluated rating of the Republic of Azerbaijan as "BB+". Moody's Investors Service set "Ba2" credit rating for the country.

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.

Manat has remained stable during 2019. 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 January 2020, Standard & Poor's, international credit agency, affirmed long and short-term sovereign credit rating of Azerbaijan in foreign and local currency at 'BB+/B'.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. If no other explanation has been made in the notes, the provisions of the accounting policies have been consistently applied throughout the reporting period.

Basis of preparation

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

The financial statements of the Company have been prepared under the historical cost convention. The financial statements are presented in the Azerbaijani Manats ("AZN") except when otherwise indicated.

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.

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 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 principal accounting policies are set out below:

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 realised 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.

All other assets are classified as non-current.

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.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of IFRS 15 is that the Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- 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.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection.

All property and equipment that does not provide future economic benefit is expensed immediately in the statement of comprehensive income.

Leases

Lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Control is considerd to exist if customer has the right to obtain substantially all economic benefit from use of an undentifed asset and right to direct the use of that asset.

At lease commencement, the Company recognizes a right of use an asset and lease liability for all leases except for short term and low valued items.

The right of use an asset is initially measured at cost and measured subsequently at cost less accumuluated depreciation and impairment losses.

The lease liability initially measured at present value of future lease payments. Subsequently, lease liabilities are adjusted for interest and lease payments.

Intangible assets

Intangible assets are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight line basis over their estimated useful lives and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

Depreciation and amortization

Depreciation is charged on the historical cost of property and equipment and is designed to wear out over their estimated useful lives. 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 (the land is not depreciated):

Buildings and facilities	5%-7%
The right-of-use asset	Depends on the terms of the lease
Machinery and equipment	10%-25%
Vehicles	10%-25%
Furniture and fixtures	10%-20%
Intangible assets	10%-20%

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. The non-current prepayments is classified and presented as advance to suppliers of property and equipment in the statement of financial position.

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained the control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit and loss accounts when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in the statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognized on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrumenton initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognisedby applying the effective interest rate to the gross carrying amount of the financial asset.

The Company's majority of financial assets were classified as financial assets measured subsequently at amortized cost. The Company's financial liabilities 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. The Company utilizes an internal model to assess expected credit losses. The model was developed in accordance with IFRS 9 and designed to assess credit risk exposure of counterparties taking into account the characteristics of financial assets by assigning scoring system to counterparties. Assigned score is returning PD (Probability of Default) on individual basis. Move of the asset from one score band to lower score band is considered significant increase in credit risk among other criteria.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

Cash and bank accounts

Cash and cash equivalents are assets that can be easily converted into cash at any time, with a slight difference in their value. Cash and cash equivalents are recognized in the amortized cost using the effective interest method. The restricted cash balances are not included in cash and cash equivalents. The balances with the limitation on use for the conversion or settlement of the liability purposes during at least twelve month after reporting date are included in other long-term assets.

Prepayments

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held‑ for‑ trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

De-recognition of financial liabilities

The Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income taxes

Income taxes have been provided for in the financial statements in accordance with the legislation of the Republic of Azerbaijan enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized in the statement of comprehensive income unless it relates to transactions that are recognized, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profit is calculated on the basis of estimated amounts when the financial statements are approved prior to the presentation of the relevant tax returns. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Charter 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 Date” (“IAS 10”) and disclosed accordingly.

Foreign currency translation

Functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company’s functional currency AZN is the national currency of the Republic of Azerbaijan.

Monetary assets and liabilities are translated into entity’s functional currency at the official exchange rate of the Central Bank of the Republic of Azerbaijan (“CBAR”) at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at year-end official exchange rates of the CBAR are recognized in the statement of comprehensive income.

Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The exchange rates at the year-end used by the Company in the preparation of the financial statements are as follows:

	December 31, 2019	**December 31, 2018**
AZN/1 USD	1.7000	1.7000
AZN/1 EUR	1.9035	1.9468

Employee benefits

Wages, salaries, contributions to the State Pension Fund of the Republic of Azerbaijan and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services and food) are accrued in the year in which the associated services are rendered by the employees of the Company.

Recognition of other income and expenses

Other income and expenses are recognized on an accrual basis.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the respective notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Lease liability

IFRS 16 “Leases” introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 “Leases” and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined the lessee’s incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The Company adopted IFRS 16 for the year ended December 31, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and disclosure of contingent liabilities during the reporting period.

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest information available when financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The most significant estimates relate to the depreciable lives of property and equipment, impairment of non-financial and financial assets, fair value of financial instruments and provision for obsolete inventory. Actual results could differ from these estimates.

In the process of applying the Company’s accounting policies, the management has made the following judgments and estimations, which have the most significant effect on the amounts recognized in the financial statements.

Fair value measurement of financial instruments

The Company’s several accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Useful life of property, equipment, intangible assets and investment property

The Company assesses the remaining useful lives of items of property, equipment, intangible assets and investment property at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

Impairment of property, equipment, intangible assets and investment property

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If there is a sign of such impairment, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The determination of impairments of property and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment.

Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances which indicate that impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any impairment on property, equipment, intangible assets and investment property.

Revenue recognition

A significant part of the service income consists of fees and comissions on transactions, interest income and all other income related activities. Prices of various services need to be allocated to each performance obligation on a relative standalone selling price basis where significant judgements are required. The Company estimates the standalone selling price using a range of prices that would meet the allocation objective based on all the information that is reasonably available including market conditions and other observable inputs. If the transaction prices of service contracts are not within the acceptable range then the revenue is subject to allocation based on the estimated standalone selling prices. The Company recognizes the incremental cost of obtaining a contract as an expense when relevant services are provided.

Valuation of lease liabilities and right of use assets

The application of IFRS 16 requires to make judgements of right of use assets and lease liabilities. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise renewal options (or not to exercise termination options). Assessing whether a contract includes a lease also requires judgement. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

5. ADOPTION OF NEW AND REVISED STANDARDS

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 ended in December 31, 2019.

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. As a result of the analysis performed by the Company, the conclusion was made that the standard had no impact on the financial statements.

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 re-measures 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 re-measure 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 and no impact was estimated on the financial statements.

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 re-measurement 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 re-measured under IAS 19.99 with the discount rate used in the re-measurement (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. As a result of the analysis performed by the management no changes was made on the financial statements.

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 and there was no amendment on financial statements by the Company.

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.

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being January 1, 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 8%.

The management of the Company utilized certain judgement in determination of lease terms, based on past history.

6. STANDARDS AND INTERPRETATIONS ISSUED AND 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.

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 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, 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

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 remeasurement 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.

7. RESTATEMENTS AND RECLASSIFICATIONS

During the year ended December 31, 2019, management identified certain errors in the financial statements of previous years. These errors have been corrected retrospectively, as shown below.

In addition, as the current year’s presentation provides a more accurate and relevant view of the Company’s financial position statement, aggregate income and cash flow statements, the financial statements for December 1, 2018 and January 1, 2018 are based on December 31, 2019. Certain classifications have been made in accordance with the presentation dated.

		As previously restated	**Restated/ reclassified amount**	**After restatement/re classifiaction**
	Notes	**Year ended December 31, 2018**	**Year ended December 31, 2018**	**Year ended December 31, 2018**
Retained earnings		6,443,931	(40,243)	6,403,688
Property, buildings and equipment	(a)(e)	238,717	(101,052)	137,665
Other current assets	(b)(c)	179,429	30,790	210,219
Advance payments	(b)	-	239,611	239,611
Accounts receivable on commission	(c)	209,592	(209,592)	-
General and administrative expenses	(d)	196,908	(60,809)	136,099
Depreciation of property and equipment	(e)	50,644	(4,461)	46,183
Total income for the year		3,718,171	65,270	3,783,441
Other current liabilities	(f)	478	547,797	548,275
Current income tax liability	(f)	938,456	(938,456)	-
Tax advance	(f)	390,659	(390,659)	-

		As previously restated	**Restated/ reclassified amount**	**After restatement/re classifiaction**
	Notes	**January 1, 2018**	**January 1, 2018**	**January 1, 2018**
Retained earnings		3,229,760	(40,243)	3,189,517
Property, buildings and equipment	(a)(e)	337,080	(172,367)	164,713
Intangible assets	(a)	144,979	2,457	147,436
Other current liabilities	(f)	20,368	244,973	265,341
Current income tax liability	(f)	374,640	(374,640)	-

(a) Adjustments for prior period errors in the recognition of property, building and equipment and intangible assets.
(b) Reclassification of other current assets for advance payments.
(c) Reclassification of receivables on commission to other current assets.
(d) Correction of IT expenses that were erroneously recognized in the previous year.
(e) An adjustment to amortized depreciation expense recognized in the previous year.
(f) Reclassification of current income tax liability and tax advance to other current liabilities.

The classification of the Company according to the items indicated in the statement of financial position and the statement of comprehensive income is set out in the following tables.

	As previously restated	**Restated/ reclassified amount**	**After restatement/re classifiaction**
	Year ended December 31, 2018	**Year ended December 31, 2018**	**Year ended December 31, 2018**
Land, buildings and equipment	238,717	(238,717)	-
Property, buildings and equipment	-	238,717	238,717
Other assets	179,429	(179,429)	-
Other current assets		179,429	179,429
Receivables from credit organizastions	4,883,200	(4,883,200)	-
Deposits at banks	-	4,883,200	4,883,200
Investments available for sale	1,376,163	(1,376,163)	-
Investment securities	-	1,376,163	1,376,163
Share capital	1,260,000	(1,260,000)	-
Charter capital	-	1,260,000	1,260,000
Staff salaries and other settlemets	(858,882)	858,882	-
Salaries and other employee benefits	-	(858,882)	(858,882)
Write-off revenue previously recognized	(4,179)	4,179	-
Write-off expenses previously recognized	5,396	(5,396)	-
Other income	-	1,217	1,217

	As previously restated	**Restated/ reclassified amount**	**After restatement/re classifiaction**
	Year ended December 31, 2018	**Year ended December 31, 2018**	**Year ended December 31, 2018**
Land, buildings and equipment	337,080	(337,080)	-
Property, buildings and equipment	-	337,080	337,080
Other assets	6,500	(6,500)	-
Other current assets		6,500	6,500
Receivables from credit organizastions	3,225,184	(3,225,184)	-
Deposits at banks	-	3,125,184	3,125,184
Investable investments	1,376,163	(1,376,163)	-
Investment securities	-	1,376,163	1,376,163
Share capital	1,260,000	(1,260,000)	-
Charter capital	-	1,260,000	1,260,000

8. PROPERTY AND EQUIPMENT

	Buildings and facilities	Machinery and equipment	Vehicles	Furniture and household inventory	Total
Initial cost					
January 1, 2018 (restated)	**-**	**344,171**	**364,927**	**48,246**	**757,344**
Additions	-	-	19,135	-	19,135
December 31, 2018 (restated)	**-**	**344,171**	**384,062**	**48,246**	**776,479**
Additions	1,756,145	502,841	-	-	2,258,986
December 31, 2019	**1,756,145**	**847,012**	**384,062**	**48,246**	**3,035,465**
Accumulated depreciation					
January 1, 2018	**-**	(326,100)	(239,946)	(26,585)	(592,631)
Charges for the year (restated)	-	(6,832)	(39,351)	-	(46,183)
December 31, 2018 (restated)	**-**	**(332,932)**	**(279,297)**	**(26,585)**	**(638,814)**
Charges for the year	-	(9,986)	(19,466)	(1,605)	(31,057)
December 31, 2019	**-**	**(342,918)**	**(298,763)**	**(28,190)**	**(669,871)**
Net book value					
December 31, 2019	**1,756,145**	**504,094**	**85,299**	**20,056**	**2,365,594**
December 31, 2018 (restated)	**-**	**11,239**	**104,765**	**21,661**	**137,665**

9. INTANGIBLES ASSETS

	Intangible assets	Total
Initial cost		
January 1, 2018	**603,622**	**603,622**
Additions	(174,677)	(174,677)
December 31, 2018	**428,945**	**428,945**
Additions	412,584	412,584
December 31, 2019	**841,529**	**841,529**
Accumulated depreciation		
January 1, 2018	**(456,186)**	**(456,186)**
Charge for the year	(41,638)	(41,638)
Eliminated on disposals	174,433	174,433
December 31, 2018	**(323,391)**	**(323,391)**
Charge for the year	(40,215)	(40,215)
December 31, 2019	**(363,606)**	**(363,606)**
Net book value		
December 31, 2019	**477,923**	**477,923**
December 31, 2018	**105,554**	**105,554**

10. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash	510	768
Amounts in bank accounts	2,044,688	1,410,583
Total cash and cash equivalents	**2,045,198**	**1,411,351**

11. DEPOSITS AT BANKS

Deposits at banks comprise:

	December 31, 2019	December 31, 2018
Term deposits	1,426,750	4,883,200
Total deposits at banks	**1,426,750**	**4,883,200**

Term deposits in the amount of AZN 1,426,750 as of December 31, 2019 (2018: AZN 4,883,200) include funds placed in local commercial banks with an effective annual interest rate of 6%.

As of December 31, 2019 and 2018, the maximum credit exposure on the receivables from credit institutions was AZN 1,426,750 and AZN 4,883,200, respectively.

During the year ended December 31, 2019 and 2018, interest income on term deposits was AZN 173,523 and AZN 279,254, respectively.

12. INVESTMENT SECURITIES

Securities include:

	Nominal interest	December 31, 2019	December 31, 2018
Bonds issued by the Ministry of Finance of the Republic of Azerbaijan	7.2-9%	2,999,552	812,722
Bonds issued by the State Oil Company of the Republic of Azerbaijan	5%	1,710,485	563,441
Total inestment securities		**4,710,037**	**1,376,163**

As of December 31, 2019 and 2018, investment securities are classified as FVOCI.

13. PREPAYMENTS

	December 31, 2019	December 31, 2018 (restated)
Advance payments for information technology	123,136	60,809
Advance payments for the service	-	8,625
Advance payments for bonds issued by the State Oil Company of the Republic of Azerbaijan	-	170,177
Total prepayments	**123,136**	**239,611**

**See Note 7.*

14. OTHER CURRENT ASSETS

	December 31, 2019	December 31, 2018 (restated)
Trade payables	36,474	210,219
Total other current assets	**36,474**	**210,219**

**See Note 7.*

15. CHARTER CAPITAL

As of December 31, 2019, the Company’s authorized, issued and outstanding share capital comprises AZN 1,260,000, consisting of 6,300 ordinary shares valued at AZN 200 each. Each share entitles one vote to the shareholder (2018: AZN 1,260,000, consisting of 6,300 shares, each equals to AZN 200).

16. DEFERRED INCOME TAX ASSET

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

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2019 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases’ differences for certain assets.

Tax legislation of the Republic of Azerbaijan in particular may give rise to varying interpretations and amendments. In addition, as management’s interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest which could be material for these financial statements.

Relationship between tax expenses and accounting profit for the year ended December 31, 2019 is explained as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences:		
Property, buildings and equipment	(219,346)	-
Leasing liability	189,517	-
Investment securities	(22,331)	-
Total deductible temporary differences	**(52,160)**	**-**
Net deferred income tax asset	**(52,160)**	**-**

Relationship between tax expenses and accounting profit for the years ended December 31, 2019 is explained as follows:

	December 31, 2019	December 31, 2018
Profit before income tax	**3,787,927**	**4,721,897**
Tax at the statutory tax rate	20%	20%
Theoretical tax at the statutory tax rate	(757,585)	(944,379)
Tax effect of permanent differences	(7,006)	5,923
Income tax expense	**(764,591)**	**(938,456)**
Current income tax expense	(712,431)	(938,456)
Change in the deferred income tax liability	(52,160)	-
Income tax expense	**(764,591)**	**(938,456)**

	December 31, 2019	December 31, 2018
Deferred income tax asset:		
Beginning of the period	-	-
Change in the deferred income tax for the period charged to the profit and loss accounts	(52,160)	-
End of the period	**(52,160)**	**-**

17. LEASE LIABILITY

On August 6, 2019, the Company signed a lease agreement for the lease of the administrative office. Although the calculation of the lease payments under the contract must be made from February 1, 2020, the obligations under the contract are effective from the date of signing the contract.

	December 31, 2019
Lease liability:	
Current	-
Non-current	947,585
Total lease liability	**947,585**

Future minimum lease payments as at December 31, 2019 were as follows:

Minimum lease payments

	Within one year	One to five years	Five to ten years	Total
Lease payments	-	516,580	1,370,060	1,886,640
Finance charges	-	(516,580)	(422,475)	(939,055)
Net present value as at December 31, 2019	**-**	**-**	**947,585**	**947,585**

18. OTHER CURRENT LIABILITIES

	December 31, 2019	December 31, 2018 (restated)
Short-term liabilities	1,134	478
Tax liability	-	547,797
Total other current liailities	**1,134**	**548,275**

**See Note 7.*

19. FEE AND COMISSION INCOME ON TRANSACTIONS

	Year ended December 31, 2019	Year ended December 31, 2018
Notes issued by the Central Bank of the Republic of Azerbaijan	3,911,479	4,890,235
Treasury bonds issued by the Ministry of Finance of the Republic of Azerbaijan	352,802	393,362
Notes issued by the Mortgage Fund of the Republic of Azerbaijan	153,092	122,420
Corporate bonds	14,260	22,693
Corporate shares	5,355	14,154
REPO operations	52,902	35,065
Total fee and comission income on transactions	**4,489,890**	**5,477,929**

20. OTHER SERVICE INCOME

	Year ended December 31, 2019	Year ended December 31, 2018
Fees for remote connection to the trading system	120,000	120,000
Membership fees	18,000	74,000
Listing fees	14,165	13,475
Other services	9,732	7,620
Total other service income	**161,897**	**215,095**

21. SALARIES AND OTHER STAFF RELATED EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and other settlements	646,995	690,283
Social security payments	100,752	151,816
Other	-	16,783
Total salaries and other staff related expenses	**747,747**	**858,882**

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2018 (rastated)*
Software expenses	230,659	136,099
Rent expenses	45,504	50,316
Utility expenses	33,785	30,371
Insurance expenses	23,049	14,215
Professional service fees	20,902	10,000
Representation expenses	18,400	18,135
Communication expenses	13,009	9,723
Bank service fees	12,474	10,018
Business trip expenses	8,505	12,672
Advertising and marketing expenses	7,681	1,741
Transportation costs	6,903	16,104
Staff training expenses	6,523	5,000
Taxes expenses	5,260	1,699
Material expenses	4,341	1,594
Printing and office supplies	1,402	13,573
Other expenses	9,654	22,211
Total general and administrative expenses	**448,051**	**353,471**

**See Note 7.*

23. INTEREST INCOME

	Year ended December 31, 2019	Year ended December 31, 2018
Depozitlər üzrə faiz gəlirləri	173,523	279,254
İstiqrazlar üzrə faiz gəlirləri	229,687	48,916
Total interest income	**403,210**	**328,170**

24. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related Party Disclosures”, represent:

a) Associates – enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
b) Members of the board of the Company or the parent company;
c) Or close members of the family of any individuals referred to in (c);
d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d); or
e) Post-employment benefit plans for the benefit of employees of the Company , or of any entity that is a related party of the Company .

When considering the relationship of each related party, attention is paid not only to the legal form, but also to the essence of the relationship.

The details of the transactions between the Company and other related parties as of December 31, 2019 and December 31, 2018 are set out below:

		December 31, 2019		December 31, 2018	
	Notes	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash eqivalents	10		**2,045,198**		**1,411,351**
Shareholders of the Company		150,431		215,723	
Deposits at banks	11		**1,426,750**		**4,883,200**
Shareholders of the Company		-		1,150,000	

Included in the statement of comprehensive income for the year ended December 31, 201 and 2018 are the following amounts, which arose due to transactions with related parties:

		December 31, 2019		December 31, 2018	
	Notes	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Fee and comission income on transactions	19		**4,489,890**		**5,477,929**
Shareholders of the Company		1,181,716		1,276,858	
Other service income	20		**161,897**		**215,095**
Shareholders of the Company		131,635		130,360	
Interest income	23		**403,210**		**328,170**
Shareholders of the Company		40,255		81,750	
Key management personnel compensation			**646,995**		**690,283**
Short-term employee benefits		168,500		211,126	

25 CONTINGENCIES AND COMMITMENTS

Tax legislation

Commercial legislation and tax legislation of the Republic of Azerbaijan in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result, the Company may be assessed additional taxes, penalties and interest. The Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Fiscal periods remain open to review by the authorities in respect of taxes of Azerbaijan for three calendar years preceding the year of review.

26 RISK MANAGEMENT

Management of risk is fundamental to the Company's business and is an essential element of its operations. The main risks inherent to the Company operations are those related to:

- Credit risk;
- Liquidity risk;
- Market risk.

The Company recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Company has established a risk management department. The main purpose of this department is to protect the Company from risk and allow it to achieve its performance objectives. Through the risk management framework, the Company Company manages the following risks:

Credit risk

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

Maximum exposure

The Company's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

Geographical concentration

Assets, liabilities and credit related commitments have been based on the country, in which the counterparty is located. Balances with counterparties located in the Republic of Azerbaijan actually outstanding to/from companies of these counterparties are allocated to the caption "The Republic of Azerbaijan". Cash on hand, precious metals and premises and equipment have been allocated based on the country, in which they are physically held.

The geographical concentration of the Company's financial assets and liabilities as at December 31, 2019 and 2018 was in the Republic of Azerbaijan.

Liquidity risk

Liquidity risk is defined as the risk when the maturity of financial assets and liabilities does not match. Liquidity risk is managed by the Finance Department of the Company. 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 balance sheet liquidity ratio.

The liquidity risk of the Company's financial assets and liabilities as at December 31, 2019 and 2018 is set out below:

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**Over 1 year**	**December 31, 2019**
FINANCIAL ASSETS					
Cash and bank accounts	2,045,198	-	-	-	2,045,198
Deposits at banks	-	-	1,426,750	-	1,426,750
Investments securities	-	-	-	4,710,037	4,710,037
Other current assets	36,474	-	-	-	36,474
TOTAL FINANCIAL ASSETS	**2,081,672**	**-**	**1,426,750**	**4,710,037**	**8,218,459**
FINANCIAL LIABILITIES					
Leasing liability	-	-	-	947,585	947,585
Other liabilities	1,134	-	-	-	1,134
TOTAL FINANCIAL LIABILITIES	**1,134**	**-**	**-**	**947,585**	**948,719**
NET POSITION	2,080,538	-	1,426,750	3,762,452	7,269,740
TOTAL LIQUIDITY	**2,080,538**	**2,080,538**	**3,507,288**	**7,269,740**	

	Up to 1 month	1 month to 3 months	3 months to 1 year	December 31, 2018
FINANCIAL ASSETS				
Cash and bank accounts	1,411,351	-	-	1,411,351
Deposits at banks	-	-	4,883,200	4,883,200
Investment securities	-	-	1,376,163	1,376,163
Other current assets	210,219	-	-	210,219
TOTAL FINANCIAL ASSETS	**1,621,570**	**-**	**6,259,363**	**7,880,933**
Other current liabilities	548,275	-	-	548,275
TOTAL FINANCIAL LIABILITIES	**548,275**	**-**	**-**	**548,275**
NET POSITION	**1,073,295**	**-**	**6,259,363**	**7,332,658**
TOTAL LIQUIDITY	**1,073,295**	**1,073,295**	**7,332,658**	

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below summarises currency risks based on reports reviewed by key management personnel:

	AZN	USD	December 31, 2019
FINANCIAL ASSETS			
Cash and cash equivaents	1,871,087	174,111	2,045,198
Deposits at banks	700,000	726,750	1,426,750
Investment securities	2,999,552	1,710,485	4,710,037
Other current assets	36,474	-	36,474
TOTAL FINANCIAL ASSETS	**5,607,113**	**2,611,346**	**8,218,459**
Lease liabilities	947,585	-	947,585
Other current liabilities	1,134	-	1,134
TOTAL FINANCIAL LIABILITIES	**948,719**	**-**	**948,719**
NET POSITION	**4,658,394**	**2,611,346**	**7,269,740**

	AZN	USD	December 31, 2018
FINANCIAL ASSETS			
Cash and cash equivaents	1,389,026	22,325	1,411,351
Deposits at banks	3,105,000	1,778,200	4,883,200
Investment securities	812,722	563,441	1,376,163
Other current assets	210,219	-	210,219
TOTAL FINANCIAL ASSETS	**5,516,967**	**2,363,966**	**7,880,933**
Other current liabilities	548,275	-	548,275
TOTAL FINANCIAL LIABILITIES	**548,275**	**-**	**548,275**
NET POSITION	**4,968,692**	**2,363,966**	**7,332,658**

Currency risk sensitivity

The following table details 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 possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes amount due to related parties.

	As at December 31, 2019	
	USD/AZN +10%	USD/AZN +10%
Net impact on profit before tax	261,135	(261,135)

	As at December 31, 2018	
	USD/AZN +10%	USD/AZN +10%
Net impact on profit before tax	236,397	(236,397)

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets out the fair values of financial instruments of the Company as at December 31, 2019 and 2018 measured at fair value and analyzes them by the level in the fair value hierarchy levels:

		Fair value measurement using the following			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Observable significant data (Level 2)**	**Unobservable significant data (Level 3)**	**Total**
Assets for which fair values are disclosed					
Cash and bank accounts	December 31, 2019	-	2,045,198	-	2,045,198
Deposits at banks	December 31, 2019			1,426,750	1,426,750
Other current assets	December 31, 2019	36,474	-	-	36,474
Lease libilities	December 31, 2019	-	-	947,585	947,585
Other current liabilities	December 31, 2019	1,134	-	-	1,134

		Fair value measurement using the following			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Observable significant data (Level 2)**	**Unobservable significant data (Level 3)**	**Total**
Assets and liabilities for which fair values are disclosed					
Cash and bank accounts	December 31, 2018	-	1,411,351	-	1,411,351
Deposits at banks	December 31, 2018			4,783,200	4,783,200
Other current assets	December 31, 2018	210,219	-	-	210,219
Other current liabilities	December 31, 2018	548,275	-	-	548,275

28 EVENTS AFTER THE REPORTING PERIOD

In late 2019 the outbreak of coronavirus occurred in Wuhan, China. The situation as at December 31, 2019 was limited in number of reported cases and geography and therefore this event was considered as non-adjusted event for the financial reporting purposes under IFRS. However, after January 2020 the situation changed drastically, and in on March 11, 2020 the World Health Organization (WHO) announced that the coronavirus outbreak can be characterized as a pandemic.

Many governments, including the government of the Republic of Azerbaijan have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain as well as demand for goods and services and resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies. These government responses and their corresponding effects are still evolving.

In addition to slowdown in world economy, oil prices have declined dramatically after OPEC and Russia were unable to agree on production cuts at their March 2020 meeting. These events and conditions create a level of uncertainty and risk that companies may not have encountered before, and may result in significant financial reporting implications.

Currently, the management is working on action plans under different scenarios of future developments. With the respect to development of additional measures to safeguard macroeconomic stability in the Republic of Azerbaijan according to Para 10.2 of Decree#1950 of the President of the Republic of Azerbaijan on 'a number of measures related to mitigation of negative effect of the coronavirus (COVID-19) pandemic and sharp fluctuations in global energy and stock markets on the Azerbaijani economy, macroeconomic stability, employment and businesses' dated March 19, 2020, Central Bank of Azerbaijan made a decision on April 23, 2020 on the implementation of a number of action plans that will affect the activities of the Company. This includes granting discounts to securities market participants, the tariffs for the registration of transactions concluded on the secondary market of shares and bonds on the stock exchange, as well as REPO transactions paid to the National Depository Center are planned to be cancelled till September 30, 2020, the listing tariffs on corporate bonds included in the listing on the Baku Stock Exchange to be cancelled from April 1, 2020 through January 1, 2021, the settlements on the repeated market transactions related to the state bonds, notes of the Central Bank and mortgage bonds on the stock exchange are planned to be conducted until September 30, 2020 from the "T+1" mode to the "T+0" mode, the list of documents required by the Baku Stock Exchange when placing securities on the stock exchange using the mass offer method is planned to be minimized until January 1, 2021 (only an extract from the state securities register and the issue prospectus is required).