"GVL" LIMITED LIABILITY COMPANY

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report

31 December 2019

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders and Management of "GVL" Limited Liability Company:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "GVL" Limited Liability Company (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

26 August 2020

"GVL" LIMITED LIABILITY COMPANY
Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property and equipment	8	221,007	315,534
Right-of-use assets	9	91,461	-
Intangible assets		4,582	585
Deferred income tax assets	18	37,203	5,870
Total non-current assets		**354,253**	**321,989**
Current assets			
Inventories		27,115	8,642
Trade and other receivables	10	1,161,931	764,947
Prepayments	11	43,475	170,152
Cash and cash equivalents	12	462,281	207,253
Total current assets		**1,694,802**	**1,150,994**
Total assets		**2,049,055**	**1,472,983**
EQUITY			
Share capital	13	100	100
Retained earnings		773,855	404,129
Total equity		**773,955**	**404,229**
Liabilities			
Current liabilities			
Lease liabilities	9	96,858	-
Trade and other payables	14	1,108,862	1,068,754
Current income tax payable		69,380	-
Total current liabilities		**1,275,100**	**1,068,754**
Total liabilities		**1,275,100**	**1,068,754**
Total liabilities and equity		**2,049,055**	**1,472,983**

Approved for issue and signed on 26 August 2020.

Mr. Tamerlan Aliyev
General Director

Mr. Elman Bakhishov
Chief Accountant

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Profit or Loss and Other Comprehensive Income

In Azerbaijani Manats	Note	2019	2018
Revenue from contracts with customers	15	4,397,787	3,323,245
Cost of sales	16	(3,372,691)	(2,891,627)
Gross profit		**1,025,096**	**431,618**
General and administrative expenses	17	(526,958)	(365,079)
Other gains/(losses), net		30,241	(6,586)
Operating profit		**528,379**	**59,953**
Finance costs		(18,711)	-
Profit before income tax		**509,668**	**59,953**
Income tax expense	18	(139,942)	(39,897)
Profit for the year		**369,726**	**20,056**
Total comprehensive income for the year		**369,726**	**20,056**

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Changes in Equity

In Azerbaijani Manats	Share capital	Retained earnings	Total equity
At 1 January 2018	**100**	**384,073**	**384,173**
Profit for the year	-	20,056	20,056
Total comprehensive income for 2018	-	20,056	20,056
Balance at 31 December 2018	**100**	**404,129**	**404,229**
Profit for the year	-	369,726	369,726
Total comprehensive income for 2019	-	369,726	369,726
Balance at 31 December 2019	**100**	**773,855**	**773,955**

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

"GVL" LIMITED LIABILITY COMPANY
Statement of Cash Flows

In Azerbaijani Manats	Note	2019	2018
Cash flows from operating activities			
Profit before income tax		509,668	59,953
Adjustments for:			
Depreciation and amortisation		263,181	141,447
Net impairment losses on financial assets		31,086	-
Gain on disposal of property and equipment		-	(1,486)
Finance costs	9	18,711	-
Foreign exchange translation differences		(30,241)	6,586
Operating cash flows before working capital changes		**792,405**	**206,500**
Increase in accounts receivable		(417,977)	(162,049)
Decrease/(increase) in prepayments		24,958	(1,845)
Increase in inventories		(18,473)	(5,320)
Increase in trade and other payables		49,607	147,070
Changes in working capital		**(361,885)**	**(22,144)**
Income taxes paid		-	(152,546)
Interest paid		(18,711)	-
Net cash used in operating activities		**411,809**	**31,810**
Cash flows from investing activities			
Purchases of property and equipment		(51,694)	(16,881)
Acquisition of intangible assets		(5,366)	(537)
Net cash used in investing activities		**(57,060)**	**(17,418)**
Cash flows from financing activities			
Repayment of lease liabilities – principal	9	(110,194)	-
Net cash from financing activities		**(110,194)**	-
Effect of exchange rate changes on cash and cash equivalents		10,473	(15,329)
Cash and cash equivalents at the beginning of the year		**207,253**	**208,190**
Cash and cash equivalents at the end of the year	12	**462,281**	**207,253**

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for "GVL" LLC (the "Company").

The Company was incorporated and is domiciled in the Republic of Azerbaijan. The Company is a limited liability company and was set up in accordance with the State Registry of Commercial Legal Entities Office of Baku City Tax Department of the Ministry of Taxes of the Republic of Azerbaijan on September 18, 2015 under the registration No. 2003518341.

As of 31 December 2019 and 2018 the Company is jointly controlled by the shareholders as defined by the Company's charter regulations.

The following shareholders owned the issued shares of the Company:

	December 31, 2019 %	December 31, 2018 %
"Global Energy Solutions" LLC	51	51
Denholm Valvecare (UK) Limited	49	49
Total	**100**	**100**

Principal activity. The Company's principal business activity is the provision of technical support services relating to valves repair, maintenance and stock management in the oil and gas industry.

Registered address and place of business. The Company's registered address is Khatai District, 21 Fazail Bayramov str., Baku, AZ1025, the Republic of Azerbaijan. The Company's principal place of business is 10QA. Qayibov Street, SDN Plaza, 5th floor, Baku, AZ1029, the Republic of Azerbaijan.

Presentation currency. These financial statements are presented in Azerbaijani Manats ("AZN"), unless otherwise stated.

2 Operating Environment of the Company

The Republic of Azerbaijan displays certain characteristics of an emerging market. Economic reforms undertaken by government have made a significant contribution to the economic sustainability of Azerbaijan. The monetary policy of the Central Bank of the Republic of Azerbaijan was oriented towards achievement of price stability and shaping a favourable socio-economic environment for people and business activity by maintaining low and stable inflation.

The year 2019 will also be remembered for the revolutionary steps taken in the direction of social protection of the population. Among these steps are measures to solve problem loans, strengthen the social protection of pensioners and other social groups, increase state care for education, health and culture workers, build new settlements for IDPs and other such measures have laid the foundation for significant progress in socio-economic life.

During the year, inflation was stable at a low single-digit rate, the economic growth remained positively zoned, the exchange rate of the national currency was sustainable, positive trends emerged in the foreign sector, balance of payments surplus contributed to the increased strategic foreign currency reserves of the country.

Significant measures have been taken in taxation as well. To ensure more operative and transparent tax system many amendments were made to the Tax Code. As a result of enacted Law on amendments to the Tax Code, plenty of incentives were introduced to the Tax Code, such as exemptions for small and medium entrepreneurship, reduced tax rate introduced for the income of employees who are engaged to the employment in non-oil-gas and non-government for 7 years period, etc.

2 Operating Environment of the Company (Continued)

In January 2020, Standard & Poor's, international credit rating agency, affirmed the long and short-term foreign and local currency sovereign credit ratings on Azerbaijan at 'BB+/B'. The outlook on the long-term ratings is stable. The agency forecasts that Azerbaijan's economic growth will recover moderately but will still remain dependent on oil industry trends and public investments.

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

3 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, *Leases*, effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Notes 5 and 25. The principal accounting policies applied to leases until 31 December 2018 are presented in Note 25.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Transactions and balances. Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the Central Bank of the Republic of Azerbaijan ("CBAR") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBAR are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'Other gains/(losses), net'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2019, the principal rate of exchange used for translating foreign currency balances was USD 1 = AZN 1.7 (2018: USD 1 = AZN 1.7). The principal average rate of exchange used for translating income and expenses was USD 1 = AZN 1.7 (2018: USD 1 = AZN 1.7).

Property and equipment. Property and equipment are stated at cost, less accumulated depreciation and impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

3 Significant Accounting Policies (Continued)

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

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

Depreciation. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Machinery and equipment	5
Computers and office equipment	5
Leasehold improvement	5

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Right-of-use assets. The Company leases apartments, warehouse and vehicles.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in months
Apartments	23
Motor vehicles	21

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

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

3 Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 22.

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

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

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

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

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 Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

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

3 Significant Accounting Policies (Continued)

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

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

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets 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, trade and other receivables are presented in the statement of financial position net of the allowance for ECL.

The Company applies simplified approach for impairment of trade receivable. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For detailed information on ECL calculations results and staging refer to note 20.

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

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3 Significant Accounting Policies (Continued)

Offsetting financial instruments. 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 recognised amounts, and there is an intention to either settle on a net basis, or to realise 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) in the event of default and (iii) in the event of insolvency or bankruptcy.

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

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in the leases across the Company. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 Significant Accounting Policies (Continued)

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Company.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

3 Significant Accounting Policies (Continued)

Revenue recognition. Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of value added taxes.

Sales of services. The Company provides services under fixed-price and variable price contracts. If the Company transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Company satisfies a performance obligation.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the macro-economic developments on the operations of the Company.

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

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 20. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Useful lives of property and equipment. The estimation of the useful lives of items of property and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Extension and termination options. Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of apartments and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

5 Adoption of New or Revised Standards and Interpretations

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Company decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease.*

5 Adoption of New or Revised Standards and Interpretations (Continued)

The weighted average incremental borrowing rate applied be the Company to the leased liabilities on 1 January 2019 was 12%.

As at 31 December 2018 the Company had non-cancellable lease commitments of AZN 456,341. These commitments related to short-term leases are recognised on a straight-line basis as an expense in profit or loss.

A reconciliation of the operating lease commitments disclosed in Note 19 to the recognised liability is as follows:

In Azerbaijani Manats	31 December 2018 / 1 January 2019
Total future minimum lease payments for non-cancellable* operating leases as at 31 December 2018	456,341
- Effect of discounting to present value	(20,249)
- Less short-term leases not recognised as a liability	(258,290)
Total lease liabilities recognised as at 1 January 2019	**177,802**
Of which are:	
Current lease liabilities	97,036
Non-current lease liabilities	80,766

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

In Azerbaijani Manats	Note	Impact of adopting IFRS 16
Increase in right-of-use assets	9	177,802
Increase in lease liabilities	9	177,802

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Company:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Company has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company does not expect impact of the amendments on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

7 Balances and Transactions with Related Parties

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

At 31 December 2019, the outstanding balances with related parties were as follows:

In Azerbaijani Manats	Shareholders	Entities under common control
Gross amount of trade receivables	3,765	29,003
Trade and other payables	698,830	2,677

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

In Azerbaijani Manats	Shareholders	Entities under common control
Revenue from services rendered	-	225,782
Materials and components used	-	131,852
Professional services fees	98,839	-
Repairs and maintenance services	5,678	-

At 31 December 2018, the outstanding balances with related parties were as follows:

In Azerbaijani Manats	Shareholders	Entities under common control
Gross amount of trade receivables	3,765	47,821
Trade and other payables	959,557	2,644

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

In Azerbaijani Manats	Shareholders	Entities under common control
Revenue from services rendered	3,191	163,250
Materials and components used	-	38,626
Professional services fees	597,276	-

Key management compensation. Key management includes General Director.

Key management compensation is presented below:

In Azerbaijani Manats	2019 Expense	2018 Expense
- Salaries	60,085	37,091
Total key management compensation	**60,085**	**37,091**

8 Property and Equipment

Movements in the carrying amount of property and equipment were as follows:

In Azerbaijani Manats	Note	Machinery and equipment	Computers and office equipment	Leasehold improvement	Total
Cost at 1 January 2018		385,500	11,201	149,905	546,606
Accumulated depreciation		(76,800)	(3,964)	(29,383)	(110,147)
Carrying amount at 1 January 2018		**308,700**	**7,237**	**120,522**	**436,459**
Additions		4,265	14,111	-	18,376
Depreciation charge	16,17	(76,800)	(2,240)	(60,261)	(139,301)
Carrying amount at 31 December 2018		**236,165**	**19,108**	**60,261**	**315,534**
Cost at 1 January 2019		389,765	25,312	149,905	564,982
Accumulated depreciation		(153,600)	(6,204)	(89,644)	(249,448)
Carrying amount at 1 January 2019		**236,165**	**19,108**	**60,261**	**315,534**
Additions		23,985	27,709	-	51,694
Depreciation charge	16,17	(72,728)	(13,232)	(60,261)	(146,221)
Carrying amount at 31 December 2019		**187,422**	**33,585**	**-**	**221,007**
Cost at 31 December 2019		413,750	53,021	149,905	616,676
Accumulated depreciation		(226,328)	(19,436)	(149,905)	(395,669)
Carrying amount at 31 December 2019		**187,422**	**33,585**	**-**	**221,007**

9 Right-of-Use Assets and Lease Liabilities

The Company leases apartments, warehouse and vehicles. Rental contracts are typically made for fixed periods of 12 months, but may have extension options as described below.

Until 31 December 2018 leases of property and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company.

In Azerbaijani Manats	Note	Apartments	Vehicles	Total
Carrying amount at 1 January 2019		**-**	**177,802**	**177,802**
Additions		29,249	-	29,249
Depreciation charge	16,17	(13,989)	(101,601)	(115,590)
Carrying amount at 31 December 2019		**15,260**	**76,201**	**91,461**

9 Right-of-Use Assets and Lease Liabilities (Continued)

The Company recognised lease liabilities as follows:

In Azerbaijani Manats	31 December 2019	1 January 2019
Current lease liabilities	96,858	97,036
Non-current lease liabilities	-	80,766
Total lease liabilities	**96,858**	**177,802**

Interest expense included in finance costs of 2019 was AZN 18,711.

Expenses relating to short-term leases (included in cost of sales and general and administrative expenses):

In Azerbaijani Manats	2019
Expense relating to short-term leases	267,616

Total cash outflow for leases in 2019 was AZN 128,905.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

10 Trade and Other Receivables

In Azerbaijani Manats	2019	2018
Trade receivables	1,170,096	762,192
Less credit loss allowance	(31,086)	-
Total financial assets within trade and other receivables	**1,139,010**	**762,192**
VAT recoverable	22,921	2,755
Total trade and other receivables at 31 December	**1,161,931**	**764,947**

Trade receivables of AZN 194,199 (2018: AZN 223,620) net of credit loss allowance are denominated in foreign currency, mainly.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2018 respectively. On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables from customers. The expected credit losses are calculated as the difference between the expected future cash flows and the present value of expected cash flows discounted by the asset's refinancing rate.

10 Trade and Other Receivables (Continued)

In Azerbaijani Manats	31 December 2019 Gross carrying amount	31 December 2019 Gross carrying amount
Trade receivables		
- current	387,667	327,607
- less than 30 days overdue	436,007	306,342
- 30 to 60 days overdue	160,803	77,202
- 61 to 90 days overdue	15,655	12,303
- 91 to 180 days overdue	137,381	14,336
- 181 to 360 days overdue	20,941	15,573
- over 360 days overdue	11,642	8,829
Less credit loss allowance	(31,086)	-
Net carrying value	**1,139,010**	**762,192**

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between the beginning and the end of the annual period:

In Azerbaijani Manats	2019	2018
Allowance for credit losses on trade receivables at 1 January	-	-
New originated	31,086	-
Total credit loss allowance charge in profit or loss for the period	31,086	-
Allowance for credit losses on trade receivables at 31 December	**31,086**	-

11 Prepayments

In Azerbaijani Manats	2019	2018
Advances to suppliers	43,475	49,919
Prepayment for other taxes	-	18,338
Prepayment for profit tax	-	101,895
Total prepayments	**43,475**	**170,152**

12 Cash and Cash Equivalents

In Azerbaijani Manats	2019	2018
Bank balances payable on demand	462,281	207,253
Total cash and cash equivalents at 31 December	**462,281**	**207,253**

12 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2019. Refer to Note 20 for the description of the Company's credit risk grading system.

In Azerbaijani Manats	**Bank balances payable on demand**
- Good	462,281
Total cash and cash equivalents, excluding cash on hand	**462,281**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2018. Refer to Note 20 for the description of the Company's credit risk grading system.

In Azerbaijani Manats	**Bank balances payable on demand**
- Good	207,253
Total cash and cash equivalents, excluding cash on hand	**207,253**

13 Share Capital

The total authorised number of ordinary shares is 100 shares (2018: 100 shares) with a par value of AZN 1 per share (2018: AZN 1 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The structure of the share capital is presented in Note 1.

14 Trade and Other Payables

In Azerbaijani Manats	**2019**	**2018**
Trade payables	894,423	1,007,306
Total financial payables within trade and other payables at AC	**894,423**	**1,007,306**
Accrued employee benefit costs	148,667	61,448
Taxes other than income tax payable	65,772	-
Total other payables	***214,439***	***61,448***
Trade and other payables at 31 December	**1,108,862**	**1,068,754**

Refer to Note 22 for disclosure of the fair value of each class of other financial liabilities.

15 Revenue from Contracts with Customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

In Azerbaijani Manats	2019	2018
Valve repair and maintenance services	4,392,205	3,317,455
Sale of goods	5,582	5,790
Total revenue from contracts with customers	**4,397,787**	**3,323,245**

Revenue from provision of services is mainly generated from providing of valve maintenance, valve facility management and valve stock management services to British Petroleum (BP) in Azerbaijan. The contract with BP was signed in October 2015 for five years. This service line represents valve repair and maintenance services provided mainly to "Azerbaijan International Operating Company", and "BP Exploration (Shah Deniz) Limited".

Timing of revenue recognition (for each revenue stream) is as follows:

In Azerbaijani Manats	2019	2018
At a point in time	5,582	5,790
Over time	4,392,205	3,317,455
Total revenue from contracts with customers	**4,397,787**	**3,323,245**

16 Cost of Sales

In Azerbaijani Manats	2019	2018
Labor cost	2,359,940	1,605,874
Rent expenses	267,616	308,485
Materials and components used	257,299	82,760
Subcontracting costs	162,620	600,299
Depreciation	142,381	137,061
Other	182,835	157,148
Total cost of sales and services	**3,372,691**	**2,891,627**

Included in labor costs are statutory pension contributions of 280,171 AZN (2018: 217,699 AZN).

17 Administrative and Other Operating Expenses

In Azerbaijani Manats	2019	2018
Staff Cost	166,065	134,446
Depreciation and amortisation	120,800	4,386
Business trip expenses	95,631	82,956
Insurance	65,232	70,100
Net impairment losses on financial assets	31,086	-
Bank charges	26,005	25,065
Professional services fees	17,100	17,000
Other expenses	5,039	31,126
Total general and administrative expenses	**526,958**	**365,079**

Included in staff costs are statutory pension contributions of 30,502 AZN (2018: 24,173 AZN).

18 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense recorded in profit or loss comprises the following:

In Azerbaijani Manats	2019	2018
Current tax	171,275	8,068
Deferred tax	(31,333)	31,829
Income tax expense for the year	**139,942**	**39,897**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Company's 2019 and 2018 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In Azerbaijani Manats	2019	2018
Profit before tax	**509,668**	**59,953**
Theoretical tax charge at statutory rate of 20%:	101,934	11,991
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	38,008	27,906
Income tax expense for the year	**139,942**	**39,897**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Azerbaijan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In Azerbaijani Manats	31 December 2018	Charged/ (credited) to profit or loss	31 December 2019
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Difference between tax and accounting value of Property and equipment (different tax depreciation)	(11,425)	15,477	4,052
Trade and other receivables	(704)	-	(704)
Trade and other payables	17,999	14,776	32,775
Lease liabilities	-	(22,038)	(22,038)
Right-of-use assets	-	23,118	23,118
Net deferred tax asset	**5,870**	**31,333**	**37,203**
Recognised deferred tax asset	17,999	41,946	59,945
Recognised deferred tax liability	(12,129)	(10,613)	(22,742)
Net deferred tax asset	**5,870**	**31,333**	**37,203**

18 Income Taxes (Continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2018 are:

In Azerbaijani Manats	1 January 2018	Charged/ (credited) to profit or loss	31 December 2018
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards			
Difference between tax and accounting value of Property and equipment (different tax depreciation)	(25,407)	13,982	(11,425)
Trade and other receivables	(132,877)	132,173	(704)
Trade and other payables	195,983	(177,984)	17,999
Net deferred tax asset/(liability)	**37,699**	**(31,829)**	**5,870**
Recognised deferred tax asset	195,983	(177,984)	17,999
Recognised deferred tax liability	(158,284)	146,155	(12,129)
Net deferred tax asset/(liability)	**37,699**	**(31,829)**	**5,870**

19 Contingencies and Commitments

Legal proceedings. During the period ended 31 December 2019, the Company was not involved in any legal proceedings and no legal claims were brought against the Company.

Tax contingencies. The taxation system in Azerbaijan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decision, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various level of authorities, which have authority to impose severe fines and penalty interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Azerbaijan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Operating lease commitments. Where the Company was the lessee, the future minimum lease payments under non-cancellable operating leases were as follows at 31 December 2018:

In Azerbaijani Manats	2018
Not later than 1 year	258,290
Later than 1 year and not later than 5 years	198,051
Total operating lease commitments at 31 December 2018	**456,341**

20 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

20 Financial Risk Management (Continued)

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

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

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Company applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	1 – 6	AAA to BB+	0,01% – 0,5%
Good	7 – 14	BB to B+	0,51% – 3%
Satisfactory	15 – 21	B, B-	3% – 10%
Special monitoring	22 – 25	CCC+ to CC-	10% – 99,9%
Default	26 – 30	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

The rating models are regularly reviewed by management, backtested on actual default data and updated, if necessary. Despite the method used, the Company regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Expected credit loss (ECL) measurement. The Company's trade receivables are primarily consisting of: a) receivables from sale of goods; and b) receivables from rendering of services.

20 Financial Risk Management (Continued)

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2018 respectively. On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables from customers. The expected credit losses are calculated as the difference between the expected future cash flows and the present value of expected cash flows discounted by the asset's refinancing rate.

Staging

For account receivable portfolio, IFRS 9 allows to use practical expedient by classifying such non-defaulted assets to stage 2 and not to perform staging process. Therefore, receivables are classified to either Stage 3 (when the conditions of default are met) or Stage 2 (when a given asset may be treated as non-defaulted) and thus always provisioned in lifetime perspective.

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Forward-looking approach for simplified approach for trade receivables. Due dates for trade receivables of the Company are short-term. The long-term macroeconomic development does not play significant role in shaping risk profile in the segments. Therefore, no forward-looking adjustment is implemented for accounts receivables.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2019			At 31 December 2018		
In Azerbaijani Manats	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
Azerbaijani Manats	1,074,290	599,388	474,902	629,965	651,558	(21,593)
Pound Sterling	525,971	979	524,992	317,412	2,644	314,768
Euros	-	389,216	(389,216)	22,068	353,104	(331,036)
US Dollars	1,030	1,698	(668)	-	-	-
Total	**1,601,291**	**991,281**	**610,010**	**969,445**	**1,007,306**	**(37,861)**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

20 Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

	At 31 December 2019	At 31 December 2018
In Azerbaijani Manats	Impact on profit or loss	Impact on profit or loss
Pound Sterling strengthening by 20% (2018: strengthening by [20]%)	104,998	62,954
Pound Sterling weakening by 20% (2018: weakening by [20]%)	(104,998)	(62,954)
Euro strengthening by 20% (2018: strengthening by [20]%)	(77,843)	(66,207)
Euro weakening by 20% (2018: weakening by [20]%)	77,843	66,207
US Dollar strengthening by 20% (2018: strengthening by [30]%)	(134)	-
US Dollar weakening by 20% (2018: weakening by [30]%)	134	-
Total	-	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Company.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In Azerbaijani Manats	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Total
31 December 2019				
Total financial assets	1,601,291	-	-	1,601,291
Total financial liabilities	(904,311)	(20,074)	(66,896)	(991,281)
Net interest sensitivity gap at 31 December 2019	**696,980**	**(20,074)**	**(66,896)**	**610,010**
31 December 2018				
Total financial assets	969,445	-	-	969,445
Total financial liabilities	(1,007,306)	-	-	(1,007,306)
Net interest sensitivity gap at 31 December 2018	**(37,861)**	**-**	**-**	**(37,861)**

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

The Company seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables. The Company invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Company's liquidity portfolio comprises cash and cash equivalents (Note 12).

20 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

In Azerbaijani Manats	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Lease liabilities (Note 9)	10,861	21,722	68,028	100,611
Trade payables (Note 14)	894,423	-	-	894,423
Total future payments, including future principal and interest payments	**905,284**	**21,722**	**68,028**	**995,034**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In Azerbaijani Manats	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Liabilities				
Trade payables (Note 14)	1,007,306	-	-	1,007,306
Total future payments, including future principal and interest payments	**1,007,306**	**-**	**-**	**1,007,306**

21 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2019 was AZN 774 thousand (2018: AZN 404 thousand).

22 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

22 Fair Value Disclosures (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31-Dec-19			31-Dec-18		
In Azerbaijani Manats	Level 1 fair value	Level 2 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Carrying value
Assets						
Financial assets at AC						
- Cash and cash equivalents	462,281	-	462,281	207,253	-	207,253
- Trade receivables	-	1,161,931	1,161,931	-	764,947	764,947
Total Assets	**462,281**	**1,161,931**	**1,624,212**	**207,253**	**764,947**	**972,200**

	31-Dec-19		31-Dec-18	
In Azerbaijani Manats	Level 2 fair value	Carrying value	Level 2 fair value	Carrying value
LIABILITIES				
- Trade payables	1,108,862	1,108,862	1,068,754	1,068,754
- Lease liabilities	96,858	96,858	-	-
Total LIABILITIES	**1,205,720**	**1,205,720**	**1,068,754**	**1,068,754**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique.

23 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition. In addition, finance lease receivables form a separate category.

As of 31 December 2019 and 31 December 2018, all of the Company's financial assets and liabilities were carried at AC.

24 Events after the Reporting Period

COVID -19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world, including Azerbaijan, causing disruptions to business and economic activity. The Company has considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the Company. As the situation is fluid and rapidly evolving, the management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The Company considers that the outbreak is a non-adjusting post balance sheet event that does not impact the measurement of assets and liabilities in the financial statements as of 31 December 2019. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Company's IFRS 9 estimates of expected credit loss provisions in 2020. During the subsequent period, no agreements have been suspended and no changes have been made in the agreements' terms. There is no significant deterioration in the collection of receivables. As the oil and gas industry is the leading sector in Azerbaijan, there are no restrictions during the pandemic period. The Company is working at full capacity.

Change in shareholding structure

On January 31, 2020, Nobel Oil Services (UK) Limited which is the Parent Company of "Global Energy Solutions" LLC (one of the shareholders of "GVL" LLC) purchased the shares of Denholm ValveCare Limited (the other shareholder of "GVL" LLC).

25 Accounting Policies for Leases before 1 January 2019

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, *Leases*, are as follows.

Operating leases. Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Operating leases include leases of apartments, warehouse and vehicles.