

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

“Stock Baku” Closed Joint Stock Company

**Consolidated financial statements in accordance with
International Financial Reporting Standards**

*For the years ended December 31, 2022 and December 31, 2021
together with independent auditor’s report*

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements

Independent Auditor's Report

Consolidated financial statements

Consolidated statement of financial position.....	1
Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of changes in equity.....	3
Consolidated statement of cash flows	4

Notes to the financial statements

1. The Group's principal activity	5
2. Operating environment.....	5
3. Basis of preparation financial statements and significant accounting policies	6
4. Critical accounting estimates and judgements in applying accounting policies	18
5. Adoption of new or revised standards and interpretations	21
6. Property, plant and equipment.....	23
7. Investment property.....	24
8. Cash and cash equivalents.....	24
9. Trade and other receivables.....	24
10. Other current assets	25
11. Charter capital	25
12. Other capital	25
13. Trade and other payables.....	25
14. Other current liabilities.....	26
15. Revenue.....	26
16. Cost of sales	26
17. Administrative expenses	27
18. Other income	27
19. Profit tax expense	27
20. Financial risk management.....	29
21. Transactions with related parties.....	32
22. Acquisition of subsidiary	33
23. Events after the reporting period	33

STATEMET OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

The following statement, which should be read in conjunction with the independent auditor’s responsibilities stated in the independent auditor’s report set out on page 1, is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditor in relation to the consolidated financial statements of “Stock Baku” Closed Joint Stock Company (the “Group”).

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at December 31, 2022 and December 31, 2021 the result so fits operations, cash flows and changes in equity for the year ended, in accordance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated 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 consolidated financial statements; and
- If the Group is expected to continue operating under normal conditions in the near future, it is responsible for preparing the consolidated financial statements at the reporting date on a sustainability basis.

Management is also responsible for

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

The consolidated financial statements for the years ended December 31, 2022 and December 31, 2021 were authorized for issue on June 23, 2023 by the Management of the Group.

Mr. Vusal Gasimov
Director



Mr. Gunduz Gurbanzada
Chief accountant



RSM Azerbaijan

Demirchi Tower 18th floor,
37 Khojaly ave, AZ1025,
Baku, Azerbaijan

T +994(12) 480 4571
F +994(12) 480 4563

www.rsm.az

Independent Auditor's Report

To management and those charged with governance of "Stock Baku" CJSC:

Opinion

We have audited the consolidated financial statements of "Stock Baku" CJSC, which comprise the consolidated statement of financial position as at December 31, 2022 and December 31, 2021 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Group as at December 31, 2022 and December 31, 2021 and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter- Acquisition of a subsidiary

Without qualifying our opinion, we draw attention to Note 22 of consolidated financial statements which disclose of acquisition of a subsidiary.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

June 23, 2023
Baku, Azerbaijan

RSM Azerbaijan

“Stock Baku” CJSC
Consolidated statement of financial position
As at December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Assets			
Non-current assets			
Property, plant, and equipment	6	3,904,225	3,792,388
Investment property	7	3,250,445	3,449,995
Total non-current assets		7,154,670	7,242,383
Current assets			
Cash and cash equivalents	8	2,572,795	965,958
Trade and other receivables	9	79,305	46,889
Other current assets	10	55,188	28,088
Total current assets		2,707,288	1,040,935
Total assets		9,861,958	8,283,318
Equity and liabilities			
Equity			
Charter capital	11	7,343,500	7,343,500
Retained earnings		2,114,133	709,864
Other capital	12	11,476	-
Total equity		9,469,109	8,053,364
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	51,593	51,041
Total non-current liabilities		51,593	51,041
Current liabilities			
Trade and other payables	13	44,464	18,909
Other current liabilities	14	70,983	55,600
Profit tax payable		225,809	104,404
Total current liabilities		341,256	178,913
Total liabilities		392,849	229,954
Total liabilities and equity		9,861,958	8,283,318

Signed and authorized for release on behalf of the Group on June 23, 2023

Mr. Vusal Gasimov
 Director



Mr. Gunduz Gurbanzada
 Chief accountant

The notes on pages 5-33 form an integral part of these consolidated financial statements.

“Stock Baku” CJSC

Consolidated statement of profit or loss and other comprehensive income For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

	Notes	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Revenue	15	3,552,396	1,330,982
Cost of sales	16	(772,574)	(309,338)
Gross profit		2,779,822	1,021,644
Administrative expenses	17	(398,042)	(133,043)
Expected credit loss expense		(5,426)	-
Other income	18	13,882	-
Profit before tax		2,390,236	888,601
Profit tax expense	19	(478,432)	(178,737)
Total comprehensive income for the year		1,911,804	709,864

Signed and authorized for release on behalf of the Group on June 23, 2023

Mr. Vusal Gasimov
Director



Mr. Gunduz Gurbanzada
Chief accountant

The notes on pages 5-33 form an integral part of these consolidated financial statements.

“Stock Baku” CJSC

Consolidated statement of profit or loss and other comprehensive income For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

	Share capital	Retained earnings	Other capital	Total equity
As at June 04, 2021 (inception date)	-	-	-	-
Increase in charter capital	7,343,500	-	-	7,343,500
Total comprehensive income for the year	-	709,864	-	709,864
As at December 31, 2021	7,343,500	709,864	-	8,053,364
Total comprehensive income for the year	-	1,911,804	-	1,911,804
Increase in other capital	-	-	11,476	11,476
Dividends paid	-	(507,535)	-	(507,535)
As at December 31, 2022	7,343,500	2,114,133	11,476	9,469,109

Signed and authorized for release on behalf of the Group on June 23, 2023

Mr. Vusal Gasimov
Director



Mr. Gunduz Gurbanzada
Chief accountant

“Stock Baku” CJSC
Statement of cash flows
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

	Notes	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Operating activities			
Profit before tax		2,390,236	888,601
Non-cash adjustments to reconcile profit before tax to net cash flows			
Expected credit loss expense	9	5,426	-
Depreciation cost of investment property	7	242,954	121,570
Depreciation cost of property, plant and equipment	6	26,244	6,461
Operating cash flows before changes in working capital		2,664,860	1,016,632
Working capital adjustments			
Increase in trade and other receivables	9	(36,772)	(46,889)
Increase in other current assets	10	(27,100)	(28,088)
Increase in trade and other payables	13	4,760	18,909
Increase in other current liabilities	14	35,443	55,600
Cash generated by operations		2,641,191	1,016,164
Income tax paid		(356,475)	(23,292)
Net cash flows from operating activities		2,284,716	992,872
Investing activities			
Purchase of property, plant, and equipment	6	(140,456)	(3,798,849)
Purchase of investment property	7	(39,603)	(3,571,565)
Acquisition of subsidiary		9,715	-
Net cash flows used in investing activities		(170,344)	(7,370,414)
Financing activities			
Issue of capital		-	7,343,500
Dividends paid		(507,535)	-
Net cash flows (used in)/ from financing activities		(507,535)	7,343,500
Net increase in cash and cash equivalents		1,606,837	965,958
Cash and cash equivalents at the beginning of the year		965,958	-
Cash and cash equivalents at the end of the year		2,572,795	965,958

Signed and authorized for release on behalf of the Group on June 23, 2023

Mr. Vusal Gasimov
 Director



Mr. Gunduz Gurbanzada
 Chief accountant

The notes on pages 5-33 form an integral part of these consolidated financial statements.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

1. The Group’s principal activity

“Stock Baku” CJSC (the “Company”) was registered under the laws of the Republic of Azerbaijan on June 04, 2021 with the registration number 1604394561 and was set up in accordance with the regulations of the Republic of Azerbaijan.

As at December 31, 2022 and December 31, 2021 100% of the shares of the Company are owned by Zeynalov Alish Alimardan.

The Company’s principal activities. The Company's principal activities are the leasing of warehouse and office buildings.

Legal addresses of the Company: Nizami District, Ali Aliyev, flat 1, AZ1029, Baku, Azerbaijan Republic.

As at December 31, 2022, the Company has a staff of 12 employees (as at December 31, 2021: 12).

The subsidiary of “Stock Baku” CJSC, the parent company, is listed below:

Subsidiary and its activities

“Premium Garage” CSJC (“Organization”) was registered on November 21, 2003. The Company's principal activities are the leasing of non-residential objects.

According to the “Share Purchase and Sale Agreement” dated July 28, 2022, 100% of the authorized capital of “Premium Garage” CSJC was acquired by “Stock Baku” CJSC.

The legal address of the subsidiary is: Nizami district, Babek ave., flat 1A, AZ1119, Baku, Azerbaijan.

2. Operating environment

Azerbaijan's economy has certain characteristics specific to developing markets. The current and future growth and stability of Azerbaijan's economy depends significantly on the effectiveness of fiscal and monetary measures implemented by the government, as well as on crude oil prices and the stability of the Azerbaijani manat.

According to the economic reforms that included institutional changes after the devaluation in 2016, economic growth continued to remain in the positive zone during 2017-2019, inflation was stabilized at a low single-digit level, and the exchange rate of the national currency was at a stable level.

Following a recession in 2020, Azerbaijan's economy rebounded significantly in 2021 and returned to pre-pandemic levels, growing by 5.6 percent. The recovery of oil prices in 2021 and the gradual lifting of pandemic-related restrictions have boosted confidence and supported economic growth in non-oil sectors despite ongoing pandemic-related challenges. The manat has remained stable throughout 2021 due to a significant decrease in pressure on the manat due to the more than 60% increase in annual exports.

After the liberation of Karabakh from occupation, the reintegration of these territories into the economy of Azerbaijan was the focus, and restoration and reconstruction works were started rapidly in the lands liberated from occupation. These activities are expected to further boost the economy of Azerbaijan in the near future and in the long term.

GDP reached AZN 133.8 billion (USD 78.7 billion) in 2022 with 4.6% growth compared to 2021. During 2022 foreign trade turnover of the Republic of Azerbaijan reached about USD 52.69 billion of which export equaled to USD 38.15 billion and import equaled to USD 14.54 billion according to the statistics of State Custom Committee.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

2. Operating environment (continued)

In the state budget adopted for 2022, the increase of oil transfers compared to the previous year will support the stability of the exchange rate of the national currency. On the other hand, anti-inflationary monetary policy will serve to protect domestic demand at a balanced level of monetary factors. As the effect of temporary external and internal cost factors on prices is neutralized, the reducing effects of monetary factors, which play a balancing role, on inflation will be strengthened.

In connection with the implementation of the Decree No. 2965 of the President of the Republic of Azerbaijan dated October 16, 2021, the amount of the minimum monthly salary has been determined from January 1, 2022 to 300 manats.

Until January 01, 2022, a 50% discount is applied to the amount of the insurance premium paid from the part of the monthly calculated labor payment fund of up to 8,000 manats from employers and employees working in the non-state and non-oil sector.

This means that until January 01, 2022, employers and employees working in the non-state and non-oil sector will receive compulsory health insurance in the amount of 1% of the monthly calculated labor payment fund up to 8,000 manats, and 0.5% of the part above 8,000 manats. the right has been taken.

Starting from 2022, it has been determined that employers and employees in the non-state and non-oil sector will be charged a mandatory health insurance fee of 2% of the monthly calculated labor payment fund up to 8,000 manats.

In August 2022, "Moody's" international rating agency confirmed its rating for the economy of Azerbaijan at the level of "Ba1" and changed the forecast from stable to positive.

The ongoing effects of the political and economic situation are difficult to predict, but they may have further effects on the economy of Azerbaijan, which may lead to a deterioration of the State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses (“ECL”) the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

The Company's Management is monitoring these developments in the current environment and taking precautionary measures as it considers necessary in order to ensure the sustainability and development of the Company's business in the foreseeable future.

3. Basis of preparation and significant accounting policies

Basis of preparation

Statement of compliance

These consolidated financial statements of the Group 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”). The principal accounting policies applied in the preparation of these financial statements are set out below. If no other explanation has been made in the Notes, the provisions of the accounting policies have been consistently applied throughout the reporting period.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3 Basis of preparation and significant accounting policies (continued)

Basis of measurement (continued)

The financial statements have been prepared under the historical cost basis, unless otherwise stated in the accounting principles set out below (e.g. certain financial instruments are measured at fair value).

Functional and reporting currency

The national currency of Azerbaijan is the Azerbaijani Manat (“AZN”), which is the Group’s functional currency and the currency in which these financial statements are presented.

The official rates of exchange used for translating foreign currency balances were as follow:

	December 31, 2022	December 31, 2021
USD / AZN	1,7000	1,7000
EUR / AZN	1,8114	1,9265

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries (entities controlled by the Group). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Goodwill

This is a payment made by the customer in exchange for future economic benefits from assets that cannot be individually identified and unrecognized as a result of the merger. Any positive difference between the capital expenditure and the net asset value of the reporting entity is recorded as goodwill. Goodwill owned by a subsidiary is part of the carrying amount of the investment. Goodwill is not amortized. If the cost of the investment in the subsidiary exceeds the subsidiary's net asset value, the difference is recognized.

Impairment indicators

The recoverable amount of units and individual cash-generating assets is higher than value in use and fair value of sale is less than fair value of sale. These calculations require the use of estimates and hypotheses. Changes in oil prices could result in changes in the estimated useful lives of the field and significant changes in the carrying amounts of goodwill and tangible assets. The Group monitors internal and external indicators of impairment of tangible and intangible assets. Goodwill is tested annually for impairment.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations with entities under common control

The Group applies acquisition method of accounting for business combinations with entities under the common control.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Going concern

The financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

Management believes that the Group will continue to operate without the desire or need to be liquidated in the near future, as well as to suspend its activities or seek protection against creditors in accordance with the laws or regulations of the Republic of Azerbaijan.

Therefore, assets and liabilities are presented in the statements with the assumption that The Group is capable of selling assets and performing its obligations in the ordinary course of business. Some individual financial reporting standards include certain issues that need to be considered by management for the specific requirements of the Group's sustainability assessment and a number of disclosures related to the sustainability principle.

When estimates related to the principle of sustainability are evaluated by Management, it is important to make certain assumptions about future events or conditions that are unknown.

The significant accounting policies adopted in the preparation of financial statements are described below. These policies are applied continuously throughout the year, unless otherwise specified:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible.

If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valour's) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- 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).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value, or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arms-length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Initial value represents the cash or the amount of its equivalents paid to acquire an asset at the date of acquisition or the fair value of other given resources and includes transaction costs. Initial value assessment is only applied to investments in equity instruments without a quoted market price and whose fair value cannot be reliably measured.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

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

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Financial instruments - key measurement terms (continued)

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

Financial assets

Initial recognition of financial instruments

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Classification of financial instruments

On initial recognition, a financial asset is classified at amortized cost, measured at fair value through other comprehensive income (“GVA”) or fair value through profit or loss (“GPA”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not defined as GDP:

- Supported within the business model of holding assets to generate cash flows under the contract; and
- The terms of the contract give rise to cash flows that consist only of payments of principal and interest on the principal outstanding on specified dates.

When a financial asset meets both of the following conditions and is not identified as an IRR, it is measured by the IASB:

- Supported within the framework of a business model aimed at both receiving cash flows under the contract and selling financial assets; and
- The terms of the contract give rise to cash flows that consist only of payments of principal and interest on the outstanding principal on the dates indicated.

Upon initial recognition of non-trading capital investments, the Group may elect to present subsequent changes in fair value in other comprehensive income (DMG). This option is done separately for each capital investment.

All other financial assets are classified as measured under IFRS.

However, at the time of initial recognition, the Group may classify a financial asset that meets the measurement requirements at amortized amount or under the IASB as an IRR, provided that this eliminates or significantly reduces the accounting differences that arise.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Financial assets (continued)

Reclassification of financial assets

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

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognized as a liability in the statement of financial position.

For debt instruments at FVOCI, changes in amortized cost, net of allowance for ECL, are recognized in profit or loss and other changes in carrying value are recognized in OCI as gains less losses on debt instruments at FVOCI.

“Simplified approach” to impairment

IFRS 9 allows entities to apply a ‘simplified approach’ for trade receivables, contract assets and lease receivables. The simplified approach allows entities to recognize lifetime expected losses on all these assets without the need to identify significant increases in credit risk. Certain accounting policy choices apply:

- For trade receivables and contract assets that do not contain a significant financing component, it is a requirement to recognize a lifetime expected loss allowance (i.e. an entity must always apply the ‘simplified approach’).
- For other trade receivables, other contract assets, operating lease receivables and finance lease receivables it is an accounting policy choice that can be separately applied for each type of asset (but which applies to all assets of a particular type).

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Financial assets (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

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

Financial assets – write-off

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

Investment property

Investment property is land, building or part of a building held to generate rental income or capital increases and is not used or serviced by the Group for sale in the ordinary course of business. Real estate constructed, constructed or reconstructed for future use as investment property is also classified as investment property.

Investment property is initially recognized at cost, including operating expenses, and subsequently measured at cost less accumulated depreciation and amortization. For disclosure purposes, investment properties are revalued at fair value at the end of the reporting period to reflect market conditions. The fair value of the Group's investment properties is determined based on reports from various sources, including independent appraisers who have recently gained experience in valuing properties of similar location and category, with known and relevant professional qualifications.

Rental income is recognized in the income statement as income from non-banking operations. Gains and losses arising from changes in the fair value of investment property are recognized in the statement of consolidated profit or loss and included in income or expense from non-banking transactions.

Subsequent costs are recognized in equity only when the associated future economic benefits are expected to be incorporated into the Group and the costs can be measured reliably. All other repair and maintenance costs are expensed as incurred. If investment property is used by the owner, it is reclassified as buildings and equipment and its carrying amount at the date of reclassification is converted to its probable value.

Property, plant and equipment

Property, plant and equipment are stated at cost as described below, less accumulated depreciation and provision for impairment, where required.

The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, if any, and for qualifying assets, borrowing costs.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Property, plant and equipment (continued)

A decrease in carrying amount arising on the revaluation of such assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation

Depreciation is not calculated for land. Depreciation of property, plant and equipment is calculated from the date they are ready for use. Depreciation is calculated based on the reducing balance method using the following percentage rates:

	Depreciation rate
Buildings and structures	7%
Computers and communication equipment	25%
Furniture and office equipment	20%
Vehicles	25%
Other fixed assets	20%

The useful lives of property, plant and equipment are reviewed annually and, if necessary, changes in their useful lives are reflected prospectively.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding outstanding bank overdrafts.

Profit tax

Profit 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 Group’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.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Profit tax (continued)

Deferred profit tax assets and deferred profit tax liabilities are offset and reported net on the opening IFRS statement of financial position if:

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

Profit tax on companies in the Republic of Azerbaijan is levied at the rate of 20%.

Value-added tax

Tax authorities allow net payment of value added tax ("VAT") on sales and purchases.

VAT payable

VAT payable is the amount of VAT on sales less VAT on purchases made at the reporting date. VAT on sales is paid after receipt of payment to the tax authorities. VAT on uncompensated sales at the reporting date is also included in VAT payable. When an allowance for impairment of receivables is established, the allowance for impairment is recorded at the total amount of the receivable, including VAT, if applicable. The relevant deferred VAT liability is retained until the receivable is written off for tax purposes.

VAT recoverable

VAT recoverable relates to purchases which have not been settled at the reporting date. VAT recoverable is claimable against VAT on sales upon payment for the purchases.

VAT deposit account

The Value Added Tax ("VAT") deposit account system is introduced in 2008 by the Ministry of Taxes of the Republic of Azerbaijan which aims prevention of VAT misuse. From January 1, 2008 on the basis of amendments to the Tax Code, the amount of VAT refund is considered the tax amount which is paid, according to the submitted VAT invoices to the taxpayer's VAT deposit account in the framework of transactions carried out in this account.

By the support of this module the taxpayer pays the amount of VAT indicated on the VAT invoices to the VAT deposit account of another taxpayer. At the same time tax obligations to the state budget regarding all kinds of taxes and VAT amounts on the import transactions which is necessary to be paid to the customs committee, can be paid by taxpayers through the VAT deposit account. Information about paid amounts is transferred by the Ministry of Taxes to the Main State Treasury ("MST") and then to the Central Bank of the Republic of Azerbaijan ("CBRA"). CBRA on the basis of information submitted by the Main State Treasury ensures the transformation of amounts to the relevant local treasury authorities. The Ministry of Taxes ensures inclusion of amounts which is noted in the submitted information to the taxpayer's personal files. The current system is connected with the Automated Tax Information System of the Ministry of Taxes.

At the same time online exchange of information was organized with the MST and CBRA. Implementation of the VAT deposit account makes it possible to timely control payments and refunded VAT amounts. Taxpayers who have tax debts can only transfer these amounts to the state budget. Taxpayers can make payments to the state budget without visiting banks, to the sub-accounts of other taxpayers and to the customs committee through the deposit account. The Ministry of Taxes automatically controls all transactions carried out through the deposit account using special software.

Use of balances in the VAT deposit account is restricted and can be used only for transactions connected with VAT and other applicable taxes.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Land Tax

Owners and users of land in the Republic of Azerbaijan are subject to land tax at varying rates. The rate of tax varying from AZN 0.06 up to AZN 20 depends on the type of land, i.e. agricultural, industrial, construction, communication, trading or residential land, as well as the location of land.

The reporting period is a calendar month. For legal entities owning or using the land the deadline for tax filing is May 15 of each year, while the tax should be paid in equal instalments no later than August 15 and November 15.

Property tax

Except for cases when the property has been insured at a value exceeding its residual value and the property tax is then calculated on the market value, the taxable base for resident legal entities and non- resident legal entities with permanent establishment is the average annual residual value of their fixed assets. Thus, an average annual residual value of fixed assets owned by such legal entities is subject to a property tax at the rate of 1%.

At the same time, the taxable base in respect of resident and non- resident individuals comprises of buildings and their parts, as well as resident individuals' water and air transportation means, where the property tax rate varies depending on the type of asset owned.

The reporting period is a calendar year. Legal entities, owning the fixed assets, have to file the tax return no later than March 31 of the year following the reporting period. The property taxpayer legal entities remit the tax by way of advances (20% of the last year's property tax) by the 15th of the second month of each quarter with the final balancing payment due no later than the filing deadline mentioned above.

The Republic of Azerbaijan also has various other taxes, which are assessed on the Group's activities. These taxes are included in the statement of comprehensive income.

Financial liabilities

Other financial liabilities

Other financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Payables

Payables are obligations paid by suppliers in exchange for goods or services. Accounts payable are classified as current liabilities if the repayment obligation is due for one year or less (or no longer than the whole working period).

Payables are stated at amortized cost using the effective interest rate.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Derecognition of financial liabilities

The recognition of financial liabilities is suspended only and only when the Group fulfills its payment obligation, if such an obligation is canceled or if it has expired. If an existing financial liability is replaced by another obligation provided by the same lender on completely different terms, or if a material adjustment is made to the existing liability, that replacement or modification will be considered a suspension of the original liability and the recognition of a new liability. The difference between the carrying amount of the derecognised financial liability and the amount paid and payable on the liability is recognized in profit or loss.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Charter capital

The charter capital of the Company consists of 734,350 shares with nominal value of AZN 10, each. The owner and shareholder of the Company is Mr. Alish Zeynalov. The charter capital of the Subsidiary consists of 2,000 shares in total value of AZN 10. As of December 31, 2022, the Company owns 100% of the subsidiary.

Approval of the amendments to the amount of charter capital is conducted by the decision of the annual general meeting.

Other capital

Other capital includes money deposits and withdrawals by the shareholder, transfer of other enterprises of the shareholder, transfer of the share of the shareholder in other enterprises in whole or in part. The transfer of a shareholder's enterprise to the group is recognized as an investment through the capital account in the amount equal to the fair value of the transferred enterprise (if the shareholder transfers his share in other enterprises - the transferred share at the fair value of the relevant enterprise).

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

3. Basis of preparation and significant accounting policies (continued)

Revenue recognition

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. In accordance with IFRS 15, a five-step model is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract;

Step 5: Recognize revenue when the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue from contracts with customers is recognized as or when the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. This generally occurs when product is physically transferred into a customer location or other delivery mechanism. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and taxes.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Expenses

Expenses are presented by function in statement of profit or loss and other comprehensive income. Categorization of the nature of expenses is based on operational functions of the Group's departments and subsidiaries.

Employee benefits

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

4. Critical accounting estimates and judgements in applying accounting

The preparation of consolidated financial statements in accordance with IFRS requires management to use judgments, estimates and assumptions that affect the disclosures of assets, liabilities, income, expenses and contingent liabilities during the reporting period.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

4. Critical accounting estimates and judgements in applying accounting (continued)

As a result of the uncertainties inherent in business activities, many items in IFRS financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest information available when the IFRS financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments

In the process of applying Group’s accounting policies, the management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in IFRS the financial statements.

Going concern

Management assumed that the Group will continue as a going concern. In making this judgement management considered current intentions and financial position of the Group. The management believes that the Group will be able to continue its activities in foreseeable future as a going concern due to the availability of continuous support provided by head office. These conditions indicate the Group’s ability to continue as a going concern within the next twelve months.

Given the Group’s volume of operations and trade receivables, it will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, which might result from the outcome of this uncertainty, and such adjustments may be material.

Useful lives of property and equipment

Management determines the estimated useful lives and related depreciation charges for the property and equipment. This estimate is based on projected period over which the Group expects to consume economic benefits from the asset. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. The useful lives are reviewed at least at each reporting date.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If there is a sign of such impairment, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. For the years ended on December 31, 2022 and December 31, 2021, the Group did not recognize any impairment losses on property, buildings and equipment.

Impairment of trade and other receivables and other current assets

The Group applies the expected credit loss model to financial assets measured at amortized cost. The allowance for expected credit losses for trade and other receivables is measured at an amount equal to the lifetime expected credit losses.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

4. Critical accounting estimates and judgements in applying accounting (continued)

Deferred income tax

Deferred income tax is determined on all temporary differences between the tax base of assets and liabilities at the reporting date and their carrying amounts for financial reporting purposes using the liability method.

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- Cases where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a non-combination transaction and does not affect the accounting profit or taxable profit or loss of the transaction;
- Taxable temporary differences related to investments in subsidiaries, associated companies and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and the temporary difference is not likely to be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, unused tax assets and unused tax liabilities carried forward to the extent that taxable profit will be available, except for:

- Cases where the deferred tax asset related to the resulting temporary difference arises from the initial recognition of an asset or liability in a non-combination transaction, as well as does not affect the accounting profit or taxable profit or loss of the transaction; and

In respect of taxable temporary differences related to investments in subsidiaries, associated companies and interests in joint ventures, a deferred income tax asset is recognized to the extent that it is possible that the temporary differences will be recovered in the near future and that taxable profit will be available against which the temporary differences will be available.

The value of deferred income tax assets is reviewed at each reporting date and reduced unless it is probable that sufficient taxable profit will be available to offset all or part of the deferred income tax assets. Unrecognized deferred tax assets are reassessed at each reporting date and future taxable income is recognized to the extent that the deferred tax asset can be recovered.

Deferred income tax assets and liabilities are measured at tax rates applicable at the time the assets are sold or the liabilities are settled, based on the tax rates (and tax laws) in effect or actually in effect at each reporting date.

Deferred income tax assets and deferred tax liabilities are offset when a legal right exists to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxable entity.

Deferred income tax assets are recognized when it is probable that taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is calculated for temporary differences arising from investments in subsidiaries and affiliates, except when the Company controls the period of recovery of temporary differences and it is probable that the temporary differences will not be recovered in the near future.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

5. Adoption of new or revised standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after January 01, 2022 or later, and which the Company has not early adopted.

IFRS 17 “Insurance contracts” was issued in May 2017 and replaced IFRS 4 “Insurance contracts”. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The entity shall apply IFRS 17 “Insurance Contracts” to its insurance contracts, including reinsurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after January 01, 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The adoption of this standard is expected to have an effect on the financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021 and effective for annual periods beginning on or after January 01, 2023).

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Definition of Accounting Estimates - Amendments to IAS 8 - In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework.

“Stock Baku” CJSC

Notes to the consolidated financial statements

For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

5. Adoption of new or revised standards and interpretations (continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021 and effective for annual periods beginning on or after January 01, 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity’s financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, ‘Making Materiality Judgements’ was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on May 7, 2021 and effective for annual periods beginning on or after January 01, 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the years ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

6. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment (“PPE”) were as follows:

<i>Initial Cost</i>	Land	Building and structures	Computers and communication equipment	Furniture and fixture	Vehicles	Other fixed assets	Total
<i>At June 04, 2021 (inspection date)</i>	-	-	-	-	-	-	-
Additions	3,622,340	160,521	4,986	8,655	-	2,347	3,798,849
<i>At December 31, 2021</i>	3,622,340	160,521	4,986	8,655	-	2,347	3,798,849
Additions	-	-	12,486	10,634	99,322	15,460	137,902
<i>At December 31, 2022</i>	3,622,340	160,521	17,472	19,289	99,322	17,807	3,936,751
<i>Accumulated depreciation</i>							
<i>At June 04, 2021 (inspection date)</i>	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,480	410	415	-	156	6,461
<i>At December 31, 2021</i>	-	5,480	410	415	-	156	6,461
Depreciation charge for the year	-	10,853	2,418	2,350	9,490	954	26,065
<i>At December 31, 2022</i>	-	16,333	2,828	2,765	9,490	1,110	32,526
<i>Net book value</i>							
<i>At December 31, 2021</i>	3,622,340	155,041	4,576	8,240	-	2,191	3,792,388
<i>At December 31, 2022</i>	3,622,340	144,188	14,644	16,524	89,832	16,697	3,904,225

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

7. Investment property

Movements in the carrying amount of investment property were as follows:

	Building and structures	Total
<i>Initial cost</i>		
At June 04, 2021 (inspection date)	-	-
Additions	3,571,565	3,571,565
At December 31, 2021	3,571,565	3,571,565
Addition from acquisition of subsidiary	2,554	2,554
Additions	41,029	41,029
At December 31, 2022	3,615,148	3,615,148
<i>Accumulated depreciation</i>		
At June 04, 2021 (inspection date)	-	-
Depreciation charge for the year	121,570	121,570
At December 31, 2021	121,570	121,570
Accumulated depreciation for subsidiary	179	179
Depreciation charge for the year	242,954	242,954
At December 31, 2022	364,703	364,703
<i>Net book value</i>		
At December 31, 2021	3,449,995	3,449,995
At December 31, 2022	3,250,445	3,250,445

The investment property includes 23,979 sq m of warehouse space and 605 sq m of office space.

Management believes that the fair value of the investment property as of December 31, 2022 and December 31, 2021 is equal to its carrying amount.

8. Cash and cash equivalents

Cash and cash equivalents comprised the following as at:

	December 31, 2022	December 31, 2021
Cash on hand	19,280	-
Cash in bank accounts	2,553,515	965,958
Total cash and cash equivalents	2,572,795	965,958

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1.

9. Trade and other receivables

Trade and other receivables comprised the following as at:

	December 31, 2022	December 31, 2021
Receivables from rent	84,731	46,889
Less: allowance for expected credit losses	(5,426)	-
Total trade and other receivables	79,305	46,889

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

9. Trade and other receivables. (continued)

Movements in the allowance for expected credit losses for trade and other receivables are as follow:

	Total
As at December 31, 2021	-
Net change in allowance	(5,426)
As at December 31, 2021	(5,426)

10. Other current assets

Other current assets comprised the following as at:

	December 31, 2022	December 31, 2021
VAT deposits	31,247	25,412
Prepayment for services	15,500	-
Input VAT	3,424	-
Other	5,017	2,676
Total other current assets	55,188	28,088

11. Charter capital

As of December 31, 2022 and December 31, 2021, the authorized charter capital of the company consists of 734,350 shares with a par value of AZN 10 each. All ordinary shares have equal shares, each share has one vote.

Shareholder of the Company

As at December 31, 2022 and December 31, 2021 the Company has one shareholder:

Shareholder of the Company	December 31, 2022	December 31, 2021
Mr. Alish Zeynalov	100%	100%
Total	100%	100%

12. Other capital

As at December 31, 2022, AZN 11,476 was generated from an acquisition of subsidiary. See Note 22.

13. Trade and other payables

Trade and other payables comprised the following as at:

	December 31, 2022	December 31, 2021
Payable for utilities	21,659	16,642
Payable for professional services	20,060	-
Other	2,745	2,267
Trade and other payables	44,464	18,909

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

14. Other current liabilities

Other current liabilities comprised the following as at:

	December 31, 2022	December 31, 2021
Output VAT	47,502	35,403
Settlement with employees	19,207	7,111
Settlement with deduction from employees	3,082	1,341
Payable for property tax	1,192	11,745
Total other current liabilities	70,983	55,600

15. Revenue

Revenue comprised the following as at:

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Revenue from rent	3,552,396	1,330,982
Total revenue	3,552,396	1,330,982

16. Cost of sales

Cost of sales comprised the following as at:

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Security expenses	(250,351)	(108,543)
Depreciation expenses	(243,030)	(121,570)
Salary and related expenses	(125,952)	(46,941)
Utility expenses	(115,930)	(17,379)
Repair and maintenance expenses	(32,063)	(6,083)
Other expenses	(5,248)	(8,822)
Total cost of sales	(772,574)	(309,338)

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

17. Administrative expenses

Administrative expenses comprised the following as at:

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Salary and related expenses	(217,578)	(69,719)
Professional services	(67,586)	(14,432)
Tax expenses other than profit tax expense	(42,281)	(19,420)
Depreciation expenses	(26,065)	(6,461)
Security expenses	(11,249)	(4,877)
Office expenses	(10,973)	(9,611)
Fuel expenses	(4,465)	(1,008)
Utility expenses	(4,398)	(781)
Communication expenses	(4,306)	(2,966)
Insurance expenses	(3,668)	(2,218)
Bank commission	(2,475)	(1,096)
Other expenses	(2,998)	(454)
Total administrative expenses	(398,042)	(133,043)

18. Other income

Other income comprised the following as at

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Repair and maintenance service	13,001	-
Parking services	881	-
Total other income	13,882	-

Income generated from repair and maintenance services consist of services that were conducted in storage before renting according to the desire of the customer.

19. Income tax expense

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2022 and December 31, 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by taxation bases differences for certain assets.

Tax legislation of CIS countries in particular may give rise to varying interpretations and amendments. In addition, as management’s interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Branch may be assessed additional taxes, penalties and interest which could be material for these financial statements.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

19. Income tax expense. (continued)

Relationships between tax expenses and accounting profit for the years ended December 31, 2022 and December 31, 2021 are explained as follows:

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Current income tax expense	(477,880)	(127,696)
Deferred income tax expense	(552)	(51,041)
Net income tax expense for the year	(478,432)	(178,737)

Reconciliation of expected and actually applied tax expenses as follows:

	For the year ended December 31, 2022	From inception date until period ended December 31, 2021
Profit before tax	2,390,236	888,601
Theoretical tax charge at statutory rate of 20%	(478,047)	(177,720)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(385)	(1,017)
Income tax expenses for year	(478,432)	(178,737)

Deferred tax assets and liabilities related with follows:

	December 31, 2021	Effects to Profit or Loss	December 31, 2022
Property, plant and equipment	(1,914)	(10,966)	(12,880)
Investment property	(50,817)	3,672	(47,145)
Trade and other receivables	-	1,085	1,085
Other current assets	-	(612)	(612)
Trade and other liabilities	-	4,012	4,012
Other current liabilities	1,690	2,257	3,947
Net deferred tax liabilities	(51,041)	(552)	(51,593)

	June 04, 2021 (inspection date)	Effects to Profit or Loss	December 31, 2021
Property, plant and equipment	-	(1,914)	(1,914)
Investment property	-	(50,817)	(50,817)
Other current liabilities	-	1,690	1,690
Net deferred tax liabilities	-	(51,041)	(51,041)

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

20. Financial risk management

Credit risk and concentration of credit risk

Credit risk is the potential financial loss to the Group if the counterparty fails to meet its contractual obligations.

The Group's financial instruments exposed to credit risk are primarily cash and cash equivalents, trade and other receivables and loans to subsidiaries.

The maximum degree of credit risk to which the Group is exposed is reflected on the book value of financial assets and is classified according to the categories of assets in the table below:

	December 31, 2022	December 31, 2021
Trade and other receivables	79,305	46,889
Cash and cash equivalents*	2,553,515	965,958
Total maximum credit risk	2,632,820	1,012,847

*Cash on hand was not included in

The group keeps its funds in well-known financial institutions in the Republic of Azerbaijan. The group constantly monitors the status of the banks with which it maintains its accounts. The Group mitigates credit risk arising from trade balances with private sector customers and other unrelated third parties by keeping their solvency under constant control. The impairment requirement is analyzed on an individual basis at each reporting date for large customers.

In addition, many small receivables are grouped into similar groups and collectively assessed for impairment. The calculation is based on actual calculated initial data. The maximum degree of exposure to credit risk at the reporting date is the book value of each class of financial assets. The Group does not hold collateral as security.

The Group's management believes that the Group is not exposed to high credit risk related to existing receivables as impairment allowances have been calculated in the current consolidated financial statements for all receivables that are not expected to be repaid in the future.

Financial risk factors

In the normal course of business, the Group is exposed to market risks arising from fluctuating prices of goods bought and sold, prices of other raw materials, exchange rates and interest rates. Depending on changes in prices, such changes in market prices may cause changes in the Group's financial position. The Group's overall risk management program covers the uncertainties of the financial markets and aims to reduce the potential negative impact on the Group's financial performance. In order to effectively manage various risks that may affect financial results, the main strategy of the Group is to maintain a strong financial position. Important components of financial risk are liquidity risk, foreign exchange risk, interest rate risk and credit risk.

Currency risk

The Group is exposed to exchange rate risk on various foreign currencies in the normal course of business. Foreign currency exchange rate risks arise mainly from future commercial transactions, assets and liabilities recorded when assets and liabilities are denominated in a currency different from the functional currency.

Currency risk is defined as the risk that the value of a financial instrument will change due to changes in exchange rates. The table below shows currency risks based on reports analyzed by key managers.

The balances of all financial assets and liabilities of the Group as of December 31, 2022 and December 31, 2021 were in Azerbaijani manat.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

20. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's approach to liquidity management is to ensure that it always has sufficient liquidity to meet its obligations, subject to risk, without incurring unacceptable losses or damaging the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash and debt obligations by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Each month, the Group prepares a financial plan that confirms that the Group has the cash required to finance its expected operating expenses, financial obligations and investment activities. The Group prepares standard payment cycles for trade payables and monitors timely payments to suppliers and contractors.

The following tables reflect the maturity of the Group's financial assets and liabilities based on undiscounted contractual payments, including interest payments.

The breakdown by maturity as of December 31, 2022 is shown below:

	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 year to 5 years	Total
Financial assets					
Trade and other receivables	-	8,062	71,243	-	79,305
Cash and cash equivalents	2,572,795	-	-	-	2,572,795
Total financial assets	2,572,795	8,062	71,243	-	2,652,100
Financial liabilities					
Trade and other liabilities	10,578	33,886	-	-	44,464
Total financial liabilities	10,578	33,886	-	-	44,464
Net liquidity gap	2,562,217	(25,824)	71,243	-	2,607,636
Cumulated liquidity gap	2,562,217	2,536,393	2,607,636	2,607,636	

The breakdown by maturity as of December 31, 2021 is shown below:

	Up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 year to 5 years	Total
Financial assets					
Trade and other receivables	-	41,377	5,512	-	46,889
Cash and cash equivalents	965,958	-	-	-	965,958
Total financial assets	965,958	41,377	5,512	-	1,012,847
Financial liabilities					
Trade and other liabilities	4,531	14,378	-	-	18,909
Total financial liabilities	4,531	14,378	-	-	18,909
Net liquidity gap	961,427	26,999	5,512	-	993,938
Cumulated liquidity gap	961,427	988,426	993,938	993,938	

Geographic risk concentrations

Financial assets and liabilities are based on the country in which the counterparty is located. All financial assets and liabilities of the Group as of December 31, 2022 and December 31, 2021 are located in the Republic of Azerbaijan.

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

20. Financial risk management (continued)

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the importance of the inputs used in making the measurements:

- Level 1: quoted market prices (unadjusted) in an active market for the same instruments;
- Level 2: inputs other than the quoted price included in Level 1 that are either directly (ie as prices) or indirectly (ie derived from prices) observable. This category includes instruments valued using: market prices quoted in active markets for similar instruments; quoted prices for similar instruments in markets considered less active; or other valuation methods where all significant inputs are observable directly or indirectly from market data;
- Level 3: attachments cannot be observed. This category includes all instruments in which the estimation method consists of inputs that are not based on observable information and where unobservable inputs have a significant effect on the estimation of this instrument. This category includes instruments valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect the difference between the instruments.

The following table analyzes the financial instruments at fair value as determined by the level of the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total balance value	Total fair value
Financial assets					
Trade and other receivables	-	-	79,305	79,305	79,305
Cash and cash equivalents	2,572,795	-	-	2,572,795	2,572,795
Total financial assets	2,572,795	-	79,305	2,652,100	2,652,100
Trade and other receivables					
Cash and cash equivalents	-	-	44,464	44,464	44,464
Total financial assets	-	-	44,464	44,464	44,464
Net position	2,572,795	-	34,841	2,607,636	2,607,636

The following table analyzes the financial instruments at fair value determined by the level of the fair value hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Total balance value	Total fair value
Financial assets					
Trade and other receivables	-	-	46,889	46,889	46,889
Cash and cash equivalents	965,958	-	-	965,958	965,958
Total financial assets	965,958	-	46,889	1,012,847	1,012,847
Trade and other receivables					
Cash and cash equivalents	-	-	18,909	18,909	18,909
Total financial assets	-	-	18,909	18,909	18,909
Net position	965,958	-	27,980	993,938	993,938

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

21 Transactions with related parties

According to the requirements of IAS 24 "Notes on related parties", transactions with related parties or related parties consist of the following:

(a) Parties controlled, controlled or under equal control by the Group directly, indirectly or through any third party (including parent companies, subsidiaries, subsidiaries at the same level); Persons who have an interest in the Group's activity and the ability to significantly influence this activity; and persons exercising joint control over the Group's activities;

(b) Associates – parties whose operations may be significantly influenced by the Group, but which are not subsidiaries or joint ventures;

(c) joint ventures to which the Group is a party;

(d) Board members of the Group or parent company;

(e) immediate family members of persons referred to in clauses (a) or (c);

(f) controlled parties, entities and joint ventures that directly or indirectly hold a significant portion of the voting rights by the persons referred to in clauses (c) or (d); or

(g) Post-employment benefits to be received by former employees of the Group or an affiliate of the Group.

The balances with related parties as at December 31, 2022 and December 31, 2021 were as follows:

	December 31, 2022		December 31, 2021	
	Balances due to related parties	The total amount for this item in the financial statements	Balances due to related parties	The total amount for this item in the financial statements
Other current liabilities		70,983		55,600
Settlement with employees	11,243		3,184	
Settlement with social security fond	1,996		553	

Transactions with related parties for the years ended December 31, 2022 and December 31, 2021 were as follows:

	For the year ended December 31, 2022		From inception date until period ended December 31, 2021	
	Balances due to related parties	The total amount for this item in the financial statements	Balances due to related parties	The total amount for this item in the financial statements
Salary, wages and social security expenses		(343,530)		(116,660)
Management of Group	(158,152)		(50,510)	

22. Acquisition of a subsidiary

“Stock Baku” CJSC
Notes to the consolidated financial statements
For the year ended December 31, 2022 and December 31, 2021

(Amounts presented are in Azerbaijani manats, unless otherwise stated)

On July 28, 2022, the Company acquired all 100% shares of its subsidiary "Premium Garage" JSC.

Purchase details are shown below:

Fair value of assets at acquisition date:

	July 28, 2022-ci il
Non-current assets	
Investment property	2,375
Total non-current assets	2,375
Current assets	
Cash and cash equivalents	11,715
Trade and other receivables	121
Total current assets	11,836
Total assets	14,211
Liabilities	
Other current liabilities	735
Total current liabilities	735
Net assets of subsidiary	13,476
Acquisition of net assets	13,476
Funds paid in cash	(2,000)
Positive difference from acquisition of subsidiary*	11,476

*There was a difference of AZN 11,476 between the total payment amount transferred by the company and the net assets of the subsidiary. The subsidiary was transferred by the shareholder. The resulting positive difference is reflected as other capital in the consolidated statement of financial position based on the principle of substance over form.

23. Events after the reporting period

No significant events have occurred after the reporting date.

RSM Azerbaijan is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

RSM's global presence has been expanded through Azerbaijan with establishment of an office in the country in 2008 and has been delivering audit and assurance, tax and outsourced, accounting services to clients in different sectors including banking, insurance, leasing, construction, manufacturing and other government agencies for the last 14 years in the market. We serve our clients with professional staff and partners numbering more than 50, working at the office in Baku.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2023