

**“PASHA CAPITAL” LIMITED
LIABILITY COMPANY**

**The International Financial Reporting
Standards Financial Statements and
Independent Auditors' Report
For the Year Ended December 31, 2013**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the financial statements of "PASHA Capital" LLC ("Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2013, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

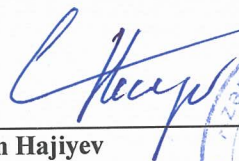
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial 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 as 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, 2013 were authorized for issue on June 25, 2014 by the Management of the Company.

On behalf of the Management:



Jeyhun Hajiyev
Director



June 25, 2014
Baku, the Republic of Azerbaijan



INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Management of "PASHA Capital" Limited Liability Company:

We have audited the accompanying financial statements of "PASHA Capital" Limited Liability Company (the "Company"), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nexie EA LLC

June 25, 2014



Baku, the Republic of Azerbaijan

"PASHA Capital" Limited Liability Company

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013**
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Transaction fee income	4	11,424	3,854
Underwriting income	5	16,820	2,500
Total revenue		28,244	6,354
Staff costs		(19,757)	(4,746)
General and administrative expenses	6	(4,320)	(2,855)
Amortization of intangible assets	10	(2,200)	(733)
Total operating expenses		(26,277)	(8,334)
Operating profit/(loss)		1,967	(1,980)
Interest income	9	20,637	7,600
Other gain/(loss)		2,019	(2,507)
Profit before income tax		24,623	3,113
Income tax expense	7	(3,386)	-
Profit for the year		21,237	3,113
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,237	3,113

On behalf of the Management:



Jeyhun Hajiyev
 Director

June 25, 2014
 Baku, the Republic of Azerbaijan

“PASHA Capital” Limited Liability Company

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(In Azerbaijani Manats)

	Notes	December 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	8	39,618	20,541
Commission receivable		1,656	-
Other assets		2,126	1,622
Total current assets		43,400	22,163
Non-current assets			
Bonds	9	186,049	161,083
Intangible assets	10	68,067	70,267
Total non-current assets		254,116	231,350
TOTAL ASSETS		297,516	253,513
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Tax payables		1,322	-
Trade payables	11	21,844	400
Total current liabilities		23,166	400
TOTAL LIABILITIES		23,166	400
Equity			
Share capital	12	250,000	250,000
Retained earnings		24,350	3,113
TOTAL EQUITY		274,350	253,113
TOTAL LIABILITIES and EQUITY		297,516	253,513

On behalf of the Management:

Jeyhun Hajiyev
Director



June 25, 2014
Baku, the Republic of Azerbaijan

“PASHA Capital” Limited Liability Company

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Azerbaijani Manats)**

	Share capital	Retained earnings	Total equity
January 01, 2012	-	-	-
Issue of share capital	250,000		250,000
Total comprehensive income for the year	-	3,113	3,113
December 31, 2012	250,000	3,113	253,113
Issue of share capital	-	-	
Total comprehensive income for the year		21,237	21,237
December 31, 2013	250,000	24,350	274,350

On behalf of the Management:



Jeyhun Hajiyev
Director



June 25, 2014
Baku, the Republic of Azerbaijan

“PASHA Capital” Limited Liability Company

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Azerbaijani Manats)**

Notes	Year ended December 31, 2013	Year ended December 31, 2012
Operating activities		
Profit after tax	21,237	3,113
Adjustments to reconcile profit before income tax to net cash provided by operating activities:		
Amortization of intangible assets	2,200	733
Other (gain)/loss	(2,019)	2,509
Changes in operating assets and liabilities:		
Increase in trade payable	21,443	400
Increase in commission receivable	(1,656)	-
Increase in other assets	(504)	(1,622)
Increase in tax payable	1,322	-
	42,023	5,133
Net cash provided by operating activities	42,023	5,133
Investing activities		
Purchases of intangible assets	-	(71,000)
Purchase of bonds	(22,946)	(163,592)
Net cash used in investing activities	(22,946)	(234,592)
Net increase/(decrease) in cash and cash equivalents	19,077	(229,459)
CASH AND CASH EQUIVALENTS, beginning of the year	20,541	250,000
CASH AND CASH EQUIVALENTS, end of the year	39,618	20,541

On behalf of the Management:


Jeyhun Hajiyev
Director



June 25, 2014
Baku, the Republic of Azerbaijan

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Azerbaijani Manats)

1. INTRODUCTION

Organization and its principal activity

“PASHA Capital” Limited Liability Company (the “Company”) was incorporated on June 27, 2012 and is domiciled in the Republic of Azerbaijan.

The Company’s principal business activity is the brokering operations with all types of securities within the Republic of Azerbaijan and servicing the wholesale domestic financial market. Services include broker, dealer, underwriting and financial advisory, with products including fixed income securities and equities. The Company operates under a license issued by the Baku Stock Exchange since August 2012.

Registered address and place of business

The address of Company’s registered legal address is Lev Tolstoy170, Baku, Republic of Azerbaijan.

Operating Environment of the Company

Whilst there have been improvements in economic trends in the country, the Republic of Azerbaijan continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to the existence of a currency that is not freely convertible in most countries outside of the Republic of Azerbaijan, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Republic of Azerbaijan is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction 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 development.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements of the Company 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 is a going concern and will continue in operation for the foreseeable future.

Other basis of presentation criteria

These financial statements are presented in Azerbaijani Manats (“AZN”), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, as modified by initial recognition of financial instruments at fair value and the revaluation of available-for-sale financial assets.

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.

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)
(In Azerbaijani Manats)

The principal accounting policies are set out below:

Recognition of income and expense

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. Expenses are recognized when incurred. The following specific recognition criteria must also be met before revenue is recognized:

- Transaction (trading-related and service) fee income is recognized when the related services are rendered;
- Interest income and expense are recognized in the income statement on an accrual basis using effective interest rates;
- All fees and other income and expense items are generally recognized on an accrual basis.

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

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest earned on assets at fair value is classified within interest income.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss accounts) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss accounts are recognized immediately in profit and loss accounts.

Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit and loss accounts” (FVTPL), “held-to-maturity” investments, “loans and receivables” and “available-for-sale” (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)
(In Azerbaijani Manats)

Cash and cash equivalents

Cash and cash equivalents include unrestricted balances on correspondent and time deposit accounts with the CBAR and other banks having original maturity up to 90 days.

Short-term bonds

Short-term bonds are loans originated by the Company by providing money directly to banks. All short-term bonds are recognized when cash is advanced to counterparties. They are carried at amortized cost less provision for impairment. Amortized cost is based on the fair value of cash consideration given determinable by reference to market prices at origination date.

A credit risk provision for impairment of short-term bonds is established if there is objective evidence that the Company will not be able to collect the amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, discounted at the instrument's original effective interest rate.

If the amount of the provision for impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment in the income statement. When short-term bonds are uncollectible, they are written off against the related provision for impairment. Such amounts are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are treated as income and included in other income.

Interest earned on deposits with banks is calculated by effective interest method and reflected in the statement of comprehensive income as interest income.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit and loss accounts category in one of the following cases:

- A financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity;
- Other financial assets may be reclassified to available-for-sale or held-to-maturity investments categories only in rare circumstances.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Company has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit and loss accounts is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)
(In Azerbaijani Manats)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit and loss accounts.

On derecognition of a financial asset other than in its entirety (for example when the Company retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit and loss accounts. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
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recognised in profit and loss accounts. The net gain or loss recognised in profit and loss accounts incorporates any interest paid on the financial liability and is included in the “other income/(loss)” line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss accounts.

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 recognized amounts and the Company intends either to settle on a net basis or to realize 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.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated 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

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)
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carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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 pension system of the Republic of

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
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(In Azerbaijani Manats)

Azerbaijan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Contingencies

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.

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 Date” (“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 CBRA 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, 2013	December 31, 2012
USD/AZN	0.7845	0.7850
EUR/AZN	1.0780	1.0377

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Company’s financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Company’s financial condition.

“PASHA Capital” Limited Liability Company
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)
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3. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the 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, 2013. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company’s accounting policies that have affected the amounts reported for the current or prior years.

Amendment to IAS 19, ‘Employee benefits’ (Effective date – 1 January 2013)

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

IFRS 9, ‘Financial instruments’ (Effective date – 1 January 2013)

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 1, First time adoption (Effective date – 1 January 2013)

The amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs. This means that first-time adopters shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. However, entities may choose to apply the requirements of IFRS 9 and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. These amendments give first-time adopters the same relief as existing preparers of IFRS financial statements.

IFRS 10, ‘Consolidated financial statements’ (Effective date – 1 January 2013)

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11, ‘Joint arrangements’ (Effective date – 1 January 2013)

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12, ‘Disclosures of interests in other entities’ (Effective date – 1 January 2013)

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13, ‘Fair value measurement’ (Effective date – 1 January 2013)

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011), ‘Separate financial statements’ (Effective date – 1 January 2013)

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IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011), ‘Associates and joint ventures’ (Effective date – 1 January 2013)

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 14 Regulatory Deferral Accounts (Effective date-beginning on or after 1 January 2016) IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (Effective date 1 January 2014)

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (Effective date 1 January 2014)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (Effective date 1 January 2014)

Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (Effective date 1 July 2014)

Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of

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service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

IFRIC 21 Levies (Effective date 1 January 2014)

Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

Unless otherwise described above, the new Standards and Interpretations are not expected to significantly affect the Company’s financial statements.

4. TRANSACTION FEE INCOME

Transaction fee income earned arose from trading transactions of the following types of securities:

	Year ended December 31, 2013	Year ended December 31, 2012
Notes issued by the Central Bank of the Republic Azerbaijan	400	1,129
Corporate shares	70	
Corporate bonds	10,954	2,725
Total transaction fee income	11,424	3,854

5. UNDERWRITING INCOME

PASHA Capital is administers distribution of securities from a corporation, bank or other issuing body. The company works closely with the issuing body to determine the offering price of the securities buys them from the issuer and sells them to investors via the underwriter's distribution network.

Company generally receives underwriting fees from their issuing clients, but they also usually earn profits when selling the underwritten shares to investors.

PASHA Capital provided underwriter services to several local banks and companies in Azerbaijan. The underwriting income from these services in the year ended December 31, 2013 was AZN 16,820 (AZN 2,500 in 2012)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Professional services fees	802	1,605
Communication expenses	45	45
Bank service charges	222	439
Office supplies	624	83
Membership fees	2,380	90
Other expenses	247	593
Total general and administrative expenses	4,320	2,855

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7. INCOME TAXES

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 Company is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

No deferred taxes recognized as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes was insignificant.

	December 31, 2013	December 31, 2012
Profit before income tax	24,623	3,113
Statutory tax rate	20%	20%
Theoretical tax at the statutory tax rate (20%)	(4,925)	(622)
Tax effect of permanent differences	1,539	(622)
Income tax expense	(3,386)	-
Current income tax expense	(3,386)	-
Income tax expense	(3,386)	-

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2013 and 2012 comprise:

	December 31, 2013	December 31, 2012
Cash at bank	39,618	20,541
Total cash and cash equivalents	39,618	20,541

Currency and liquidity analysis of cash and cash equivalents is disclosed in Note 15.

9. BONDS

	December 31, 2013	December 31, 2012
Securities	186,049	161,083
Total bonds	186,049	161,083

As at December 31, 2013 and December 31, 2012 bonds represent securities purchased from local commercial banks in the total amount of AZN 186,049 with weighted average interest rate of 12% (2012: AZN 161,083 with weighted average interest rate of 12%).

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	Interest rate	Maturity date	Number of securities	Nominal value	Market value at December 31, 2013	Total for December 31, 2013
Bank of Baku	12%	14-12-15	157	1,000	1,039.2	163,155
Unibank	14%	29-05-18	22	1,000	1,040.64	22,894
Total bonds						186,049

	Interest rate	Maturity date	Number of securities	Nominal value	Market value at December 31, 2012	Total for December 31, 2012
Bank of Baku	12%	14-12-15	157	1,000	1,026	161,083
Total bonds						161,083

Total interest income on bonds was amounting to AZN 20,637 and AZN 7,600 for the 31 December 2013 and 2012 respectively.

Currency and liquidity analysis of bonds are disclosed in Note 15.

10. INTANGIBLE ASSETS

As at December 31, 2013 and 2012, intangible assets comprise:

	Intangible Assets
At initial cost	
January 01,2012	-
Additions	71,000
December 31, 2012	71,000
Additions	-
December 31, 2013	71,000
Accumulated amortization	
January 01,2012	-
Charge for the year	(733)
December 31, 2012	(733)
Charge for the year	(2,200)
December 31, 2013	(2,933)
Net book value	
December 31, 2013	68,067
December 31, 2012	70,267

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11. TRADE PAYABLES

As at December 31, 2013 and 2012, trade payables comprise:

	December31, 2013	December31, 2012
Commission payable	21,507	400
Other payable	337	-
Total trade payable	21,844	400

12. SHARE CAPITAL

As at December 31, 2013 the Company’s shareholders’ authorized, issued and fully paid capital amounted to AZN 250,000 and comprised 100 ordinary shares with a par value of AZN 2,500 each.

The company owned as follow:

	31 December 2013 Ownership, %	31 December 2012 Ownership, %
PASHA Holding	100	100
Total	100	100

13. TRANSACTIONS WITH RELATED PARTIES

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

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Company; and that have joint control over the Company;
- (b) Associates – enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Members of key management personnel of the Company or its parent;
- (d) Close members of the family of any individuals referred to in (a) or (c);
- (e) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which;
- (f) Significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (g) Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following balances outstanding as at December 31, 2013 and 2012 with related parties:

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	December 31, 2013		December 31, 2012	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents	39,618	39,618	20,541	20,541
<i>Shareholders of the Company</i>	39,618		20,541	
Commission receivable	1,656	1,656	-	-
<i>Shareholders of the Company</i>	1,656		-	

Included in the statement of comprehensive income for the year ended December 31, 2013 and 2012 are the following amounts, which arose due to transactions with related parties:

	December 31, 2013		December 31, 2012	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Transaction fee income	11,414	11,424	3,844	3,854
<i>Shareholders of the Company</i>	11,414		3,844	
Underwriting income	1,120	16,820	-	2,500
<i>Shareholders of the Company</i>	1,120		-	
Staff costs	7,060	19,757	1,703	4,746
<i>Key management</i>	7,060		1,703	

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	December 31, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	39,618	39,618	20,541	20,541
Commission receivable	1,656	1,656	-	-
Bonds	186,049	186,049	161,063	161,063
Trade payables	21,844	21,844	400	400

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

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- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The methods and assumptions applied in determining fair values

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.

Where quoted market prices are not available, the Company used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated 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.

15. RISK MANAGEMENT POLICIES

The risk management function within the Company is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), 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

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

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

Maximum Exposure

The Company's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets:

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	December 31, 2013			
	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Bonds	186,049	186,049	-	186,049

	December 31, 2012			
	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Bonds	161,083	161,083	-	161,083

Geographical concentration

Assets, liabilities and credit related commitments have generally been based on the country, in which the counterparty is located. This approach allows the Company to minimize potential losses from investment climate fluctuations in the Republic of Azerbaijan.

Liquidity risk

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

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

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

- (i) The remaining contractual maturity of non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities (both interest and principal cash flows) based on the earliest date on which the Company can be required to pay; and
- (ii) The expected maturity for non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

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	December 31, 2013				
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
FINANCIAL ASSETS					
Bonds	-	-	-	186,049	186,049
Cash and cash equivalents	39,618	-	-	-	39,618
Commission receivable	1,656	-	-	-	1,656
TOTAL FINANCIAL ASSETS	41,274	-	-	186,049	227,323
Financial liabilities:					
Trade payables	(21,844)	-	-	-	(21,844)
TOTAL FINANCIAL LIABILITIES	(21,844)	-	-	-	(21,844)
Total liquidity gap	19,430			186,049	205,479

	December 31, 2012				
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
FINANCIAL ASSETS					
Bonds	-	-	-	161,083	161,083
Cash and cash equivalents	20,541	-	-	-	20,541
TOTAL FINANCIAL ASSETS	20,541	-	-	161,083	181,624
Financial liabilities:					
Trade payables	(400)	-	-	-	(400)
TOTAL FINANCIAL LIABILITIES	(400)	-	-	-	(400)
Total liquidity gap	20,141			161,083	181,224

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. There have been no changes as to the way the Company measures risk or to the risk it is exposed during 2013 and 2012.

Interest rate risk

The Company manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Management Board of the Company conducts monitoring of the Company's current financial performance, estimates the Company's sensitivity to changes in fair value interest rates and its influence on the Company's profitability.

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The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	December 31, 2013		December 31, 2012	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
FINANCIAL ASSETS				
Bonds	1,860	(1,860)	1,611	(1,611)
Net impact on profit before tax	1,860	(1,860)	1,611	(1,611)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Due to during reporting period main transactions and year end balances were in local currency, the company was not affected by currency risk.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Company’s assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company’s financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company’s view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

16. EVENTS AFTER REPORTING PERIOD

No significant events have been occurred after the reporting date.