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, 2021

"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, 2021, 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, 2021 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 scepticism 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 18, 2022
Baku, the Republic of Azerbaijan

Nexia EA

Azərbaycan Respublikası "NEXIA EA" QSC NEXIA EA "NEXIA EA" CJSC Azerbaijan Republic

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
REVENUE			
Interest income	5	419,366	878,927
Underwriting income	6	855,632	818,000
Investment consulting fee	7	738,488	519,513
Dealing income		801,543	117,318
Revenue from brokerage operations		54,510	57,949
Management fee		108,909	12,211
		2,978,448	**2,403,918**
EXPENSES			
Staff costs	8	(474,394)	(441,973)
Professional services		(115,258)	(216,890)
Taxes other than income tax		(15,103)	(44,351)
Rent expense		(36,288)	(33,210)
Fee and commission expenses		(36,216)	(12,839)
Depreciation and amortization	10	(9,864)	(19,810)
Communication expenses		(17,690)	(17,286)
Bank charges		(17,875)	(16,775)
Office supplies		(17,362)	(16,219)
Membership fee		(35,324)	(19,445)
Finance costs		(2,808)	(10,909)
IT expenses		(5,030)	(4,820)
Advertising expenses		(6,523)	-
Other expenses		(58,173)	(30,626)
OPERATING PROFIT		**2,130,540**	**1,518,765**
Foreign exchange loss		(29,841)	(3,609)
Other income		36,462	152,189
PROFIT BEFORE INCOME TAX		**2,137,161**	**1,667,345**
Income tax expense	9	(419,454)	(335,536)
PROFIR FOR THE YEAR		**1,717,707**	**1,331,809**
Recognized in profit or loss statement during the year		(6,231)	(25,155)
Current year reserve		-	6,231
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,711,476**	**1,312,885**

On behalf of the Management:

Shahin Rajabov
Director

April 18, 2022
Baku, the Republic of Azerbaijan

Nigar Akhundova
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 7-25 form an integral part of these financial statements.

"PSG CAPITAL INVESTMENT COMPANY" CLOSED JOINT-STOCK COMPANY
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021
(In Azerbaijani Manats)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Intangible assets		2,559	2,826
Fixed assets	10	46,819	54,661
Deferred tax asset	9	7,108	-
Cash and cash equivalents	11	8,401,167	657,932
Cash at trading account	12	483,848	303,137
Financial assets at fair value through profit or loss	13	22,333,151	3,701,674
Financial assets at fair value through other comprehensive income	14	-	701,542
Investment securities	15	14,418,346	18,825,141
Trade and other receivables		-	138,825
Other assets	16	36,985	6,522
TOTAL ASSETS		**45,729,983**	**24,392,260**
EQUITY AND LIABILITY			
Capital and reserves			
Share capital	17	6,250,000	6,250,000
Fair value reserve		-	6,231
Retained earnings		3,506,928	1,889,221
Total equity		**9,756,928**	**8,145,452**
Liabilities			
Subordinated debt	18	151,470	151,470
Long-term borrowings	19	89,110	89,110
Deferred tax liability	9	-	74,993
Due to customers	20	34,735,193	15,545,838
Other liabilities		997,282	385,397
Total liabilities		**35,973,055**	**16,246,808**
TOTAL EQUITY AND LIABILITIES		**45,729,983**	**24,392,260**

On behalf of the Management:

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

Shahin Rajabov
Director

Nigar Akhundova
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 7-25 form an integral part of these financial statements.

“PSG CAPITAL INVESTMENT COMPANY” CLOSED JOINT-STOCK COMPANY
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Azerbaijani Manats)

	Share capital	Retained earnings	Fair value reserve	Total equity
Balance at January 1, 2020	2,000,000	867,412	25,155	2,892,567
Profit for the year	-	1,331,809	-	1,331,809
Other comprehensive income	-	-	(18,924)	(18,924)
Issue of shares	4,250,000	-	-	4,250,000
Dividend declared	-	(310,000)	-	(310,000)
Balance at December 31, 2020	**6,250,000**	**1,889,221**	**6,231**	**8,145,452**
Profit for the year	-	1,717,707	-	1,717,707
Other comprehensive income	-	-	(6,231)	(6,231)
Dividend declared	-	(100,000)	-	(100,000)
Balance at December 31, 2021	**6,250,000**	**3,506,928**	-	**9,756,928**

On behalf of the Management:

PSG-KAPİTAL
İNVESTİSİYA
ŞİRKƏTİ

Shahin Rajabov
Director

April 18, 2022
Baku, the Republic of Azerbaijan

Nigar Akhundova
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 7-25 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, 2021
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities			
Profit before income tax		2,137,161	1,667,345
Adjustments for:			
Depreciation and amortization		9,864	19,810
Income from revaluation of financial assets		(6,231)	(25,155)
Foreign exchange gain		-	3,609
Changes in accrued interest		209,407	(99,428)
Gain on disposal of property, plant and equipment		4,116	
		2,354,317	**1,566,181**
(Increase)/decrease in operating assets:			
Other assets		(30,463)	5,415
Trade and other receivables		138,825	101,746
Investment securities		4,197,388	(1,210,040)
Financial assets at fair value through profit or loss		(18,631,477)	(3,366,956)
Cash at trading account		(180,711)	(190,320)
Financial assets at fair value through other comprehensive income		701,542	299,923
Due to customers		19,189,355	2,345,191
Other liabilities		286,983	(138,140)
		8,025,759	**(587,000)**
Profit tax paid		(176,653)	(319,058)
Dividends paid		(100,000)	(310,000)
Cash inflow/(outflow) to operating activities		**7,749,106**	**(1,216,058)**
Cash flows to investing activities			
Acquisition of equipment		(5,871)	(6,597)
Net cash outflow to investing activities		**(5,871)**	**(6,597)**
Cash flows from financing activities			
Issue of share capital		-	4,250,000
Payments to borrowings		-	(4,250,000)
Net cash outflow from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		**7,743,235**	**(1,222,655)**
Effect of exchange rates changes on cash held in foreign currencies			(3,609)
Cash and cash equivalents at the beginning of the period	11	**657,932**	**1,884,196**
Cash and cash equivalents at the end of the period	11	**8,401,167**	**657,932**

On behalf of the Management:

Shahin Rajabov
Director

April 18, 2022
Baku, the Republic of Azerbaijan

Nigar Akhundova
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 7-25 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’s 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 Jalil Mammadguluzade 102A, City Point, AZ1078, Baku, Azerbaijan.

The Company had 17 employees as at December 31, 2021 (2020: 20).

As at December 31, 2021 100% share of the Company owned by Mammadov Faig Aghababa (2020: 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, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
USD/AZN	1.7000	1.7000
EUR/AZN	1.9265	2.0890

2.5 Property, plant and equipment (Fixed Assets)

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment. Cost comprises of construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the construction cost or purchase price.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

All items of equipment are stated at cost less accumulated depreciation and impairment losses, if any.

At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

2.6 Depreciation

Land is not depreciated. Depreciation on property, plant and equipment is calculated using the balance reducing method with the following rates:

Computers and office equipment	20%
Other fixed assets	20%

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

Changes in technology may have a significant impact on the activities of the Company. These changes may lead to the replacement of major items of equipment by new technology, which provide the same or superior service capacity at substantially lower costs. In reviewing the remaining useful life, for the purposes of these preliminary financial statements, management takes into account these circumstances and the environment in which the Company operates.

2.7 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.

2.8 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.

2.9 Financial instruments

Financial instruments - key measurement terms. *Financial instrument* is any contract that gives rise to a financial asset of the Company and a financial liability or equity instrument of another entity.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*.

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

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

The effective interest rate discounts gross cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. When financial assets are initially recognized, they are classified accordingly in one of the following categories: (1) financial assets recognized at fair value through profit or loss (FVTPL), and (2) financial assets recognized at fair value in other comprehensive income (FVTOCI). or (3) financial assets recorded at amortized cost ("AC").

Financial instruments at FVTPL, if any, are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC.

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

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL and (ii) financial guarantee contracts and loan commitments

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

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

2.10 Share capital

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

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

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2020, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies.
IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

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

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

5. INTEREST INCOME

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income on securities	419,366	878,927
Total interest income	**419,366**	**878,927**

6. UNDERWRITING INCOME

PSG Capital is administering 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, 2021 was AZN 855,632 (2020: AZN 818,000).

7. INVESTMENT CONSULTING FEE

PSG Capital Investment Company within framework of key and supportive 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, 2021 was amounted to AZN 738,488 (2020: AZN 519,513)

8. STAFF COSTS

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	398,374	380,146
Contributions to State Social Protection Fund	76,020	61,827
Total staff costs	**474,394**	**441,973**

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, 2021 and 2020 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, 2021	December 31, 2020
Deductible temporary differences:		
Fixed assets	355	1,924
Subordinated debt	14,612	14,612
Due to customers	-	10,798
Financial assets at fair value through profit or loss	1,964	-
Other liabilities	34,702	43,313
Total deductible temporary differences	**51,633**	**70,647**
Taxable temporary differences:		
Financial assets at fair value through profit or loss	-	(105,674)
Financial assets at fair value through other comprehensive income	-	(6,231)
Investment securities	(12,128)	(190,720)
Trade and other receivables	-	(136,001)
Long-term borrowings	(3,964)	(3,964)
Other assets	-	(3,024)
Total taxable temporary differences	**(16,092)**	**(445,614)**
Net deferred (deductible)/ taxable temporary differences	35,541	(374,967)
Net deferred tax liability at the statutory tax rate (20%)	7,108	(74,993)
Net deferred tax asset	**7,108**	**(74,993)**

	December 31, 2021	December 31, 2020
Deferred income tax liability		
Beginning of the period	**(74,993)**	**(63,282)**
Deferred tax expense	82,101	(11,711)
End of the period	**7,108**	**(74,993)**

Relationships between tax expenses and accounting profit for the years ended December 31, 2021 and December 31, 2020 are explained as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Profit before income tax	**2,137,161**	**1,667,345**
Tax at the statutory tax rate 20%	(427,432)	(333,469)
Unrecognized tax expense	7,978	(2,067)
Income tax expense	**(419,454)**	(335,536)
Current income tax expense	(501,555)	(323,825)
Change in the deferred tax liabilities	82,101	(11,711)
Income tax expense	**(419,454)**	**(335,536)**

10. FIXED ASSETS

Cost	Computer equipment	Other fixed assets	Total
Balance at January 1, 2020	**82,046**	**59,769**	**141,815**
Additions	-	6,597	6,597
Balance at December 31, 2020	**82,046**	**66,366**	**148,412**
Additions	3,016	2,855	5,871
Disposals	(3,362)	(3,593)	(6,955)
Balance at December 31, 2021	**81,700**	**65,628**	**147,328**
Accumulated depreciation			
Balance at January 1, 2020	**(39,694)**	**(34,561)**	**(74,255)**
Depreciation	(7,861)	(11,635)	(19,496)
Balance at December 31, 2020	**(47,555)**	**(46,196)**	**(93,751)**
Depreciation	(3,871)	(5,726)	(9,597)
Eliminated on disposal	1,335	1,504	2,839
Balance at December 31, 2021	**(50,091)**	**(50,418)**	**(100,509)**
Net book value			
At December 31, 2021	**31,609**	**15,210**	**46,819**
At December 31, 2020	**34,491**	**20,170**	**54,661**

11. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash at banks	8,398,572	652,100
Cash on hand	2,595	5,832
Total cash and cash equivalents	**8,401,167**	**657,932**

12. CASH AT TRADING ACCOUNT

	December 31, 2021	December 31, 2020
Cash at National Depository Center	-	2,727
Cash at Interactive Brokers	483,848	300,410
Total cash at trading account	**483,848**	**303,137**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
National Depository Center	971,811	128,656
Interactive Brokers	21,281,946	3,345,745
Tacirler Investment	79,394	227,273
Total financial assets at fair value through profit or loss	**22,333,151**	**3,701,674**

	December 31, 2021	December 31, 2020
Local markets	971,811	128,656
Foreign markets	21,361,340	3,573,018
Total financial assets at fair value through profit or loss	**22,333,151**	**3,701,674**

As at December 31, 2021 financial assets at fair value through profit or loss represents bonds in National Depository Center, Interactive Brokers, and Tacirler Investment. Bonds in the amount of AZN 971,811 was purchased by its own fund and remaining amount by client's fund (As at December 31, 2020 financial assets at fair value through profit or loss represents bonds in National Depository Center and Tacirler Investment. Bonds in the amount of AZN 128,656 was purchased by its own fund and remaining amount client's fund).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income at December 31, 2021 was nil and December 31, 2020 was AZN 701,542. Bonds in the amount of AZN 320,307 was comprised of Azerbaijan State Oil Company acquired by own funds of Company and other bonds of Azerbaijan State Oil Company acquired by customer funds at AZN 381,235.

15. INVESTMENT SECURITIES

As of December 31, 2021, the investment securities represent bonds and shares acquired by customer funds and own funds AZN 13,493,936 and AZN 924,410 respectively. (2020: the investment securities represent bonds and shares acquired by customer funds and own funds in the amount of AZN 9,618,371 and 9,206,770 respectively).

	December 31, 2021	December 31, 2020
Local currency	1,171,727	1,740,423
Foreign currency	13,246,619	17,084,718
Total investment securities	**14,418,346**	**18,825,141**

16. OTHER ASSETS

	December 31, 2021	December 31, 2020
Receivables from Ministry of Taxes	18,017	3,458
Prepayments	3,064	3,064
Other	15,904	-
Total other assets	**36,985**	**6,522**

17. SHARE CAPITAL

Ordinary shares	December 31, 2021	December 31, 2020
Number of issued and fully paid shares	6,250	2,000
Par value (AZN)	1,000	1,000
Total share capital	**6,250,000**	**2,000,000**

During 2020 year the Company issued 4,250 (four thousand two hundred fifty) ordinary, registered, uncertified shares with nominal value of AZN 1,000 (one thousand) each, and the Company's charter capital was increased by AZN 4,250,000 (four million two hundred fifty thousand) and raised to AZN 6,250,000 (six million two hundred fifty thousand).

As at December 31, 2021 Company's charter capital was AZN 6,250,000 (six million two hundred fifty thousand).

18. SUBORDINATED DEBT

Subordinated debt has been provided by shareholder - Mammadov Faig Aghababa without interest rate for 5 years.
Subordinated debt in the amount of AZN 425,000 provided by "Practical Solutions Group Middle East" FZ-LLC was fully repaid during 2020. The outstanding amount of debt as at December 31, 2021 was AZN 151,470 (2020: AZN 151,470).

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, 2021 was AZN 89,110 (2020: AZN 89,110).

20. DUE TO CUSTOMERS

	December 31, 2021	December 31, 2020
Legal entities	29,916,451	10,945,705
Individuals	4,818,742	4,600,133
Total due to customers	**34,735,193**	**15,545,838**

21. 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, 2021 and December 31, 2020 with related parties:

	December 31, 2021		December 31, 2020	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Subordinated debt		**151,470**		**151,470**
- Shareholder	*151,470*		*151,470*	
Long-term borrowings		**89,110**		**89,110**
-Other	*89,110*		*89,110*	
Due to customers		**34,735,193**		**15,545,838**
-Other	*4,441,232*		*4,477,980*	

Included in the statement of profit or loss and other comprehensive income for the year ended December 31, 2021 and December 31, 2020 are the following amounts, which arose due to transactions with related parties:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Staff costs		**474,394**		**441,973**
-Key management	*71,838*		*90,591*	

22. 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. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties giving rise to financial assets.

Expected credit loss (ECL) calculation mechanism is described below and the key elements are:

PD	Probability of default (PD)- is an estimate of the default for a certain amount of time The default was not deducted during the analyzed period and can still occur when include in the portfolio.
EAD	Exposure at Default, regardless of whether the contract is envisaged, Return on principal and interest amounts use of expected loan commitments and including accrued interest on unpaid payment after reporting date consider expected changes in risk size is an estimate of the risk indicators in the default future.
LGD	Loss Given Default. It is valuation of impairment when default occurs. This is based on the difference with the amount payable according to contract with based on the difference between the cash flows expected to be received by the creditor. This is usually referred as the percentage of LCD

In its ECL model, the Company is based on large-scale forecast data such as integrated economic indicators integrated into credit risk component evaluations. Impairment losses and deductions are accounted for separately from the modification losses that are accounted for as adjusted for the total carrying amount of the financial asset and are disclosed.
The Company believes that the credit risk has increased substantially when the credit rating has decreased significantly after initial recognition. Significant deterioration level varies from segment to segment and varies between Stage 2 and Stage 3 levels or within specified limit. The Company also applies Stage 2 class quality method to stimulate a significant increase in credit risk on an asset, such as entering a customer / object into an observer list or keeping an accounts There is a rebuttable presumption that credit risk has increased significantly since initial recognition no later than when contractual payments are more than 30 days past due.

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

ALLM of Company ECL, significant asset with credit impairment factors and calculates on an individual basis for some assets with significant credit risk increases. The Company calculates ECL to same group of borrowers of other classes assets on the basis of combination of internal and external borrowings.

(ECL) reserve is based on the lifetime expected credit losses. The Company measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

At the end of each reporting period, the Company has reviewed the risk of default on the remaining life of the financial instrument, as a result the policy of measuring changes on credit risk at initial recognition is implied. Based on the above process, the Company loans are classified as follows:

Stage 1:	If the credit risk has not increased significantly.
Stage 2:	IFRS 9 requires allowances based on 12 month expected losses. If the credit risk has increased significantly.
Stage 3:	If the loan is "credit-impaired".
ALLM:	The initial recognition of impaired financial assets are the acquired loans or loans made. At the initial recognition ALLM assets are registered at fair value and interest rate is recognized after adjusted expected interest rate (EIR). ECL recognizes only after changes on expected credit losses or liquidate.

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 Company 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, 2021
	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	8,401,167	8,401,167	-	8,401,167
Cash at trading account	483,848	483,848	-	483,848
Financial assets at fair value through profit or loss	22,333,151	22,333,151	-	22,333,151
Financial assets at fair value through other comprehensive income	-	-	-	-
Investment securities	14,418,346	14,418,346	-	14,418,346
Other assets	36,985	36,985	-	36,985

				December 31, 2020
	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	652,100	652,100	-	652,100
Cash at trading account	303,137	303,137	-	303,137
Financial assets at fair value through profit or loss	3,701,674	3,701,674	-	3,701,674
Financial assets at fair value through other comprehensive income	701,542	701,542	-	701,542
Investment securities	18,825,141	18,825,141	-	18,825,141
Trade and other receivables	138,825	138,825	-	138,825
Other assets	6,522	6,522	-	6,522

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, 2021
	Up to 1 year	Over 1 year	Total
Financial assets			
Cash and cash equivalents	8,401,167	-	8,401,167
Cash at trading account	483,848	-	483,848
Financial assets at fair value through profit or loss	22,333,151	-	22,333,151
Financial assets at fair value through other comprehensive income	14,418,346	-	14,418,346
Investment securities	36,985	-	36,985
Other assets			
Total financial assets	**45,673,497**		**45,673,497**
Financial liabilities			
Long-term borrowings	-	89,110	89,110
Subordinated debt	-	151,470	151,470
Due to customers	34,735,193	-	34,735,193
Other liabilities	673,616	-	673,616
Total financial liabilities	**35,408,809**	**240,580**	**35,649,389**
Liquidity gap	**10,264,688**	**(240,580)**	**10,024,108**

			December 31, 2020
	Up to 1 year	Over 1 year	Total

Financial assets			
Cash and cash equivalents	657,932	-	657,932
Cash at trading account	303,137	-	303,137
Financial assets at fair value through profit or loss	3,701,674	-	3,701,674
Financial assets at fair value through other comprehensive income	701,542	-	701,542
Investment securities	18,825,141		18,825,141
Trade and other receivables	138,825		138,825
Other assets	6,522	-	6,522
Total financial assets	**24,334,773**	-	**24,334,773**
Financial liabilities			
Long-term borrowings	-	89,110	89,110
Subordinated debt		151,470	151,470
Due to customers	15,545,838		15,545,838
Other liabilities	329,887		329,887
Total financial liabilities	**15,875,725**	**240,580**	**16,116,305**
Liquidity gap	**8,459,048**	**(240,580)**	**8,218,468**

23. 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, 2021 and 2020 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%.

24. 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, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	8,401,167	8,401,167	652,100	652,100
Cash at trading account	483,848	483,848	303,137	303,137
Financial assets at fair value through profit or loss	22,333,151	22,333,151	3,701,674	3,701,674
Financial assets at fair value through other comprehensive income	-	-	701,542	701,542
Investment in securities	14,418,346	14,418,346	18,825,141	18,825,141
Trade and other receivables	-	-	138,825	138,825
Other assets	36,985	36,985	6,522	6,522
Subordinated debt	151,470	151,470	151,470	151,470
Long-term borrowings	89,110	89,110	89,110	89,110
Due to customers	34,735,193	34,735,193	15,545,838	15,545,838
Other liabilities	673,616	673,616	329,887	329,887

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).

25. SUBSEQUENT EVENTS

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