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, 2017

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY

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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, 2017, 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, 2017 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.

April 30, 2018
Baku, the Republic of Azerbaijan

Nexia EA LLC

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

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

(In Azerbaijani Manats)

	Notes	Year ended December 31, 2017	From inception date to December 31, 2016
REVENUE			
Investment consulting fee	5	1,055,030	-
Revenue from brokerage operations		39,380	13,312
Underwriting income	6	106,577	415,391
Management fee		13,467	-
		1,214,454	**428,703**
EXPENSES			
Loss on operations		(297,022)	-
Professional services		(464,011)	-
Fee and commission expenses		(2,713)	(241,907)
Advertising expenses		(101,304)	(52,439)
Membership fee		(15,770)	(41,400)
Staff costs	7	(127,738)	(25,694)
IT expenses		(10,640)	(22,784)
Depreciation	10	(23,564)	(18,193)
Amortization		(275)	-
Bank charges		(10,860)	(14,610)
Communication expenses		(38,304)	(10,964)
Rent expense		(25,600)	-
Office supplies		(19,617)	(3,006)
Other expenses		(130,328)	(45,380)
Other loss		(35,322)	-
OPERATING LOSS		**(88,614)**	**(47,674)**
Income from revaluation of securities		-	9,817
Foreign exchange gain, net		18,731	31,710
Interest income	8	130,677	-
PROFIT/(LOSS) BEFORE INCOME TAX		**60,794**	**(6,147)**
Income tax expense	9	(10,290)	-
Deferred tax expense	9	(10,685)	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		**39,819**	**(6,147)**

On behalf of the Management:

Shahin Rajabov
Director

April 30, 2018
Baku, the Republic of Azerbaijan

Lala Abbasova
Chief Accountant

April 30, 2018
Baku, the Republic of Azerbaijan

The notes on pages 7-24 form an integral part of these financial statements.

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(in Azerbaijani Manats)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Intangible assets		2,475	2,750
Fixed assets	10	82,502	72,770
Total non-current assets		**84,977**	**75,520**
Current assets			
Cash and cash equivalents	11	4,891,829	2,086,520
Financial assets held for sale	12	1,068,745	2,871,268
Short-term financial assets held to maturity	13	3,807,971	-
Deposits at bank	14	3,459,704	-
Investment receivables	15	750,000	-
Other assets	16	318,573	551,818
Total current assets		**14,296,822**	**5,509,606**
TOTAL ASSETS		**14,381,799**	**5,585,126**
EQUITY AND LIABILITY			
Capital and reserves			
Share capital	17	1,000,000	1,000,000
Retained earnings/ (Accumulated deficit)		33,672	(6,147)
Total equity		**1,033,672**	**993,853**
Non-current liabilities			
Subordinated debt	18	616,928	157,770
Long-term borrowings	19	3,400,200	-
Deferred tax liability	10	10,685	-
Total non-current liabilities		**4,027,813**	**157,770**
Current liabilities			
Short-term borrowings	20	5,481,190	4,426,750
Due to customers	21	3,818,756	-
Other liabilities		20,368	6,753
Total current liabilities		**9,320,314**	**4,433,503**
Total liabilities		**13,348,127**	**4,591,273**
TOTAL EQUITY AND LIABILITIES		**14,381,799**	**5,585,126**

On behalf of the Management:

AZƏRBAYCAN RESPUBLİKASI Qapalı Səhmdar Cəmiyyəti "PSG KAPİTAL İNVESTİSİYA ŞİRKƏTİ" Closed Joint-Stock Company AZERBAIJAN REPUBLIC

Shahin Rajabov
Director

April 30, 2018
Baku, the Republic of Azerbaijan

Lala Abbasova
Chief Accountant

April 30, 2018
Baku, the Republic of Azerbaijan

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“PSG CAPITAL INVESTMENT COMPANY” CLOSED JOINT-STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(in Azerbaijani Manats)

	Share capital	Retained earnings/ (Accumulated deficit)	Total equity
Total comprehensive loss from inception date to December 31, 2016	-	(6,147)	**(6,147)**
	1,000,000	-	1,000,000
Balance at December 31, 2016	**1,000,000**	**(6,147)**	**993,853**
Issue of shares	-	-	-
Total comprehensive income for the year	-	39,819	39,819
Balance at December 31, 2017	**1,000,000**	**33,672**	**1,033,672**

On behalf of the Management:

Shahin Rajabov
Director

April 30, 2018
Baku, the Republic of Azerbaijan

Lala Abbasova
Chief Accountant

April 30, 2018
Baku, the Republic of Azerbaijan

The notes on pages 7-24 form an integral part of these financial statements.

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

(in Azerbaijani Manats)

	Notes	Year ended December 31, 2017	From inception date to December 31, 2016
Cash flows from operating activities			
Loss before income tax		60,794	(6,147)
Adjustments for:			
Depreciation and amortization		23,564	18,193
Income from revaluation of securities		-	(9,817)
Foreign exchange gain		(18,731)	(31,710)
Changes in accrued interest		(59,504)	-
Cash flow from operating activities before changes in working capital		**6,123**	**(29,481)**
(Increase)/decrease in operating assets:			
Short-term financial assets held to maturity		(3,807,971)	(1,648,850)
Other assets		233,245	(551,818)
Investment in bonds		1,100,568	(1,090,751)
Investment receivables		(750,000)	-
Financial assets held for sale		701,955	-
Deposits at banks		(3,400,200)	-
Increase/(decrease) in operating liabilities:			
Due to customers		3,818,756	-
Other liabilities		13,615	6,753
		(2,083,909)	**(3,314,147)**
Profit tax paid		(6,671)	-
Cash outflow to operating activities		**(2,090,580)**	**(3,314,147)**
Cash flows to investing activities			
Acquisition of equipment		(32,956)	(90,963)
Acquisition of intangible assets		-	(2,750)
Net cash outflow to investing activities		**(32,956)**	**(93,713)**
Cash flows from financing activities			
Issue of share capital		-	1,000,000
Proceeds from borrowings		4,913,798	4,419,533
Net cash inflow from financing activities		**4,913,798**	**5,419,533**
Net increase in cash and cash equivalents		**2,790,262**	**2,011,673**
Effect of exchange rates changes on cash held in foreign currencies		15,047	74,847
Cash and cash equivalents at the beginning of the period	11	2,086,520	-
Cash and cash equivalents at the end of the period	11	**4,891,829**	**2,086,520**

On behalf of the Management:

Shahin Rajabov
Director

April 30, 2018
Baku, the Republic of Azerbaijan

Lala Abbasova
Chief Accountant

April 30, 2018
Baku, the Republic of Azerbaijan

The notes on pages 7-24 form an integral part of these financial statements.

1. GENERAL INFORMATION

PSG Capital Investment Company CJSC (the Company) was registered on July 13, 2016 as a legal successor of "PSG-Broker" LLC in accordance with the Legislation of the Republic of Azerbaijan. On August 1, 2016 was granted unlimited license for carrying out its activity by Financial Market Supervisory Authority of the Republic of Azerbaijan (FIMSA). 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., flat 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 18 employees (2016: 13) as at December 31, 2017.

As at December 31, 2017 100% share of the Company owned by Mammadov Faig Aghababa (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, 2017 and December 31, 2016 is as follows:

	December 31, 2017	**December 31, 2016**
USD/AZN	1.7001	1.7707
EUR/AZN	2.0307	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 recognized at fair value less transaction costs. Subsequently they are measured at amortized cost using the effective interest method.

Effective interest method

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

De-recognition of financial liabilities

The Company derecognizes 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, management 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.

Taxes

Tax, currency and customs legislation of Republic of Azerbaijan is subject to different interpretations.

4. 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.

Annual Improvements to IFRS Standards 2014–2016 Cycle contains amendments to three International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

Standard	Subject of amendment
IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Deletion of short-term exemptions for the first-time adopters: The amendments delete the short-term exemptions in IFRS 1 that relate to IFRS 7, IAS 19, IFRS 12 and IAS 27
IFRS 12 "Disclosure of Interests in Other Èntities"	Clarification of the scope of the Standard: IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale. The amendment clarifies that this is the only concession from disclosure requirements of IFRS 12 for such interests.
IAS 28 "Investments in Associates and Joint Ventures"	Measuring an associate or joint venture at fair value: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods begin on or after January 1 2018.

The IASB and FASB have issued their joint revenue recognition standard, IFRS 15 "Revenue from Contracts with Customers", which replaces all existing IFRS and US GAAP revenue requirements. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018. Earlier application is permitted.

Amendments to IAS 40 "Transfers of Investment Property" are intended to clarify that an entity can only reclassify a property to/from investment property when, and only when, there is evidence that a change in the use of the property occurred. The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

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

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

The Interpretations Committee came to the following conclusion that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The interpretation applies to annual reporting periods beginning or after January 1, 2018. Earlier adoption is permitted.

IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods;
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss accounts. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss accounts. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit and loss accounts was recognized in profit and loss accounts.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

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

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

Classification of share-based payment transactions with net settlement features

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

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

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

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

5. INVESTMENT CONSULTING FEE

PSG Capital Investment Company within framework of key and supportury consulting investment services provides consulting to companies that invest in issuers and equity markets by helping with buying, selling, subscribing, altering, withdrawing, maintaining and underwriting of securities or derivative financial instruments.
At the same time it is intended for the public within the framework of investment research, Company recommend or suggest investment strategy such as a direct or indirect, one or more securities, derivative financial instruments or their issuers, the investment strategy including the current or future value of those securities or derivatives.

Investment consulting fee for the year ended December 31, 2017 was amounted to AZN 1,055,030.

6. 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, 2017 was AZN 106,577 (2016: AZN 415,391).

7. STAFF COSTS

	Year ended December 31, 2017	From inception date to December 31, 2016
Wages and salaries	104,916	21,061
Contributions to State Social Protection Fund	22,822	4,633
Total staff costs	**127,738**	**25,694**

8. INTEREST INCOME

	Year ended December 31, 2017	From inception date to December 31, 2016
Interest income on securities	71,173	-
Deposit income	59,504	-
Total interest income	**130,677**	**-**

9. INCOME TAX

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 company is subject to certain permanent tax differences due to 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, 2017 and 2016 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by taxation 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.

	December 31, 2017	December 31, 2016
Taxable temporary differences:		
Cash and cash equivalents	5,879	-
Total taxable temporary differences	**5,879**	
Deductible temporary differences:		
Deposits at banks	(59,304)	-
Total deductible temporary differences	**(59,304)**	-
Net deferred (deductible)/ taxable temporary differences	(53,425)	-
Net deferred tax liability at the statutory tax rate (20%)	(10,685)	-
Net deferred tax asset/ (liability)	**(10,685)**	-

	December 31, 2017	December 31, 2016
Deferred income tax liability		
Beginning of the period	-	-
Deferred tax expense	(10,685)	-
End of the period	**(10,685)**	-

Relationships between tax expenses and accounting profit for the years ended December 31, 2017 and December 31, 2016 are explained as follows:

	Year ended December 31, 2017	From inception date to December 31, 2016
Profit before income tax	**39,819**	**(6,147)**
Tax at the statutory tax rate 20%	(7,964)	1,229
Unrecognized tax expense	(13,011)	(1,229)
Income tax expense	**(20,975)**	
Current income tax expense	(10,290)	-
Change in the deferred tax liabilities	(10,685)	-
Income tax expense	**(20,975)**	-

10. FIXED ASSETS

Cost	Computer equipment	Other fixed assets	Total
Balance at January 1, 2017	**48,286**	**42,677**	**90,963**
Additions	15,864	17,092	32,956
Balance at December 31, 2017	**64,150**	**59,769**	**123,919**
Accumulated depreciation			
Balance at January 1, 2017	**(9,657)**	**(8,536)**	**(18,193)**
Depreciation	(14,863)	(8,361)	(23,224)
Balance at December 31, 2017	**(24,520)**	**(16,897)**	**(41,417)**
Net book value			
At December 31, 2017	**39,630**	**42,872**	**82,502**
At January 1, 2017	**38,629**	**34,141**	**72,770**

11. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Cash at banks	3,192,384	401,170
Cash on hand	1,691,909	1,685,350
Cash in transit	7,536	-
Total cash and cash equivalents	**4,891,829**	**2,086,520**

12. FINANCIAL ASSETS HELD FOR SALE

The financial instruments held for sale at 31 December 2017 are comprised of assets received by the Company at their own expense.

	December 31, 2017	December 31, 2016
SOCAR	805,848	1,100,568
Interactive Brokers	262,897	-
Smart Invest Enerji Yatırımları Sanayi ve Ticaret A.Ş	-	1,770,700
Total financial assets held for sale	**1,068,745**	**2,871,268**

	December 31, 2017	December 31, 2016
Local markets	805,848	1,100,568
Foreign markets	262,897	1,770,700
Total financial assets held for sale	**1,068,745**	**2,871,268**

13. SHORT-TERM FINANCIAL ASSETS HELD-TO-MATURITY

Financial assets held-to-maturity at 31 December 2017 represents bonds of the Ministry of Finance of the Republic of Azerbaijan, Bonds of State Oil Company of the Azerbaijan Republic and investments in real estate in foreign markets, which is purchased using client's fund under management.

	December 31, 2017	December 31, 2016
Local currency	124,465	-
Foreign currency	3,683,506	-
Total short-term financial assets held to maturity	**3,807,971**	**-**

14. DEPOSITS AT BANKS

On July 3, 2017, the Company invested USD 2,000,000 in foreign bank with a rate of 3.5% for 1 (one) year. As of December 31, 2017, the balance of the bank deposits consisted of the principal amount of AZN 3,400,200 and accrued interest amounting to AZN 59,504.

15. INVESTMENT RECEIVABLES

As of December. 31, 2017, the investment receivables represent loan provided to the individual for investment purposes within the framework of Company's investment services.

16. OTHER ASSETS

	December 31, 2017	December 31, 2016
Cash at National Depository Center	266,468	540,717
Trade receivable	-	11,101
Receivables from Ministry of Taxes	44,002	-
Prepayments	6,150	-
Inventory	1,953	-
Total other assets	**318,573**	**551,818**

17. SHARE CAPITAL

Ordinary shares	December 31, 2017	December 31, 2016
Number of issued and fully paid shares	1,000	1,000
Par value (AZN)	1,000	1,000
Total share capital	**1,000,000**	**1,000,000**

18. SUBORDINATED DEBT

Subordinated debt has been provided by shareholder - Mammadov Faig Aghababa without interest rate for 5 years. The outstanding amount of debt as at December 31, 2017 is AZN 616,928 (2016: AZN 157,770).

19. LONG-TERM BORROWINGS

Loan in the amount of USD 2,000,000 during 2017 has been obtained from shareholder - Mammadov Faig Aghababa without interest. The outstanding amount of loan as at December 31, 2017 is AZN 3,400,200.

20. SHORT-TERM BORROWINGS

Short-term borrowings at 31 December 2017 represent borrowings from "Practical Solutions Middle East FZ-LLC" and "Social Construction" Corporation, amounting to USD 3,136,000 and AZN 150,000, respectively. The debt is received without interest. As at 31 December 2017, the amount of the loan amount was AZN 5,481,190 (2016: AZN 4,426,750 (USD 2,500,000)).

21. DUE TO CUSTOMERS

	December 31, 2017	December 31, 2016
Legal entities	3,784,754	-
Individuals	34,002	-
Total due to customers	**3,818,756**	-

22. 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, 2017 and December 31, 2016 with related parties:

	Notes	December 31, 2017		December 31, 2016	
		Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Subordinated debt	19		**616,928**		**157,770**
- Shareholder		*616,928*		*157,770*	
Long-term borrowings	20		**3,400,200**		-
-Other		*3,400,200*		-	
Short-term borrowings	21		**5,481,190**		**4,426,750**
-Other		*5,331,190*		*4,426,750*	
Due to customers	22		**3,818,756**		-
-Other		*193,811*		-	

Included in the statement of profit or loss and other comprehensive income for the year ended December 31, 2017 and December 31, 2016 are the following amounts, which arose due to transactions with related parties:

	Notes	Year ended December 31, 2017		From inception date to December 31, 2016	
		Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Staff costs	7		**127,738**		**25,694**
-Key management		*44,156*		*7,971*	

23. RISK MANAGEMENT POLICIES

Credit Risk

The organization's 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.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

				December 31, 2017
	Maximum exposure	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	4,891,829	4,891,829	-	4,891,829
Financial assets held for sale	1,068,745	1,068,745	-	1,068,745
Short-term financial-assets held to maturity	*3,807,971*	-	*3,807,971*	-
Deposits at banks	*3,459,704*	*3,459,704*	-	*3,459,704*
Investment receivables	750,000	750,000	-	750,000
Other assets	318,573	318,573	-	318,573

				December 31, 2016
	Maximum exposure	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	2,086,520	2,086,520	-	2,086,520
Financial assets held for sale	2,871,268	2,871,268	-	2,871,268
Other assets	551,818	551,818	-	551,818

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.

			December 31, 2017
	Up to 1 year	**Over 1 year**	**Total**
Financial assets			
Cash and cash equivalents	4,891,829	-	4,891,829
Financial assets held for sale	1,068,745	-	1,068,745
Short-term financial assets held to maturity	3,807,971	-	3,807,971
Deposits at banks	3,459,704	-	3,459,704
Investment receivables	-	750,000	750,000
Other assets	318,573	-	318,573
Total financial assets	**13,546,822**	**750,000**	**14,296,822**

Financial liabilities			
Long-term borrowings	-	3,400,200	3,400,200
Subordinated debt		616,928	616,928
Short-term borrowings	5,481,190	-	5,481,190
Due to customers	3,818,756	-	3,818,756
Other liabilities	20,368	-	20,368
Total financial liabilities	**9,320,314**	**4,017,128**	**13,337,442**
Liquidity gap	**4,226,508**	**(3,267,128)**	**959,380**

			December 31, 2016
	Up to 1 year	**Over 1 year**	**Total**
Financial assets			
Cash and cash equivalents	2,086,520	-	2,086,520
Financial assets held for sale	2,871,268	-	2,871,268
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**

24. 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, 2017 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%.

25. 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, 2017		December 31, 2016	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	4,891,829	4,891,829	2,086,520	2,086,520
Financial assets held for sale	1,068,745	1,068,745	2,871,268	2,871,268
Short-term financial assets held to maturity	3,807,971	3,807,971	-	-
Deposits at banks	3,459,704	3,459,704	-	-
Investment receivables	750,000	750,000	-	-
Other assets	318,573	318,573	551,818	551,818
Subordinated debt	616,928	616,928	157,770	157,770
Long-term borrowings	3,400,200	3,400,200	-	-
Short-term borrowings	5,481,190	5,481,190	4,426,750	4,426,750
Due to customers	3,818,756	3,818,756		
Other liabilities	20,368	20,368	6,753	6,753

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).

26. SUBSEQUENT EVENTS

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