PSG CAPITAL INVESTMENT COMPANY
CLOSED JOINT-STOCK COMPANY

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

For the year ended December 31, 2016

PSG CAPITAL INVESTMENT COMPANY CLOSED JOINT-STOCK COMPANY

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Nexia EA

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of "PSG Capital Investment Company" Closed Joint-Stock Company:

Opinion

We have audited the financial statements of "PSG Capital Investment Company" Closed Joint-Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2016, and the 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 respects, the financial position of the Company as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Nexia EA LLC

Azərbaycan Respublikası NEXİA EA MMC NEXİA EA NEXIA EA LLC Azerbaijan Republic

May 30, 2017
Baku, the Republic of Azerbaijan

PSG CAPITAL INVESTMENT COMPANY CLOSED JOINT-STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FROM INCEPTION DATE TO DECEMBER 31, 2016

(In Azerbaijani Manats)

	Notes	From inception date to December 31, 2016
REVENUE		
Revenue from brokerage operations		13,312
Underwriting income	5	415,391
		428,703
EXPENSES		
Fee and commission expense		(241,907)
Advertising expense		(52,439)
Membership fee		(41,400)
Staff costs	6	(25,694)
IT expenses		(22,784)
Depreciation	7	(18,193)
Bank charges		(14,610)
Communication		(10,964)
Office supplies		(3,006)
Other expense		(45,380)
OPERATING LOSS		**(47,674)**
Income from revaluation of securities		9,817
Foreign exchange gain, net		31,710
LOSS BEFORE INCOME TAX		**(6,147)**
Income tax expense	8	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,147)**

On behalf of the Management:

Mr. Shahin Rajabov
Director

May 30, 2017
Baku, the Republic of Azerbaijan

Mrs. Lala Abbasova
Chief Accountant

May 30, 2017
Baku, the Republic of Azerbaijan

The notes on pages 7-20 form an integral part of these financial statements.

PSG CAPITAL INVESTMENT COMPANY CLOSED JOINT-STOCK COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(in Azerbaijani Manats)

	Notes	December 31, 2016
ASSETS		
Non-current assets		
Intangible assets		2,750
Fixed assets	7	72,770
Total non-current assets		**75,520**
Current assets		
Cash and cash equivalents	9	2,086,520
Financial assets held for sale	10	1,770,700
Investment in bonds	11	1,100,568
Other assets	12	551,818
Total current assets		**5,509,606**
TOTAL ASSETS		**5,585,126**
EQUITY AND LIABILITY		
Capital and reserves		
Share capital	13	1,000,000
Accumulated deficit		(6,147)
Total equity		**993,853**
Non-current liabilities		
Subordinated debt	14	157,770
Total non-current liabilities		**157,770**
Current liabilities		
Borrowings	15	4,426,750
Other liabilities		6,753
Total current liabilities		**4,433,503**
Total liabilities		**4,591,273**
TOTAL EQUITY AND LIABILITIES		**5,585,126**

On behalf of the Management:

Mr. Shahin Rajabov
Director

May 30, 2017
Baku, the Republic of Azerbaijan

Mrs. Lala Abbasova
Chief Accountant

May 30, 2017
Baku, the Republic of Azerbaijan

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PSG CAPITAL INVESTMENT COMPANY CLOSED JOINT-STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
FROM INCEPTION DATE TO DECEMBER 31, 2016

(in Azerbaijani Manats)

	Share capital	Accumulated deficit	Total
Total comprehensive loss from inception date to December 31, 2016	-	(6,147)	**(6,147)**
Issue of shares	1,000,000	-	**1,000,000**
Balance at December 31, 2016	**1,000,000**	**(6,147)**	**993,853**

On behalf of the Management:

Mr. Shahin Rajabov
Director

Mrs. Lala Abbasova
Chief Accountant

May 30, 2017
Baku, the Republic of Azerbaijan

May 30, 2017
Baku, the Republic of Azerbaijan

The notes on pages 7-20 form an integral part of these financial statements.

PSG CAPITAL INVESTMENT COMPANY CLOSED JOINT-STOCK COMPANY

STATEMENT OF CASH FLOWS
FROM INCEPTION DATE TO DECEMBER 31, 2016

(in Azerbaijani Manats)

	Notes	From inception date to December 31, 2016
Cash flows from operating activities		
Loss before income tax		(6,147)
Adjustments for:		
Depreciation		18,193
Income from revaluation of securities		(9,817)
Foreign exchange gain		(31,710)
Cash flow from operating activities before changes in working capital		**(29,481)**
Increase in financial assets held for sale		(1,648,850)
Increase in other assets		(551,818)
Increase in investment in bonds		(1,090,751)
Increase in other liabilities		6,753
Cash outflow from operating activities		**(3,314,147)**
Cash flows from investing activities		
Acquisition of equipment		(90,963)
Acquisition of intangible assets		(2,750)
Net cash outflow to investing activities		**(93,713)**
Cash flows from financing activities		
Share capital		1,000,000
Proceeds from borrowings		4,419,533
Net cash inflow from financing activities		**5,419,533**
Net increase in cash and cash equivalents		2,011,673
Effect of exchange rates changes on cash held in foreign currencies		74,847
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	9	**2,086,520**

On behalf of the Management:

Mr. Shahin Rajabov **Director**	**Mrs. Lala Abbasova** **Chief Accountant**
May 30, 2017 Baku, the Republic of Azerbaijan	May 30, 2017 Baku, the Republic of Azerbaijan

The notes on pages 7-20 form an integral part of these financial statements.

1. GENERAL INFORMATION

PSG Capital Investment Company CJSC (the Company) which is legal successor of "PSG-Broker" LLC was registered on July 13, 2016 in accordance with the Legislation of the Republic of Azerbaijan. The license on carrying out its activity for unlimited period was granted by Financial Market Supervisory Authority of the Republic of Azerbaijan (FIMSA) on August 1, 2016. The Company principal activity is brokerage operations in internal and international stock markets, as well as, carrying out other investment services that prescribed by local law.

The registered office of the Company is located at Najafgulu Rafiyev st., 13, Khatai dist., AZ1025, Baku, Azerbaijan.

The actual office of the Company is located at Alasgar Gayibov 10Q, "SDN" Business Center, AZ1029, Baku, Azerbaijan.

The Company had 13 employees as at December 31, 2016.

As at December 31, 2016 100% share of the Company owned by Mammadov Faig Aghababa.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, which implies the realisation of assets and settlement of liabilities in the normal course of business.

2.3 Functional and presentation currency.

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in AZN, which is the Company's both functional and presentational currency.

During the preparation financial statements, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2.4 Foreign currencies

Foreign currency transactions that are transactions denominated, or that requires settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. All foreign exchange gains and losses recognized in the statement of comprehensive income are presented net within the corresponding item.

The exchange rates used by the Company in the preparation of the financial statements as at December 31, 2016 is as follows:

	December 31, 2016
USD/AZN	1.7707
EUR/AZN	1.8644

2.5 Intangible assets

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

Impairment of intangible assets

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

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

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

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

2.6 Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Azerbaijan state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Company does not have any pension arrangements separate from the State pension system of the Republic of Azerbaijan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

2.7 Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

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 and loss accounts) 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 and loss accounts are recognized immediately in profit and loss accounts.

2.8 Financial assets

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2.9 Share capital

Contributions to share capital are recognized at the proceeds received, net of direct issue costs.

2.10 Financial liabilities and equity instruments

Classification as debt or equity

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

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities include borrowings and are initially recognised at fair value less transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

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

De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2.11 Revenue

Recognition of fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Revenue recognition

"PSG Capital Investment Company" CJSC fees consist of brokerage and dealer fees and underwriting income. Revenues from brokerage and dealer operations, advisory fees and underwriting income are recorded on an accrual basis based on the amounts receivable at the balance sheet date and are recorded within revenues in the statement of profit and loss and other comprehensive income of the Company.

2.12 Taxation

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

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

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

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

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

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

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared and has used its judgments and made estimates in determining the amounts recognised in the financial statements. 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.

Useful life of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment and other properties is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 Leases, insurance contracts within the scope of IFRS 4 Insurance Contracts and financial instruments and other contractual rights and obligations within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.
Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The standard does not apply to the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

5. UNDERWRITING INCOME

PSG Capital is administers distribution of securities from a corporation, bank or other issuing body. The company works closely with the issuing body to determine the offering price of the securities buys them from the issuer and sells them to investors via the underwriter's distribution network.
Company generally receives underwriting fees from their issuing clients, but they also usually earn profits when selling the underwritten shares to investors.
PSG Capital provided underwriter services to several local banks and companies in Azerbaijan. The underwriting income from these services in the year ended December 31, 2016 was AZN 415,391.

6. STAFF COSTS

	From inception date to December 31, 2016
Wages and salaries	21,061
Contributions to State Social Protection Fund	4,633
Total staff costs	**25,694**

7. FIXED ASSETS

Cost	Computer equipments	Other fixed assets	Total
Balance at January 1, 2016	-	-	-
Additions	48,286	42,677	90,963
Balance at December 31, 2016	**48,286**	**42,677**	**90,963**
Accumulated depreciation			
Balance at January 1, 2016	-	-	-
Depreciation	(9,657)	(8,536)	(18,193)
Balance at December 31, 2016	**(9,657)**	**(8,536)**	**(18,193)**
Net book value			
At December 31, 2016	**38,629**	**34,141**	**72,770**

8. INCOME TAXES

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 Azerbaijan Republic where the Company operates, which may differ from IFRS.

The income tax expense for the year calculated at statutory income tax rate of 20% can be reconciled to the accounting profit as follows:

	December 31, 2016
Loss before income tax	(6,147)
Tax at the statutory tax rate (20%)	1,228
Unrecognized deferred tax asset	(1,228)
Income tax expense	-

9. CASH AND CASH EQUIVALENTS

	December 31, 2016
Current bank accounts	401,170
Cash on hand	1,685,350
Total cash and cash equivalents	**2,086,520**

10. FINANCIAL ASSETS HELD FOR SALE

As at December 31, 2016 financial assets held for sale in the amount of USD 1,000,000 (AZN 1,770,700) represent shares which have been bought from Smart Invest Enerji Yatırımları Sanayi ve Ticaret JSC on October 27, 2016.

11. INVESTMENT IN BONDS

As at December 31, 2016 investment in bonds in the amount of AZN 1,100,568 (USD 621,544; 616 bonds and each at market value USD 1,009 and par value USD 1,000) represents bonds of SOCAR.

12. OTHER ASSETS

	December 31, 2016
Cash at National Depository Center	540,717
Trade receivable	11,101
Total other assets	**551,818**

13. SHARE CAPITAL

Ordinary shares	December 31, 2016
Number of issued and fully paid shares	1,000
Par value (AZN)	1,000
Total share capital	**1,000,000**

14. SUBORDINATED DEBT

Loan in amount of USD 89,100 (AZN 157,770) has been provided by shareholder- Mammadov Faig Aghababa without interest rate for 5 years on September 30, 2016. The outstanding amount of loan as at December 31, 2016 is AZN AZN 157,770.

15. BORROWINGS

On October 11, 2016 interest free loan in the amount of USD 2,500,000 (AZN 4,426,750) has been obtained from "Practical Solutions Middle East" FZ-LLC for a 1 year period. The outstanding amount of loan as at December 31, 2016 is AZN 4,426,750.

16. RELATED PARTY TRANSACTIONS

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

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;
(b) Associates – enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
(c) Members of key management personnel of the Company or its parent;
(d) Close members of the family of any individuals referred to in (a) or (c);
(e) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which;
(f) Significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
(g) Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.
In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company had the following balances outstanding as at December 31, 2016 with related parties:

	Notes	December 31, 2016	
		Related party balances	Total category as per financial statements caption
Borrowings	13		**4,426,750**
-Other		*4,426,750*	
Subordinated debt	14		**157,770**
- Shareholder		157,770	

Included in the statement of profit or loss and other comprehensive income for the year ended December 31, 2016 are the following amounts, which arose due to transactions with related parties:

	Notes	From inception date to December 31, 2016	
		Related party transactions	Total category as per financial statements caption
Staff costs	5		**25,694**
-Key management		*7,971*	

17. RISK MANAGEMENT POLICIES

Credit Risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Rating	**December 31, 2016**
Bank balances	
Non-rated	401,170
Financial assets held for sale	
Non-rated	1,770,700
Investment in bonds	
Ba 1 (Stable)	1,100,568
Total	**3,272,438**

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

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

An analysis of the liquidity and interest rate risks is presented in the following table. The tables have been drawn up to detail:

(i) The remaining contractual maturity of non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities (both interest and principal cash flows) based on the earliest date on which the Company can be required to pay; and

(ii) The expected maturity for non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Up to 1 year	**Over 1 year**	**December 31, 2016 Total**
Financial assets			
Cash and cash equivalents	2,086,520	-	2,086,520
Financial assets held for sale	1,770,700	-	1,770,700
Investment in bonds	1,100,568	-	1,100,568
Other assets	551,818		551,818
Total financial assets	**5,509,606**	**-**	**5,509,606**
Financial liabilities			
Borrowings	4,426,750	-	4,426,750
Subordinated debt	-	157,770	157,770
Other liabilities	6,753	-	6,753
Total financial liabilities	**4,433,503**	**157,770**	**4,591,273**
Liquidity gap	**1,076,103**	**(157,770)**	**918,333**

18. COMMITMENT, CONTINGENCIES AND OPERATING RISKS

Legal proceedings. On the basis of its own estimates and internal professional advice the Company's management is of the opinion that no material losses will be incurred in respect of claims and, accordingly, no provision or disclosure has been made in these financial statements.

Tax legislation. Azerbaijani tax, currency and customs legislations are subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

The Azerbaijani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. In Azerbaijan fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.
Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. Accordingly, at December 31, 2016 no provision for potential tax liabilities was recorded.

In accordance with Article 18 of the Tax Code of the Republic of Azerbaijan effective from 1 January 2002, tax authorities can make transfer-pricing adjustments and impose additional tax liabilities in respect of transactions between inter-related entities, which are carried out at non-market prices, and all transactions, where the price differs from the market price by more than 30%.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the statement of financial position of the Company is presented below:

	December 31, 2016	
	Carrying value	**Fair value**
Cash and cash equivalents	2,086,520	2,086,520
Financial assets held for sale	1,770,700	1,770,700
Investment in bonds	1,100,568	1,100,568
Other assets	551,818	551,818
Borrowings	4,426,750	4,426,750
Other liabilities	6,753	6,753
Subordinated debt	157,770	157,770

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments carried at fair value by valuation technique:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20. SUBSEQUENT EVENTS

No significant transactions have been identified for disclosure after the reporting date.