“UNICAPITAL INVESTMENT COMPANY” OPEN JOINT STOCK COMPANY

The International Financial Reporting Standards Financial Statements and Independent Auditors’ Report
For the Year Ended December 31, 2021

“UNICAPITAL INVESTMENT COMPANY” OPEN JOINT STOCK COMPANY

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2021, the results of its operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended December 31, 2021 were authorized for issue on April 18, 2022 by the Management.

On behalf of the Company:

"Unicapital" İnvestisiya Şirkəti açıq Səhmdar Cəmiyyəti • "Unicapital" Investment Company Open Joint Stock Company
unicapital

Tahir Garibov	**Javid Mammadov**
General Manager	**Chief Accountant**
April 18, 2022	April 18, 2022
Baku, the Republic of Azerbaijan	Baku, the Republic of Azerbaijan

The notes on pages 9-52 form an integral part of these financial statements.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of "Unicapital Investment Company" Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 (IFRSs).

Basis for Opinion

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

Emphasis of Matter

Related party transactions and balances

Without qualifying our opinion, we draw attention to Note 7 to the accompanying financial statements. The Company has significant balances and transactions with related parties. Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly Azerbaijan

April 18, 2022
Baku, the Republic of Azerbaijan

"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

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

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Interest income calculated using effective interest rate	8, 7	672,413	623,743
Interest expense on borrowings under repurchase agreements		(360,155)	(438,957)
Interest expense on lease liability		(24,469)	(25,628)
Net interest income		**287,789**	**159,158**
Net fee and commission income	9, 7	1,257,825	846,867
Net gain on dealing with securities	16	1,054,108	778,761
Non-interest income		**2,311,933**	**1,625,628**
Staff costs	10, 7	(1,056,816)	(657,156)
General and administrative expenses	10, 7	(449,064)	(458,200)
Other income/(expense), net		24,674	(13,259)
Non-interest expense		**(1,481,206)**	**(1,128,615)**
Profit before income tax		**1,118,516**	**656,171**
Income tax expense	11	(221,445)	(135,381)
Net profit for the year		**897,071**	**520,790**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Net change in fair value of equity instrument at fair value through other comprehensive income		180,000	-
Income tax recorded directly in other comprehensive income		(36,000)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**144,000**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,041,071**	**520,790**

On behalf of the Company:

unicapital
'Unicapital İnvestisiya Şirkəti' açıq səhmdar cəmiyyəti · 'Unicapital Investment Company' Open Joint Stock Company

Tahir Garibov
General Manager

April 18, 2022
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 9-52 form an integral part of these financial statements.

"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(In Azerbaijani Manats)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents	12, 7	1,103,583	407,533
Amounts due from the principal brokers	13	2,039,938	1,847,549
Restricted deposits	15, 7	2,897,536	73,335
Investment securities	16, 7	3,789,811	10,311,827
Right-of-use asset	17	140,176	175,144
Property and equipment	18	115,070	135,164
Other receivables		22,100	-
Intangible assets	19	20,899	22,824
Commissions receivable	14, 7	-	25,895
Deferred income tax assets	11	-	15,314
Other assets	20	166,745	24,604
TOTAL ASSETS		**10,295,858**	**13,039,189**
LIABILITIES AND EQUITY			
LIABILITIES:			
Amounts due to customers	21	4,629,217	1,898,703
Borrowings under repurchase agreements	22	3,553,311	8,929,032
Lease liabilities	23	153,866	185,336
Deferred income tax liability	11	22,493	-
Other liabilities	24	57,094	75,312
Total liabilities		**8,415,981**	**11,088,383**
EQUITY:			
Share capital	25	300,000	300,000
Retained earnings		1,435,877	1,650,806
Net unrealized gains on investment securities		144,000	-
Total equity		**1,879,877**	**1,950,806**
TOTAL LIABILITIES AND EQUITY		**10,295,858**	**13,039,189**

On behalf of the Company:

unicapital

"Unicapital İnvestisiya Şirkəti açıq səhmdar cəmiyyəti • "Unicapital" Open Joint Stock Investment Company

Tahir Garibov
General Manager

April 18, 2022
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

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"UNICAPITAL INVESTMENT COMPANY" OPEN JOINT STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Azerbaijani Manats)

	Share capital	Retained earnings	Net unrealized gains on investment securities	Total equity
January 1, 2020	**300,000**	**1,130,016**	**-**	**1,430,016**
Net profit for the year	-	520,790	-	520,790
December 31, 2020	**300,000**	**1,650,806**	**-**	**1,950,806**
Net profit for the year	-	897,071	-	897,071
Other comprehensive income for the year	-	-	144,000	144,000
Dividend declared	-	(1,112,000)	-	(1,112,000)
December 31, 2021	**300,000**	**1,435,877**	**144,000**	**1,879,877**

On behalf of the Company:

"Unicapital" İnvestisiya Şirkəti açıq səhmdar cəmiyyəti • "Unicapital" Open Joint Stock Investment Company • unicapital

Tahir Garibov
General Manager

April 18, 2022
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 9-52 form an integral part of these financial statements.

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		1,118,516	656,171
Adjustments for non-cash items:			
Depreciation and amortization	17, 18, 19	74,959	65,692
Change in interest accruals		73,792	(118,722)
Loss from disposal of property and equipment		-	5,935
Cash flows from operating activities before changes in operating assets and liabilities		**1,267,267**	**609,076**
Changes in operating assets and liabilities			
Net change in commissions receivable		25,895	9,180
Net change in amounts due from the principal brokers		(192,389)	1,643,249
Net change in restricted deposits		(2,824,201)	932,883
Net change in other assets		(54,037)	(149,820)
Net change in other receivables		(22,100)	-
Net change in amounts due to customers		2,730,514	(2,479,538)
Net change in other liabilities		(102,612)	207,447
Cash inflow from operating activities before income tax paid		**828,337**	**772,477**
Income tax paid		(135,244)	(153,000)
Net cash inflow from operating activities		**693,093**	**619,477**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from sale/(purchase) of investment securities, net	16	6,544,083	(9,548,147)
Payments for property and equipment		(17,972)	(139,882)
Payments for intangible assets		(88,104)	(21,044)
Net cash inflow/(outflow) from investing activities		**6,438,007**	**(9,709,073)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment)/proceed from borrowings under repurchase agreements, net	22	(5,291,580)	8,844,015
Principal payment on lease liabilities	23	(31,470)	(30,430)
Dividend paid		(1,112,000)	-
Net cash (outflow)/inflow from financing activities		**(6,435,050)**	**8,813,585**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 (Continued)
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		696,050	(276,011)
CASH AND CASH EQUIVALENTS, *at the beginning of the year*	12	407,533	683,544
CASH AND CASH EQUIVALENTS, *at the end of the year*	12	1,103,583	407,533

Interest paid and received by the Company during the year ended December 31, 2021 amounted to AZN 468,765 and AZN 830,346, respectively.

Interest paid and received by the Company during the year ended December 31, 2020 amounted to AZN 379,623 and AZN 416,391, respectively.

On behalf of the Company:

unicapital

"Unicapital" Investment Company Open Joint Stock Company

Tahir Garibov
General Manager

April 18, 2022
Baku, the Republic of Azerbaijan

Javid Mammadov
Chief Accountant

April 18, 2022
Baku, the Republic of Azerbaijan

The notes on pages 9-52 form an integral part of these financial statements.

1. INTRODUCTION

The Company and its principal activities

“Unicapital Investment Company” Open Joint Stock Company (the “Company”) was incorporated and domiciled in the Republic of Azerbaijan on October 30, 2007. The Company operates under certificate number 1401258741 granted by the State Tax Service under the Ministry of Economy of the Republic of Azerbaijan from December 19, 2007. The license to provide investment services was issued by the Ministry of Economy of the Republic of Azerbaijan under the number ISN/L-30/2016 on January 8, 2016.

The Company’s principal activity is provision of investment services to clients willing to invest in the local or international securities markets and provision of services related to operations with securities. Services include brokerage, dealership, asset management and access to online trading platforms. The Company performs trading of securities in local and international markets.

The number of Company’s employees as at December 31, 2021 was 25 (December 31, 2020: 19).

As at December 31, 2021 and 2020, the ownership structure of the Company was as follows:

Shareholder	**December 31, 2021**	**December 31, 2020**
“Unibank” Commercial Bank Open Joint Stock Company	100%	100%
Total	**100%**	**100%**

As at December 31, 2021 and 2020, ultimate controlling party of the Company is Mr. Eldar Garibov.

Registered address and place of business

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

2. OPERATING ENVIRONMENT OF THE COMPANY

The Company’s operations are conducted in the Republic of Azerbaijan.

In 2020, the global economy was negatively impacted by the spread of the coronavirus pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries in which the Republic of Azerbaijan is in a trade relationship. Starting from June 2020 many countries including the Republic of Azerbaijan demonstrated improvement in the signs of pandemic and certain restrictions were lifted subsequently.

As a result, recovery in global financial and commodity markets observed. However, subsequently the number of reported cases significantly increased in the Republic of Azerbaijan, and the government introduced new restrictions from mid-December 2020.

The restrictive lock-down measures to combat COVID-19 in the country significantly reduced economic activity and aggregate spending levels. Certain segments of the economy, such as hotels, transport, travel, entertainment and many other businesses also international trade much affected by these measures.

With the start of vaccination of Azerbaijani population on January 16, 2021 the government of the Republic of Azerbaijan decided to gradually eliminate the special quarantine regime measures introduced in the previous year to combat the COVID-19 outbreak, such as travel restrictions, closure of business and other venues, lockdowns of certain areas throughout the country.

The Company's operations are conducted mainly in the Republic of Azerbaijan. Azerbaijan continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Azerbaijan's economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government as well as crude oil prices and stability of Azerbaijani Manat. Although the economy of the Republic of Azerbaijan is particularly sensitive to oil and gas prices, during recent years the Government of the Republic of Azerbaijan initiated major economic and social reforms to accelerate the transition to a more balanced economy and reduce dependence on the oil and gas sector. GDP in Azerbaijan was USD 54.62 billion during the year 2021, according to the State Statistical Committee of the Republic of Azerbaijan. In the long-term, the Azerbaijan GDP is projected to trend around USD 54.73 billion in 2022 and USD 55.98 billion in 2023, according to our econometric models.

The government continued its monetary policy with respect to the stability of Azerbaijani Manat as well as allocated foreign currency resources which stabilized Azerbaijani Manat. This policy continued in 2021 with the aim of maintaining macroeconomic stability. The Central Bank of the Republic of Azerbaijan has changed the refinancing rate several times during the year and the range was between 6.25% - 7.25% with a steady increase in rates.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements for the year ended December 31, 2021 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").

Going concern

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

The Management views the Company as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations of the Republic of Azerbaijan. Accordingly, assets and liabilities are recorded on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Some financial reporting frameworks contain an explicit requirement for the Management to make a specific assessment of the Company’s ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern.

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

Other basis of presentation criteria

These financial statements are presented in Azerbaijani Manats (“AZN”), which is also a functional currency of the Company. These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, investment securities have been at fair value through other comprehensive income.

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar revenue and expense

The Company calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Company calculates interest revenue by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Company calculates interest revenue by calculating the credit adjusted EIR and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. The Company assesses its revenue arrangements against specific criteria to determine if its acting as principal or agent. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fee earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as where the Company's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase of sale of businesses – are recognized on completion of the underlying transaction. Fee or components of fee that are linked to certain performance obligations are recognized after fulfilling the corresponding criteria. When the contract provides for variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or amortized cost as described below:

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 29.

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.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument.

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

Initial recognition of financial instruments

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

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

Classification of financial instruments

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

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

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

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

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

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

All other financial assets are classified as measured at FVPL.

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

Business model assessment

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

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

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

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

Reclassification of financial assets

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

Financial assets impairment – credit loss allowance for ECL

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI. The Company measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortized cost, net of allowance for ECL, are recognized in profit or loss and other changes in carrying value are recognized in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL"). If the Company identifies SICR since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 27 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit-impaired assets and definition of default is explained in Note 27. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognized as part of fair value reserve.

Derecognition of financial assets

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

Cash and cash equivalents

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

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

Amounts due from the principal brokers

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

Investments in debt securities

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

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

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

Equity instruments at FVOCI

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

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

Commissions receivable

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

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

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

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

Financial liabilities

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

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

Borrowings under repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from statement of financial position as the Company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as borrowings under repurchase agreements, reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

When the counterparty has the right to sell or re-pledge the securities, the Company reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments held for collect or sell pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within receivables from reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Amounts due to customers designated at FVPL

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

Property and equipment

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

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

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

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

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

Furniture and fixtures	25%
Computer equipment	25%
Right-of-use assets	Over the term of the underlying lease
Leasehold improvements	Over the term of the contract

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

Intangible assets

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

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

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

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

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

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

Taxation

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

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

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

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

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

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

- The Company has a legally enforceable right to set off current income tax assets against current income tax liability; and
- Deferred income tax assets and the deferred income tax liability relate to income taxes levied by the same taxation authority on the same taxable entity.

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

Retirement and other benefit obligations

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

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

Employee benefits

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

Contingent liabilities and assets

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

Fiduciary activities

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its customers. Assets held in the fiduciary capacity, unless recognition criteria are met, are not reported in the Company’s financial statements, as they are not assets of the Company. Revenue for provision of trust and other fiduciary services is recognized as services are provided.

Share capital

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

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

Foreign currency translation

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

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

Rates of exchange

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Fiduciary activities

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

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

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

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

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

Measurement of ECL allowance

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 27. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. For details of ECL measurement including incorporation of forward-looking information refer to Note 27.

Business model assessment

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

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

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

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

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

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

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 7.

Fair value

The management of the Company applies significant judgment in determining the fair value of financial assets (amounts due from principal brokers and restricted deposit) and financial liabilities (amounts due to customers) which are designated at fair value through profit and loss. Please see Note 29 for details.

Current taxes

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

Valuation of lease liabilities and right of use assets

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

5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Company has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending in December 31, 2021.

IASB has published **"Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)"** as a first reaction to the potential effects the IBOR reform could have on financial reporting. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

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

The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

According to the amendment new definition a "business" is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

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

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

On May 15, 2021 IASB has published **"COVID-19-Related Rent Concessions (Amendment to IFRS 16)"** amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The changes in COVID-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The impact of adoption of this standard had no effect on the financial statements.

6. STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

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

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

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

Amendments to IAS 1 to clarify the classification of liabilities – In January 2020 the IASB has issued “Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)” providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

Reference to the Conceptual Framework – Amendments to IFRS 3 – In May 2020, the IASB issued Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 – In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 – In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Subsidiary as a first-time adopter. As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards". The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the "10 percent" test for derecognition of financial liabilities. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

"IAS 41 Agriculture" – Taxation in fair value measurements – As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

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

Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Unless otherwise disclosed, the new standards are not expected to have a material effect on the financial statements of the Company.

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

Included in the statement of comprehensive income for the years ended December 31, 2021 and 2020 are the following amounts that were recognized in transactions with related parties:

	December 31, 2021		December 31, 2020	
	Related party amounts	Total category as per the statement of profit or loss	Related party amounts	Total category as per the statement of profit or loss
Interest income calculated using effective interest rate				
- shareholder and entities in which a substantial interest is owned by shareholder of the Company	23,715	672,413	31,620	623,743
Net fee and commission income				
- shareholder and entities in which a substantial interest is owned by shareholder of the Company	127,502	1,257,825	96,972	846,867
Net gain on dealing with securities				
- shareholder and entities in which a substantial interest is owned by shareholder of the Company	503,294	1,054,108	353,746	778,761
General and administrative expenses				
- shareholder and entities in which a substantial interest is owned by shareholder of the Company	(14,447)	(449,064)	(23,350)	(458,200)

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

	December 31, 2021		December 31, 2020	
	Related party amounts	Total category as per the statement of profit or loss	Related party amounts	Total category as per the statement of profit or loss
Key management personnel compensation:				
- short-term employee benefits	(694,938)	(1,056,816)	(452,700)	(657,156)
Total	**(694,938)**	**(1,056,816)**	**(452,700)**	**(657,156)**

Details of balances between related parties as at December 31, 2021 and 2020 are disclosed in below table:

	December 31, 2021		December 31, 2020	
	Related party balances	Total category as per the statement of financial position	Related party balances	Total category as per the statement of financial position
Cash and cash equivalents				
- shareholders and entities in which a substantial interest is owned by shareholders of the Company	1,040,461	1,103,583	371,437	407,533
Restricted deposits				
- shareholders and entities in which a substantial interest is owned by shareholders of the Company	309,277	309,277	69,422	73,335
Commissions receivable				
- shareholders and entities in which a substantial interest is owned by shareholders of the Company	-	-	-	25,895
Investment securities				
equity investment	240,000	240,000	60,000	60,000

8. INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST RATE

Interest income calculated using the effective interest method comprises:

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income on investment securities at FVOCI	672,413	623,743
Total interest income calculated using the effective interest rate	**672,413**	**623,743**

9. FEE AND COMMISSION INCOME

Fee and commission income comprises:

	Year ended December 31, 2021	Year ended December 31, 2020
Commission income from margin trading services	1,030,438	575,132
Brokerage fees on securities, notes and shares	147,213	135,396
Underwriting service fee	97,800	66,163
Investment advisory services	6,364	95,795
Others	4,109	-
Less: Spread discounts to the customers	(28,099)	(25,619)
Total fee and commission income	**1,257,825**	**846,867**

10. GENERAL AND ADMINISTRATIVE EXPENSES AND STAFF COSTS

General and administrative expenses and staff costs comprise:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and wages	(1,056,816)	(657,156)
Professional and legal service fees	(123,461)	(120,438)
Depreciation and amortization	(74,959)	(65,692)
Advertising expense	(63,279)	(47,043)
Training expenses	(47,677)	(19,047)
Hospitality expenses	(23,325)	(32,583)
Office supplies	(19,199)	(21,503)
Utility expenses	(15,984)	(11,005)
Bank charges	(14,447)	(23,350)
Communication expenses	(10,861)	(18,157)
Insurance expense	(10,510)	-
Cleaning expense	(8,796)	(8,130)
Membership fees	(4,260)	(5,827)
Repair expenses	(3,519)	(1,464)
Expense on online trading platform	-	(35,848)
Charity expenses	-	(15,730)
Rent expenses	-	(6,980)
Others	(28,787)	(25,403)
Total general and administrative expenses and staff costs	**(1,505,880)**	**(1,115,356)**

11. TAXATION

Provision has been made for all foreseeable taxation liabilities using a tax rate of 20%, which is effective for the fiscal year ended December 31, 2021 and 2020.

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

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

	December 31, 2021	**December 31, 2020**
Deferred income tax (liabilities)/assets in relation to:		
Lease liabilities	30,773	37,067
Property and equipment	1,322	508
Other liabilities	7,387	6,413
Other assets	2,060	6,355
Investment securities	(36,000)	-
Right-of-use asset	(28,035)	(35,029)
Deferred income tax (liability)/asset	**(22,493)**	**15,314**

The effective tax rate reconciliation is as follows for the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021	**Year ended December 31, 2020**
Profit before income tax	1,118,516	656,171
Tax at the statutory tax rate (20%)	(223,703)	(131,234)
Tax effect of permanent differences	(1,355)	(4,147)
Income tax withheld at source	3,613	-
Income tax expense	**(221,445)**	**(135,381)**
Current income tax expense	(219,638)	(149,486)
Deferred income tax (expense)/benefit	(1,807)	14,105
Income tax expense	**(221,445)**	**(135,381)**

	2021	**2020**
As at year beginning – deferred income tax asset	15,314	1,209
Change in the deferred income tax recognized in other comprehensive income	(36,000)	-
Change in deferred income tax balances	(1,807)	14,105
As at year end – deferred income tax (liability)/asset	**(22,493)**	**15,314**

12. CASH AND CASH EQUIVALENTS

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

	December 31, 2021	December 31, 2020
Cash balances with banks	1,103,356	407,533
Cash on hand	227	-
Total cash and cash equivalents	**1,103,583**	**407,533**

There were no restrictions on the use of cash and cash equivalents as at December 31, 2021 and 2020.

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

The credit quality of cash and cash equivalents balances may be summarised based on Standard & Poor's ratings as follows as at December 31, 2021:

	Local banks	Foreign banks	Total
- Not rated	1,103,356	-	1,103,356
Total cash and cash equivalents	**1,103,356**	**-**	**1,103,356**

The credit quality of cash and cash equivalents balances may be summarised based on Standard & Poor's ratings as follows as at December 31, 2020:

	Local banks	Foreign banks	Total
- Not rated	371,437	36,096	407,533
Total cash and cash equivalents	**371,437**	**36,096**	**407,533**

The published international rating (by Standard & Poor's) of the Republic of Azerbaijan for 2021 is (BB+/B).

13. AMOUNTS DUE FROM THE PRINCIPAL BROKERS

According to the terms and conditions of the contract signed with the local broker on March 1, 2016 and with a foreign broker on July 16, 2018, the Company must transfer agreed relevant percent of amount received from customers engaged in marginal trading transactions to the principal broker. The Company uses online trading platform and pays monthly fixed rental fee for the services provided by the principal broker. The Company itself is responsible for losses arising from marginal trading and settles/receives these losses/gains on weekly basis with/from the principal broker.

On September 21, 2018 and August 26, 2020, the Company signed agreements with foreign brokers to obtain the following services:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of the Company;
- Foreign exchange services (including dealings on the FX spot market);
- Custody of financial instruments;
- Other ancillary services.

	December 31, 2021	December 31, 2020
Amounts due from foreign principal brokers	2,039,938	1,737,547
Amounts due from local principal broker	-	110,002
Total amounts due from principal brokers	**2,039,938**	**1,847,549**

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

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

The Company has not received any collateral for amounts due from the broker companies except the restricted deposits as described in Note 15.

14. COMMISSIONS RECEIVABLE

	December 31, 2021	December 31, 2020
Receivables on brokerage fees	-	18,688
Receivables on volume of spread transactions	-	7,207
Total commissions receivable	**-**	**25,895**

15. RESTRICTED DEPOSITS

According to the terms and conditions of the contract signed with the local broker on March 1, 2016, and with the foreign broker on September 21, 2018, the Company must set aside agreed relevant percent of amount received from customers engaged in marginal trading transactions and transactions with securities as restricted deposits. These restricted deposits held in bank account are not available for immediate or general business use and are excluded from cash and cash equivalents.

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

As at December 31, 2021 and 2020 restricted deposits amounted to AZN 2,897,536 and AZN 73,335, respectively.

16. INVESTMENT SECURITIES

Investment securities comprise:

	December 31, 2021	December 31, 2020
Debt securities at FVOCI		
Treasury bills of the Ministry of Finance	3,549,811	9,145,710
Corporate bonds	-	1,106,117
Total debt securities at FVOCI	**3,549,811**	**10,251,827**
Equity securities at FVOCI		
Corporate shares	240,000	60,000
Total equity securities at FVOCI	**240,000**	**60,000**
Total investment securities	**3,789,811**	**10,311,827**

As at December 31, 2021, balances included accrued interest receivable of AZN 45,806 (December 31, 2020: AZN 203,739). Investment securities are placed with effective interest rates in the range of 7.43% - 12.87% p.a. (2020: 5.22% - 12.50% p.a) and maturing up to April 2024 (December 31, 2020: December 2023).

As at December 31, 2021, treasury bills of the Ministry of Finance in total amount of AZN 3,549,811 (December 31, 2020: AZN 8,929,032) are pledged as collateral under repurchase agreements (Note 22).

The Company owns 4.76% of the authorized capital of "Baku Stock Exchange" CJSC since February 5, 2008. On June 25, 2021 "Baku Stock Exchange" CJSC increased the nominal value of its shares from AZN 200 to AZN 800 through transfer from retained earnings. Thus, resulting in AZN 180,000 increase in equity securities of the Company.

The Company earned gain on dealing with securities in the amount of AZN 1,054,108 in 2021 (2020: AZN 778,761).

An analysis of changes in the gross carrying values of debt securities at FVOCI is as follows:

	December 31, 2021	December 31, 2020
Debt securities at FVOCI		
Gross carrying value as at December 31	10,251,827	499,941
New assets originated or purchased	74,613,125	70,962,604
Assets sold	(81,157,208)	(61,414,457)
Change in interest accruals	(157,933)	203,739
Total debt securities at FVOCI	**3,549,811**	**10,251,827**

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

There were no transfers between stages during the years ended December 31, 2021 and 2020.

17. RIGHT-OF-USE ASSETS

	Office buildings	Total right-of-use assets
At initial cost		
January 1, 2020	**26,908**	**26,908**
Additions	207,254	207,254
Disposals	(26,908)	(26,908)
December 31,2020	**207,254**	**207,254**
December 31, 2021	**207,254**	**207,254**
Accumulated depreciation		
January 1, 2020	**(18,994)**	**(18,994)**
Depreciation charge for the year	(40,024)	(40,024)
Eliminated on disposal	26,908	26,908
December 31,2020	**(32,110)**	**(32,110)**
Depreciation charge for the year	(34,968)	(34,968)
December 31, 2021	**(67,078)**	**(67,078)**
Net book value		
December 31, 2021	**140,176**	**140,176**
December 31, 2020	**175,144**	**175,144**

18. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Furniture and fixtures	Computer equipment	Leasehold improvement	Total property and equipment
Initial cost				
January 1, 2020	**19,650**	**7,291**	**29,511**	**56,452**
Additions	47,952	20,948	70,982	139,882
Disposals	(9,460)	-	(29,511)	(38,971)
December 31, 2020	**58,142**	**28,239**	**70,982**	**157,363**
Additions	5,816	12,156	-	17,972
December 31, 2021	**63,958**	**40,395**	**70,982**	**175,335**
Accumulated depreciation				
January 1, 2020	**(10,092)**	**(3,678)**	**(17,722)**	**(31,492)**
Charge for the year	(12,109)	(4,419)	(7,215)	(23,743)
Eliminated on disposal	9,459	-	23,577	33,036
December 31, 2020	**(12,742)**	**(8,097)**	**(1,360)**	**(22,199)**
Charge for the year	(14,423)	(9,446)	(14,197)	(38,066)
December 31, 2021	**(27,165)**	**(17,543)**	**(15,557)**	**(60,265)**
Net book value				
December 31, 2021	**36,793**	**22,852**	**55,425**	**115,070**
December 31, 2020	**45,400**	**20,142**	**69,622**	**135,164**

19. INTANGIBLE ASSETS

Intangible assets comprise:

	Licences and software
Initial cost	
January 1, 2020	**19,250**
Additions	9,794
December 31, 2020	**29,044**
December 31, 2021	**29,044**

Accumulated amortization	
January 1, 2020	**(4,295)**
Charge for the year	(1,925)
December 31, 2020	**(6,220)**
Charge for the year	(1,925)
December 31, 2021	**(8,145)**
Net book value	
December 31, 2021	**20,899**
December 31, 2020	**22,824**

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

20. OTHER ASSETS

	December 31, 2021	December 31, 2020
Other non-financial assets		
Prepayment for intangible asset	99,354	11,250
Prepayment for services	61,391	-
Others	6,000	-
Advances paid to State Social Protection Fund	-	13,354
Total other non-financial assets	**166,745**	**24,604**
Total other assets	**166,745**	**24,604**

21. AMOUNTS DUE TO CUSTOMERS

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

As at December 31, 2021 and 2020, the amounts due to customers amounted to AZN 4,629,217 and AZN 1,898,703, respectively.

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

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

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

22. BORROWINGS UNDER REPURCHASE AGREEMENTS

Borrowings under repurchase agreements comprise the following transactions with:

	Effective interest rate	December 31, 2021	Effective interest rate	December 31, 2020
Non-related party	3%	3,553,311	5.07%	8,929,032
Borrowings under repurchase agreements		**3,553,311**		**8,929,032**

Investment debt securities of the Ministry of Finance of Azerbaijan Republic in the amount AZN 3,549,811 (December 31, 2020: AZN 9,145,710) are pledged as collateral under these repurchase agreements (Note 16).

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

	2021	2020
January 1,	**8,929,032**	**-**
Cash flows		
Proceeds	1,543,441,810	595,558,889
Repayment	(1,548,733,390)	(586,714,874)
Interest paid	(444,296)	(353,940)
Non-cash changes		
Interest expense	360,155	438,957
December 31,	**3,553,311**	**8,929,032**

23. LEASE LIABILITIES

	December 31, 2021	December 31, 2020
Current lease liabilities	26,881	31,228
Non-current lease liabilities	126,985	154,108
Total lease liabilities	**153,866**	**185,336**

Future minimum lease payments as at December 31, 2021 were as follows:

	Minimum lease payments due		
	Within one year	**One to five years**	**Total**
Lease payments	47,333	154,909	202,242
Finance charges	(20,452)	(27,924)	(48,376)
Net present value as at December 31, 2021	**26,881**	**126,985**	**153,866**

Future minimum lease payments as at December 31, 2020 were as follows:

	Minimum lease payments due		
	Within one year	**One to five years**	**Total**
Lease payments	55,939	202,241	258,180
Finance charges	(24,711)	(48,133)	(72,844)
Net present value as at December 31, 2020	**31,228**	**154,108**	**185,336**

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

	Amount
January 1, 2021	**185,336**
Cash flows	
Repayment of principal	(31,470)
Interest paid	(24,469)
Non-cash changes	
Interest expense	24,469
December 31, 2021	**153,866**

	Amount
January 1, 2020	**8,512**
Cash flows	
Repayment of principal	(30,430)
Interest paid	(25,628)
Non-cash changes	
New leases	207,254
Interest expense	25,628
December 31, 2020	**185,336**

24. OTHER LIABILITIES

	December 31, 2021	**December 31, 2020**
Other financial liabilities:		
Payable to employees	36,935	32,067
Tax payable	17,427	43,245
Others	2,732	-
Total other liabilities	**57,094**	**75,312**

25. SHARE CAPITAL

As at December 31, 2021 and 2020, the Company’s authorized, issued and fully paid share capital amounted to AZN 300,000 and comprised 100,000 ordinary shares with par value of AZN 3 each.

Dividends

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

The Company has declared and paid dividends in the amount of AZN 1,112,000 (2020: nil).

Net unrealized gains on investment securities

This reserve records fair value changes on investment securities at FVOCI which amounted to AZN 144,000 (2020: nil).

26. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Legal proceedings

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

Tax legislation

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

Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review.

Under certain circumstances, reviews may cover longer periods. The Management believes that its interpretation of the relevant legislation is appropriate and the Company’s tax, currency legislation and customs positions will be sustained.

Capital expenditure commitments

As at December 31, 2021 and 2020, the Company had no significant contractual capital expenditure commitments.

Fiduciary activities

As at December 31, 2021, debt securities held on behalf of customers amounted to AZN 1,722,869 (December 31, 2020: AZN 4,687,492).

27. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

Expected credit loss (ECL) measurement – definitions

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time

period used as weights). An ECL measurement is unbiased and determined by evaluating a range of possible outcomes.

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

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

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

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

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

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

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

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

ECL measurement – description of estimation techniques

General principle

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

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

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

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

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

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

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

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

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

Margin risk

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

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

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

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

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

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

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

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

Market risk

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

Currency risk

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

The table below summarises currency risks based on reports reviewed by key management personnel as at December 31, 2021:

	AZN	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	27,538	1,076,045	1,103,583
Amounts due from the principal brokers	-	2,039,938	2,039,938
Restricted deposits	-	2,897,536	2,897,536
Investment securities	3,789,811	-	3,789,811
Other receivables	-	22,100	22,100
TOTAL FINANCIAL ASSETS	**3,817,349**	**6,035,619**	**9,852,968**
FINANCIAL LIABILITIES			
Amounts due to customers	-	4,629,217	4,629,217
Borrowings under repurchase agreements	3,553,311	-	3,553,311
Lease liability	153,866	-	153,866
Other liabilities	39,667	-	39,667
TOTAL FINANCIAL LIABILITIES	**3,746,844**	**4,629,217**	**8,376,061**
OPEN CURRENCY POSITION	**70,505**	**1,406,402**	**1,476,907**

The table below summarises currency risks based on reports reviewed by key management personnel as at December 31, 2020:

	AZN	USD	Total
FINANCIAL ASSETS			
Cash and cash equivalents	9,692	397,841	407,533
Amounts due from the principal brokers	-	1,847,549	1,847,549
Restricted deposits	-	73,335	73,335
Commissions receivable	18,688	7,207	25,895
Investment securities	9,379,037	932,790	10,311,827
TOTAL FINANCIAL ASSETS	**9,407,417**	**3,258,722**	**12,666,139**
FINANCIAL LIABILITIES			
Amounts due to customers	-	1,898,703	1,898,703
Borrowings under repurchase agreements	8,929,032	-	8,929,032
Lease liability	185,336	-	185,336
Other liabilities	32,067	-	32,067
TOTAL FINANCIAL LIABILITIES	**9,146,435**	**1,898,703**	**11,045,138**
OPEN CURRENCY POSITION	**260,982**	**1,360,019**	**1,621,001**

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

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

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

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

Currency risk sensitivity

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

	As at December 31, 2021	
	USD/AZN +10%	**USD/AZN -10%**
Net impact on profit before income tax	140,640	(140,640)

	As at December 31, 2020	
	USD/AZN +10%	**USD/AZN -10%**
Net impact on profit before income tax	136,002	(136,002)

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by the outsourced finance function of the Company. The Management monitors monthly rolling forecasts of the Company’s cash flows.

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

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the outsourced finance function. The outsourced finance function responsibilities include:

i cash flow forecasting and reporting on it;
ii monitoring of largest vendors as a factor of risk of liquidity concentration;
iii active involvement into domestic and international markets for obtaining mid-term and short-term borrowings in case of necessity; and
iv monitoring of possible cash movements due to the expanding activity of the Company.

The liquidity analysis of the financial assets and liabilities as at December 31, 2021 is as follows:

	Demand and less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Maturity undefined	Total
FINANCIAL ASSETS							
Cash and cash equivalents	1,103,583	-	-	-	-	-	1,103,583
Amounts due from the principal brokers	2,039,938	-	-	-	-	-	2,039,938
Restricted deposits	-	-	-	-	-	2,897,536	2,897,536
Investment securities	45,807	-	-	3,504,004	-	240,000	3,789,811
Other receivables	-	-	-	-	-	22,100	22,100
TOTAL FINANCIAL ASSETS	**3,189,328**	**-**	**-**	**3,504,004**	**-**	**3,159,636**	**9,852,968**
FINANCIAL LIABILITIES							
Amounts due to customers	4,629,217	-	-	-	-	-	4,629,217
Borrowings under repurchase agreements	3,553,311	-	-	-	-	-	3,553,311
Lease liabilities	1,923	5,468	19,490	126,985	-	-	153,866
Other liabilities	39,667	-	-	-	-	-	39,667
TOTAL FINANCIAL LIABILITIES	**8,224,118**	**5,468**	**19,490**	**126,985**	**-**	**-**	**8,376,061**
Liquidity gap	(5,034,790)	(5,468)	(19,490)	3,377,019	-	3,159,636	1,476,907
CUMULATIVE LIQUIDITY GAP	**(5,034,790)**	**(5,040,258)**	**(5,059,748)**	**(1,682,729)**	**(1,682,729)**	**1,476,907**	

The liquidity analysis of the financial assets and liabilities as at December 31, 2020 is as follows:

	Demand and less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Maturity undefined	Total
FINANCIAL ASSETS							
Cash and cash equivalents	407,533	-	-	-	-	-	407,533
Amounts due from the principal brokers	1,847,549	-	-	-	-	-	1,847,549
Restricted deposits	-	-	-	-	-	73,335	73,335
Commissions receivable	25,895	-	-	-	-	-	25,895
Investment securities	203,739	-	173,327	8,941,971	932,790	60,000	10,311,827
TOTAL FINANCIAL ASSETS	**2,484,716**	**-**	**173,327**	**8,941,971**	**932,790**	**133,335**	**12,666,139**
FINANCIAL LIABILITIES							
Amounts due to customers	1,898,703	-	-	-	-	-	1,898,703
Borrowings under repurchase agreements	8,929,032	-	-	-	-	-	8,929,032
Lease liabilities	2,040	8,623	20,565	154,108	-	-	185,336
Other liabilities	32,067	-	-	-	-	-	32,067
TOTAL FINANCIAL LIABILITIES	**10,861,842**	**8,623**	**20,565**	**154,108**	**-**	**-**	**11,045,138**
Liquidity gap	(8,377,126)	(8,623)	152,762	8,787,863	932,790	133,335	1,621,001
CUMULATIVE LIQUIDITY GAP	**(8,377,126)**	**(8,385,749)**	**(8,232,987)**	**554,876**	**1,487,666**	**1,621,001**	

As at December 31, 2021 and 2020 the Company had negative liquidity gap for the period less than one year interval. As 98.34% (2020: 88.69%) of the investment portfolio consists of Treasury bills of the Ministry of Finance which have high liquidity on the secondary market, the management plans to settle this gap either by selling investment securities before its original maturity date or attracting additional borrowings under repo agreements.

Maturity analysis of undiscounted financial liabilities

The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

The table below shows the maturity analysis of undiscounted financial liabilities as at December 31, 2021:

FINANCIAL LIABILITIES	Demand and less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Total
Amounts due to customers	4,629,217	-	-	-	4,629,217
Borrowings under repurchase agreements	3,554,770	-	-	-	3,554,770
Lease liabilities	-	12,909	34,424	154,909	202,242
Other liabilities	39,667	-	-	-	39,667
TOTAL FINANCIAL LIABILITIES	**8,223,654**	**12,909**	**34,424**	**154,909**	**8,425,896**

The table below shows the maturity analysis of undiscounted financial liabilities as at December 31, 2020:

FINANCIAL LIABILITIES	Demand and less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Total
Amounts due to customers	1,898,703	-	-	-	1,898,703
Borrowings under repurchase agreements	8,952,319	-	-	-	8,952,319
Lease liabilities	4,303	12,909	38,727	202,241	258,180
Other liabilities	32,067	-	-	-	32,067
TOTAL FINANCIAL LIABILITIES	**10,887,392**	**12,909**	**38,727**	**202,241**	**11,141,269**

Geographical risk concentrations

The geographical concentration of the Company's financial assets and liabilities as at December 31, 2021 is set out below:

	The Republic of Azerbaijan	OECD countries	Non-OECD countries	Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,103,583	-	-	1,103,583
Restricted deposits	2,897,536	-	-	2,897,536
Amounts due from the principal brokers	-	2,039,938	-	2,039,938
Investment securities	3,789,811	-	-	3,789,811
Other receivables	-	22,100	-	22,100
TOTAL FINANCIAL ASSETS	**7,790,930**	**2,062,038**	**-**	**9,852,968**
FINANCIAL LIABILITIES				
Amounts due to customers	4,629,217	-	-	4,629,217
Lease liabilities	153,866	-	-	153,866
Borrowings under repurchase agreements	3,554,770	-	-	3,554,770
Other liabilities	39,667	-	-	39,667
TOTAL FINANCIAL LIABILITIES	**8,377,520**	**-**	**-**	**8,377,520**
NET POSITION	**(586,590)**	**2,062,038**	**-**	**1,475,448**

The geographical concentration of the Company's financial assets and liabilities as at December 31, 2020 is set out below:

	The Republic of Azerbaijan	OECD countries	Non-OECD countries	Total
FINANCIAL ASSETS				
Cash and cash equivalents	371,437	36,096	-	407,533
Restricted deposits	73,335	-	-	73,335
Amounts due from the principal brokers	110,001	1,207,278	530,270	1,847,549
Commissions receivable	25,895	-	-	25,895
Investment securities	10,311,827	-	-	10,311,827
TOTAL FINANCIAL ASSETS	**10,892,495**	**1,243,374**	**530,270**	**12,666,139**
FINANCIAL LIABILITIES				
Amounts due to customers	1,898,703	-	-	1,898,703
Lease liabilities	185,336	-	-	185,336
Borrowings under repurchase agreements	8,929,032	-	-	8,929,032
Other liabilities	32,067	-	-	32,067
TOTAL FINANCIAL LIABILITIES	**11,045,138**	**-**	**-**	**11,045,138**
NET POSITION	**(152,643)**	**1,243,374**	**530,270**	**1,621,001**

28. MANAGEMENT OF CAPITAL

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

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at December 31, 2021 and 2020 the carrying amounts of Company's financial assets (amounts due from principal brokers and restricted deposit) and financial liabilities (amounts due to customers) approximated to their fair value due to repayable on demand.

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

		Fair value measurement using			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2021	1,103,583	-	-	1,103,583
Investment securities	December 31, 2021	-	3,549,811	-	3,549,811
Other receivables	December 31, 2021	-	-	22,100	22,100
Liabilities for which fair values are disclosed					
Lease liabilities	December 31, 2021	-	-	153,866	153,866
Borrowings under repurchase agreements	December 31, 2021	-	-	3,553,311	3,553,311
Other liabilities	December 31, 2021	-	-	39,667	39,667

		Fair value measurement using			
	Date of valuation	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2020	407,533	-	-	407,533
Investment securities	December 31, 2020	-	9,145,710	1,166,117	10,311,827
Commissions receivable	December 31, 2020	-	-	25,895	25,895
Liabilities for which fair values are disclosed					
Lease liabilities	December 31, 2020	-	-	185,336	185,336
Borrowings under repurchase agreements	December 31, 2020	-	-	8,929,032	8,929,032
Other liabilities	December 31, 2020	-	-	32,067	32,067

30. EVENTS AFTER THE REPORTING DATE

Political tensions between Russia and Ukraine have been observed since February 24, 2022. The conflict received widespread international condemnation, including new sanctions imposed on Russia by European countries, the UK and the United States of America. The sanctions covered Russia's central bank and sovereign wealth funds, effectively freezing their assets and banning dealings with the Russian financial institutions. Certain Russian banks were banned from SWIFT as well.

The Russian stock market fell 39% on the first day, as measured by the RTS Index, the ruble fell to a record low against the US dollar. The National Bank of Ukraine suspended currency markets, announcing that it would fix the official exchange rate. As a result of the escalation, Brent oil prices rose above $100 a barrel for the first time since 2014.

Currently, the management could not estimate the effects of conflict on financial statements of the Company.