

**SHEBEKE INSURANCE BROKER
LIMITED LIABILITY COMPANY
REPORT OF INDEPENDENT AUDITORS
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

SHEBEKE INSURANCE BROKER LLC

TABLE OF CONTENTS

	Page
Statement of Management Responsibilities	3
Report of Independent Auditors	4-5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the financial statements:	
1. Background	10
2. Basis of preparation of financial statements	10
3. Significant accounting policies	11
4. Standards, interpretations and amendments	17
5. Equipment and intangible assets	19
6. Cash and cash equivalents	19
7. Other assets	19
8. Charter capital	19
9. Other liabilities	19
10. Payable to shareholders	20
11. Sales	20
12. Cost of sales	20
13. General and administrative expenses	20
14. Taxation	21
15. Financial assets and liabilities	21
16. Commitments and contingencies	22
17. Balance and transactions with related parties	22
18. Financial risk management	23
19. Capital management	23
20. Post balance sheet events	23

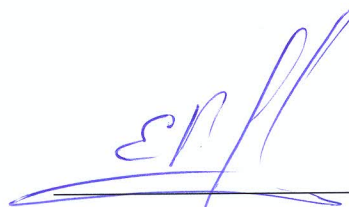
STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of "Shebeke Insurance Broker" Limited Liability Company (the "Company"). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.



Aydin Nesirzade
Director



Elchin Allahverdiyev
Finance Director

Baku, Republic of Azerbaijan

31 May 2018

Moore Stephens Azerbaijan MMC
13, Zeynalabdin Taghiyev Street
Baku AZ1005, Azerbaijan

T +994 12 490 77 47/48/49

F +994 12 490 77 50

baku@moorestephens.az

www.moorestephens.az

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of “Shebeke Insurance Broker” LLC

Opinion

We have audited the financial statements of “Shebeke Insurance Broker” Limited Liability Company (the Company), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 31 December 2017, 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 “Shebeke Insurance Broker” Limited Liability Company as at 31 December 2017, and its financial performance and its cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 has no realistic alternative but to do so.

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

Auditor's responsibility for 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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.
- 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.

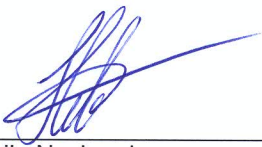
Baku, Republic of Azerbaijan

31 May 2018

MOORE STEPHENS AZERBAIJAN

SHEBEKE INSURANCE BROKER LLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

	Note	2017	2016
ASSETS			
Non-current assets			
Equipment	5	1,089	1,321
Intangible assets	5	75,921	84,183
Total non-current assets		77,010	85,504
Current assets			
Cash and cash equivalents	6	188,392	65,977
Other assets	7	5,100	2,123
Total current assets		193,492	68,100
TOTAL ASSETS		270,502	153,604
EQUITY AND LIABILITIES			
Equity			
Charter capital	8	20	20
Retained earnings		144,618	42,946
Total Equity		144,638	42,966
Current liabilities			
Other liabilities	9	22,864	7,638
Payable to shareholders	10	103,000	103,000
Total current liabilities		125,864	110,638
TOTAL LIABILITIES		125,864	110,638
TOTAL EQUITY AND LIABILITIES		270,502	153,604


Aydin Nesirzade
Director




Elchin Allahverdiyev
Finance Director

Baku, Republic of Azerbaijan

31 May 2018

The notes set out on pages 10-23 form an integral part of these financial statements

SHEBEKE INSURANCE BROKER LLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

	Note	2017	2016
Sales	11	1,339,106	373,968
Cost of sales	12	(931,000)	(222,775)
Gross profit		408,106	151,193
General and administrative expenses	13	(264,589)	(97,612)
Operating profit		143,517	53,581
Foreign exchange (loss)/gain		(14,986)	4,196
Profit/(loss) before income tax		128,531	57,777
Profit tax (expense)/benefit		(26,859)	(10,373)
Net profit/(loss) for the year		101,672	47,404
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		101,672	47,404



Aydin Nesirzade
Director




Etchin Allahverdiyev
Finance Director

Baku, Republic of Azerbaijan

31 May 2018

The notes set out on pages 10-23 form an integral part of these financial statements

SHEBEKE INSURANCE BROKER LLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

	<u>Charter Capital</u>	<u>Retained Earnings</u>	<u>Total equity</u>
Balance as at 31 December 2015	20	(4,458)	(4,438)
Profit for the year	-	47,404	47,404
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2016	20	42,946	42,966
Profit for the year	-	101,672	101,672
Other comprehensive income for the year	-	-	-
Balance as at 31 December 2017	20	144,618	144,638


 Aydin Nesirzade
 Director




 Elchin Allahverdiyev
 Finance Director

Baku, Republic of Azerbaijan

31 May 2018

The notes set out on pages 10-23 form an integral part of these financial statements

SHEBEKE INSURANCE BROKER LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

	Note	2017	2016
Cash flows from operating activities			
Profit/(Loss) before income tax		128,531	57,777
Adjustments for:			
Depreciation of equipment	5	232	131
Amortisation of intangible assets		8,262	3,400
Foreign exchange loss		14,986	(4,196)
Operating cash flows before working capital changes		152,011	57,112
Change in other assets		(2,977)	(2)
Change in liabilities to related parties		-	72,000
Change in other liabilities		15,226	7,629
Cash generated from operating activities		164,260	136,739
Income taxes paid	14	(26,859)	(10,373)
Net cash inflow from operating activities		137,401	126,366
Cash flows from investing activities			
Acquisition of equipment		-	(1,452)
Acquisition of intangible assets		-	(72,000)
Net cash provided by (used in) investing activities		-	(73,452)
Effect of exchange rate changes on cash and cash equivalents		(14,986)	4,196
Net increase in cash and cash equivalents		122,415	57,110
Cash and cash equivalents at the beginning of the year	6	65,977	8,867
Cash and cash equivalents at the end of the year	6	188,392	65,977


 Aydin Nesirzade
 Director




 Elchin Allahverdiyev
 Finance Director

Baku, Republic of Azerbaijan

31 May 2018

The notes set out on pages 10-23 form an integral part of these financial statements

**SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)**

1. BACKGROUND

a) Principal Activities

“Shebeke Insurance Broker” LLC (the “Company”) was founded on 21 January 2013 and domiciled in the Republic of Azerbaijan. The Company is a limited liability company and was set up in accordance with Azerbaijani regulations. The Company was initially registered under the registration number 1402419721 dated 21 January 2013 at the Ministry of Taxes of the Republic of Azerbaijan.

The Company’s principal business activity is providing intermediary support between insurance companies and their customers in arrangement of insurance policies. The Company acts as intermediary in various types of insurance arrangements such as property, equipment, carriage, vehicle, auto, workforce related risks, agriculture and other.

The Company’s address is: Asef Zeynalli str. 31/33, Baku, Republic of Azerbaijan. The Company was initially established by two shareholders, both individual persons. In 2016 the ownership was fully transferred to one of the initial shareholders. As at 31 December 2017 the following shareholders owned the share capital of the Company:

	<u>31 December 2017</u> Ownership interest, %	<u>31 December 2016</u> Ownership interest, %
KommunarHuseynov(Individual person)	100	100
Total	100	100

b) Operating Environment

The Company’s business activities are substantially influenced by the economic, political and regulatory environment of the Republic of Azerbaijan and international agreements. The general risks to businesses include the possibility for rapid change in government policies, economic conditions, the tax regime and foreign currency regulations and include the substantial use of cash in setting business transactions. Management believes that it has adequacy provided for tax liabilities based on its interpretation of the tax legislation applicable. Management believes that they are taking all the necessary measures to support the sustainability and growth of the Company’s business in the current circumstances.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Summary of Significant Accounting Policies and Basis of Design

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards except where stated. The Company maintains the primary accounting records in accordance with Azerbaijan regulations. The financial statements have been prepared from the Company’s management accounts and adjusted to the extent possible in order to conform in all material respects with the International Financial Reporting Standards. The financial statements have been prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies.

b) Foreign currency exchange

i. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”) which is Azerbaijani manats (“AZN”). These financial statements are presented in AZN, which is the Company’s functional currency.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

b) Foreign currency exchange

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates of the Central Bank of the Republic of Azerbaijan ("CBAR") at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

At 31 December 2017 the official exchange rates of the Manat related to below currencies set by the Central Bank of the Republic of Azerbaijan were as follows:

	<u>@ 31 December 2017</u>	<u>@ 31 December 2016</u>
1 USD to AZN	1.7001	1.7707
1 EUR to AZN	2.0307	1.8644

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Significant Accounting Policies

These financial statements cover the financial statements of the Company for the year ended 31 December 2017.

The financial statements of the Company are prepared in accordance with the accounting policy have been developed using the same reporting period. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The reporting currency of the entity's functional currency (AZN) is based on the accounting records, prepared on the basis of the transactions. The International Accounting Standards Board approved the financial statements of the International Financial Reporting Standards and interpretations approved by the Standing Committee's interpretation. The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

b) Property, plant and equipment

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

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

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

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

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

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Depreciation

Depreciation on items of equipment is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Computers and equipment	5

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

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

d) Intangible assets

The Company's intangible assets have definite useful lives and primarily include capitalised computer software and licenses.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

e) Amortisation

Amortisation is charged to profit or loss on straight line basis over the estimated useful lives of intangible assets.

	Useful lives in years
License and software	10

f) Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in banks and are subject to insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. 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 balance sheet date are included in other non-current assets.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. For receivables from customers, delinquency in payments (more than 30 days overdue) is considered a primary indicator that this category of receivables is impaired. For other categories of receivables the following additional principal criteria are also used to determine that there is an objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty;

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market with maturities less than 12 months after the reporting date. The Company's loans and receivables comprise of trade and other receivables and due from related parties in the statement of financial position.

Financial assets at a fair value through profit or loss

Financial assets at a fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. The Company did not hold any financial assets at a fair value through profit or loss during the reporting period.

Investments held-to-maturity

An investment held to maturity classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. Held to maturity investments are carried at amortised costs using the effective interest method, net of a provision for incurred impairment losses.

Available-for-sale financial assets

All other financial assets are included in the available-for-sale category.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Recognition and measurement of financial instruments

The Company recognises financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at a fair value between trade date and settlement date are accounted for in the same way as for acquired instruments. Financial assets and liabilities are initially recognised at a fair value plus, in the case of a financial asset or financial liability not at a fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of the Company of similar financial assets) is derecognised where:

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

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Company either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Company reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Company assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Company has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognised when the obligation is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

i) Current taxation

Income taxes

Income taxes have been provided for in these financial statements in accordance with Azerbaijani legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in profit and loss except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

j) Deferred Taxation

Provision is made for deferred taxation on all temporary differences which arise because the carrying amount of an asset or liability in the balance sheet differs from its tax base. It is calculated at the tax rates that are expected to apply to the period when it anticipated the liabilities will be settled and it is based on the rates (and laws) that have been enacted at the balance sheet date. Movements in deferred taxation are charged or credited to the income statement.

k) Operating leases

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Finance income and costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Pensions

The Entity does not have any pension arrangements separate from the state pension system of the Republic of Azerbaijan, which requires current contributions by the employer calculated as a percentage of current gross salary payments, such expense is charged in the period the related salaries are earned.

n) Provisions

Provisions are recognised when the Entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

o) Staff costs and related contributions

Wages, salaries, contributions to the Azerbaijan Republic state pension and social insurance funds, 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.

p) Foreign currency transactions

These financial statements are presented in Azerbaijani Manat as this is the functional currency of the Entity. Transactions denominated in other currencies are translated at the rates ruling on the date of the transaction. Cash receipts and payments arising from transactions in a foreign currency are recorded in the Entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts and payments. Cash balances held in a foreign currency are reported using the closing rate, which is the spot exchange rate at the reporting date. Gains or losses resulting from foreign currency transactions are taken to the Statement of Comprehensive Income.

q) Recognition of other income and expenses

Other income and expenses are recognised on an accrual basis.

r) Contingencies

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognised in the financial statements but disclosed when as inflow of economic benefits is probable.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS

Following relevant new standards, revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2017 and have been adopted by the Company:

Standard number	Title	Effective date
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017
IAS 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income Taxes	January 1, 2017

At the date of authorisation of these financial statements, the following relevant new standards, interpretations and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Standard number	Title	Effective date
IFRS 9	Financial Instruments – Amendments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers – New	January 1, 2018
IAS 28	Investments in Associates and Joint Ventures	January 1, 2018
IFRS 16	Leases	January 1, 2019

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on the relevant new standards, amendments and interpretations that are not yet effective have been provided below. The Company's management has yet to assess the impact of these changes on the Company's financial statements.

IFRS 9 Financial Instruments – New and Amendments (effective for accounting period on or after January 1, 2018)

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and measurement

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting

Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. IFRS 9 is effective for accounting period beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

Management has yet to assess the impact of this revised standard on the Company's financial statements.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

IFRS 15 Revenue from Contracts with Customers - New (effective for accounting period beginning on or after January 1, 2018)

IFRS 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 *Revenue*;
- IAS 11 *Construction Contracts*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 18 *Transfers of Assets from Customers*; and
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services*.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is also provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IAS 28 Investments in Associates and Joint Ventures (effective for accounting period beginning on or after 1 January 2018)

An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

IFRS 16 Leases - New (effective for accounting period beginning on or after 1 January 2019)

IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Management has yet to assess the impact of this revised standard on the Company's financial statements.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

5. EQUIPMENT AND INTANGIBLE ASSETS

	Equipment	Intangible assets	Total
Cost at 1 January 2016	-	22,000	22,000
Accumulated depreciation/amortisation	-	(6,417)	(6,417)
Carrying amount at 1 January 2016	-	15,583	15,583
Additions	1,452	72,000	73,452
Depreciation/amortisation charge	(131)	(3,400)	(3,531)
Carrying amount at 31 December 2016	1,321	84,183	85,504
Additions	-	-	-
Depreciation/amortisation charge	(232)	(8,262)	(8,494)
Carrying amount at 31 December 2017	1,089	75,921	77,010
Cost at 31 December 2016	1,452	94,000	95,452
Accumulated depreciation/amortisation	(131)	(9,817)	(9,948)
Carrying amount at 31 December 2016	1,321	84,183	85,504
Cost at 31 December 2017	1,452	94,000	95,452
Accumulated depreciation/amortisation	(363)	(18,079)	(18,442)
Carrying amount at 31 December 2017	1,089	75,921	77,010

6. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on hand	10,007	7
Cash at banks	178,385	65,073
Bank debit card	-	897
Total cash and cash equivalents	188,392	65,977

7. OTHER ASSETS

	2017	2016
Prepaid taxes	-	113
Other assets	5,100	2,010
Total other assets	5,100	2,123

8. CHARTER CAPITAL

	2017	2016
Kommunar Huseynov (Individual person)	20	20
Total share capital	20	20

9. OTHER LIABILITIES

	2017	2016
Other payables	4,543	379
Deferred revenue	1,064	-
Taxes payables	17,257	7,259
Total other liabilities	22,864	7,638

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

10. PAYABLE TO SHAREHOLDERS	2017	2016
Payables to shareholders	103,000	103,000
Total payable to shareholders	103,000	103,000
11. SALES	2017	2016
Revenue from insurance policies	70,856	8,418
Revenue from reinsurance contracts	1,229,673	339,915
Other services	38,577	25,635
Total revenue	1,339,106	373,968
12. COST OF SALES	2017	2016
Cost of reinsurance arrangements	931,000	222,775
Total cost of sales	931,000	222,775
13. GENERAL AND ADMINISTRATIVE EXPENSES	2017	2016
Staff costs	71,481	22,467
Consulting expenses	60,990	12,000
Taxes other than income tax	32,113	8,499
Training expenses	19,090	2,800
Marketing expenses	16,000	-
Business trip	10,772	3,742
Bank charges	9,780	4,087
Amortisation of intangible assets	8,262	3,400
Rent expenses	7,628	1,451
Repair and maintenance expenses	4,150	3,200
Office expenses	1,711	7,059
Communication expenses	878	1,924
Transportation costs	429	309
Depreciation of equipment	232	131
Insurance expenses	135	15,726
Foreign exchange gain/loss	-	2,141
Other expenses	20,938	8,676
Total general and administrative expenses	264,589	97,612

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

14. TAXATION

Profit tax

	<u>2017</u>	<u>2016</u>
Current tax	26,859	10,373
Deferred tax	-	-
Total profit taxes	<u>26,859</u>	<u>10,373</u>

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

	<u>2017</u>	<u>2016</u>
Profit before profit tax	128,531	57,777
Theoretical income tax at statutory rate (20%)	25,706	11,552
<i>Tax effect of items which are not deductible or assessable for taxation purposes:</i>		
Tax effect of permanent differences	1,153	(1,179)
Non-deductible expenses		
Profit tax expenses	<u>26,859</u>	<u>10,373</u>

Differences between the recognition criteria in Azerbaijan statutory taxation regulations and IFRS give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the applicable statutory rates including the prevailing rate of 20 % in Azerbaijan.

The management estimates that the deferred tax assets/liabilities resulting of losses or gains will not be recovered; therefore no deferred tax has been recorded in the accounting books for the year ended 31 December 2017.

15. FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Azerbaijan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade and other receivables, due from related parties, investments held to maturity approximate fair values.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade and other payables and due to related parties approximate fair values.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

16. COMMITMENTS AND CONTINGENCIES

Legal proceedings

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

Tax legislation

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

The Azerbaijani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. In Azerbaijan fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2017 (31 December 2016: Nil) no provisions for potential tax liabilities were recorded.

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

Capital expenditure commitments

The Company has no outstanding commitments as of 31 December 2017 (31 December 2016: Nil).

17. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party 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.

At 31 December 2017, the outstanding balances with related parties were as follows:

	<u>Shareholders</u>
Trade and other payables	<u>103,000</u>

At 31 December 2016, the outstanding balances with related parties were as follows:

	<u>Shareholders</u>
Trade and other payables	<u>31,000</u>

Directors' compensation

Compensation paid to director for their services in full time executive management positions is made up of a contractual salary, performance bonus depending on financial performance of the Company and other compensation. The total directors' compensation amounted to AZN 11,360.79 for year ended 31 December 2017 and AZN 3,897 for the year ended 31 December 2016 included AZN 304.10 and AZN 857 of social taxes that was accrued and paid by the Company to the Social Protection Fund of the Azerbaijan Republic respectively. Key management personnel included 1 person in 2017 and 2016.

SHEBEKE INSURANCE BROKER LLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Azerbaijani manats)

18. FINANCIAL RISK MANAGEMENT

The main activities of the Company expose it to diverse financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's management in close cooperation with all operating units. The management takes all necessary steps to reduce exposure to these risks to a minimum acceptable level.

To reinforce, the major risks that the Company is exposed to are the currency risk, market risk (foreign exchange risk), credit (debtors) risk and liquidity risk.

(a) Credit risk

Credit risk is the risk that a counter party fails to discharge an obligation to the Company. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, summarised as follows:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	6	188,392	65,977
Other assets	7	5,100	2,123
Total carrying amount		<u>193,492</u>	<u>68,100</u>

In respect of receivables from customers, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties that share similar characteristics.

The Company did not exceed any credit limits during the reporting period, and the management does not expect to incur any losses resulting from non-performance by these counterparties.

(b) Currency risk

As for the currency risk, the management sets limits on the level of total risk exposure, both by currency and in total. The associated risk positions are constantly monitored.

(c) Liquidity risk

Liquidity risk reflects an inability of the Company in raising funds to meet its commitments. The Company follows the effective cash management and planning policies to ensure the availability of funds and in order to take appropriate measures to satisfy new requirements.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The amount of capital that the Company managed as of 31 December 2017 was AZN 144,638 and 31 December 2016 was AZN 42,966.

20. POST BALANCE SHEET EVENTS

There were not any adjusting or significant non-adjusting events occurred between the reporting date and the date of authorisation of these financial statements.