GVL LIMITED LIABILITY COMPANY

Financial Statements
For the Year Ended December 31, 2016

"GVL" LIMITED LIABILITY COMPANY

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016	1
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016:	
Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8-23

"GVL" LIMITED LIABILITY COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Management is responsible for the preparation of the financial statements that present fairly the financial position of "GVL" Limited Liability Company as at December 31, 2016, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

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

The financial statements of the Company for the year ended December 31, 2016 were approved by management on November 21, 2017.

On behalf of the Management:

Mr. Tamerlan Aliyev

General Director
Baku, the Republic of Azerbaijan

November 21, 2017

Mr. Elman Bakhishov

Senior Accountant
Baku, the Republic of Azerbaijan

November 21, 2017

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and management of GVL Limited Liability Company

Opinion

We have audited the financial statements of GVL LLC (the "Company"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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.

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 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 financial statements.

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

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

Deloitte + Touche

November 21, 2017

Baku, the Republic of Azerbaijan

"GVL" LIMITED LIABILITY COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(in Azerbaijani Manats)

	Notes	Year ended December 31, 2016	Period ended December 31, 2015
REVENUE			
Provision of services	6	2,670,723	617,753
Rental income		41,739	-
Other income		203,155	39,112
Total revenue and other income		**2,915,617**	**656,865**
EXPENSES			
Operating expenses	7	(2,386,664)	(352,040)
General and administrative expenses		(214,390)	(27,793)
Foreign exchange loss, net		(44,237)	(37,720)
Interest expense		(6,638)	-
Depreciation and amortization		(9,525)	(1,316)
Profit before income tax		**254,163**	**237,996**
Income tax expense	8	(58,477)	(53,036)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**195,686**	**184,960**

The accompanying notes on pages 8-23 form an integral part of these financial statements.

On behalf of the Management:

Mr. Tamerlan Aliyev
General Director
Baku, the Republic of Azerbaijan

November 21, 2017

Mr. Elman Bakhishov
Senior Accountant
Baku, the Republic of Azerbaijan

November 21, 2017

"GVL" LIMITED LIABILITY COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(in Azerbaijani Manats)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets			
Property and equipment	10	520,554	5,262
Intangible assets		4,527	-
Total non-current assets		**525,081**	**5,262**
Current assets			
Trade and other receivables	11	1,311,494	658,758
Prepayments	12	156,860	10,461
Cash and cash equivalents		60,821	82
Total current assets		**1,529,175**	**669,301**
TOTAL ASSETS		**2,054,256**	**674,563**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	100	100
Retained earnings		380,646	184,960
Total equity		**380,746**	**185,060**
Non-current liabilities			
Loans from banks	14	287,923	-
Deferred tax liability	9	33,178	53,036
Total non-current liabilities		**321,101**	**53,036**
Current liabilities			
Trade and other payables	15	1,338,252	286,462
Taxes other than income tax payable		14,157	25,505
Shareholder related payables	16,18	-	124,500
Total current liabilities		**1,352,409**	**436,467**
Total liabilities		**1,673,510**	**489,503**
TOTAL EQUITY AND LIABILITIES		**2,054,256**	**674,563**

The accompanying notes on pages 8-23 form an integral part of these financial statements.

On behalf of the Management:

Mr. Tamerlan Aliyev
General Director
Baku, the Republic of Azerbaijan
November 21, 2017

Mr. Elman Bakhishov
Senior Accountant
Baku, the Republic of Azerbaijan
November 21, 2017

"GVL" LIMITED LIABILITY COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(in Azerbaijani Manats)

	Share capital	Retained earnings	Total
Balance at September 18, 2015 (inception)	-	-	-
Share capital issue	100	-	**100**
Total comprehensive income for the period	-	184,960	**184,960**
Balance at December 31, 2015	**100**	**184,960**	**185,060**
Total comprehensive income for the year	-	195,686	**195,686**
Balance at December 31, 2016	**100**	**380,646**	**380,746**

The accompanying notes on pages 8-23 form an integral part of these financial statements.

On behalf of the Management:

Mr. Tamerlan Aliyev

General Director
Baku, the Republic of Azerbaijan

November 21, 2017

Mr. Elman Bakhishov

Senior Accountant
Baku, the Republic of Azerbaijan

November 21, 2017

"GVL" LIMITED LIABILITY COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(in Azerbaijani Manats)

	Year ended December 31, 2016	Period ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	195,686	184,960
Adjustments for:		
Income tax expense	58,477	53,036
Depreciation and amortization	9,525	1,316
Foreign exchange loss, net	44,237	37,720
Interest expense	6,638	-
	314,563	**277,032**
Movement in working capital:		
Increase in trade and other receivables	(642,557)	(658,758)
Increase in prepayments	(93,189)	(10,461)
Increase in trade and other payables	1,001,097	248,717
(Decrease)/Increase in taxes other than income tax payable	(11,348)	25,505
Net cash flows from operations	568,566	(117,965)
Income tax paid	(131,545)	-
Interest paid	(5,974)	-
Net cash generated by/(used in) operating activities	**431,047**	**(117,965)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(524,430)	(6,578)
Acquisition of intangible assets	(4,914)	-
Net cash used in investing activities	**(529,344)**	**(6,578)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loans	287,259	-
(Payment of)/proceeds from shareholder related payables	(124,500)	124,500
Proceeds from issue of share capital	-	100
Net cash generated from financing activities	**162,759**	**124,600**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**64,462**	**57**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**82**	
Effect of foreign exchange rate changes	(3,723)	25
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**60,821**	**82**

The accompanying notes on pages 8-23 form an integral part of these financial statements.

On behalf of the Management:

Mr. Tamerlan Aliyev
General Director
Baku, the Republic of Azerbaijan
November 21, 2017

Mr. Elman Bakhishov
Senior Accountant
Baku, the Republic of Azerbaijan
November 21, 2017

1. ORGANIZATION AND OPERATIONS

"GVL" Limited Liability Company (the "Company") was registered 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 a limited liability company under the laws of the Republic of Azerbaijan.

Principal activity

The principal activities of the Company involve provision of technical support services relating to valves repair, maintenance and stock management in the oil & gas industry.

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, 2016 %	December 31, 2015 %
Global Energy Solutions LLC	51	51
Denholm Valvecare (UK) Limited	49	49
Total	**100**	**100**

Registered address and place of business

The Company's registered legal address:
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

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

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

These financial statements are presented in Azerbaijan Manats ("AZN"), unless otherwise indicated.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency and the Company's presentation currency, is the Azerbaijani Manat ("AZN").

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed to the customers.

Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Compensation and employee benefit costs

Remuneration to employees in respect of services rendered during the reporting period, including accruals for unused vacation and bonuses and payroll taxes, is recognised as an expense in the period in which it is incurred.

In accordance with the requirements of the Republic of Azerbaijan legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the pension fund of the Republic of Azerbaijan. This expense is charged to the statement of comprehensive income in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension fund. The Company does not have any pension arrangements separate from the state pension system of the Republic of Azerbaijan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which of those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Operating taxes

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

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and recognised impairment loss, if any. Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives.

Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Machinery and equipment	20%
Motor vehicles	20%
Computers and office equipment	20%

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in-use. In assessing value in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Prepayments

Prepayments are carried at cost less accumulated impairment losses. 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. 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 period.

Provisions and contingencies

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at each reporting date, 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).

Contingencies

Contingent liabilities attributable to specific events are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the statement of financial position but are disclosed when an inflow of economic benefits is probable.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in transit, cash deposits with banks with original maturities of three months or less and petty cash.

Financial assets

Financial assets of the Company are classified as cash and cash equivalents and trade receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (other than financial guarantee), including trade and other payables are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[2];
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[2];
- IFRS 16 *Leases*[3];
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*[2];
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4];
- Amendments to IAS 7 – *Disclosure Initiative*[1];
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*[1];
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[2];
- Amendments to IAS 40 – *Transfers of Investment Property*[2];
- Annual Improvements to IFRSs 2012-2014 Cycle[1].

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard introduces five-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when or as performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management is still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the management completes the detailed review. The management does not intend to early apply the standard and intend to use the full retrospective method upon adoption.

The management does not anticipate that the application of other Standards and Interpretations listed above will have a material impact on the Company's financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities and recognize amounts of income and expenses that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations indicated below, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Taxation

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful receivables

Trade receivables, prepayments and other receivables are stated at their net realizable value after deducting the Company's best estimate of probable credit losses related to these assets. In estimating the level of probable credit losses, management considers a number of factors, including current overall economic conditions, industry-specific economic conditions and historical and anticipated customer performance.

Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of any additional allowances for doubtful accounts that may be required. This may have a negative impact on the financial results if additional losses occur that were not anticipated in prior periods.

6. PROVISION OF SERVICES

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 Co., (BP Exploration Shah Deniz) Limited and The Baku-Tbilisi-Ceyhan Pipeline Co.

7. OPERATING EXPENSES

	Year ended December 31, 2016	Period ended December 31, 2015
Contractor services	(1,049,516)	(172,337)
Staff costs	(966,282)	(150,039)
Rent expenses	(197,328)	(7,500)
Insurance expenses	(50,854)	(5,108)
Raw materials and consumables used	(33,024)	(4,543)
Other	(89,660)	(12,513)
Total Operating expenses	**(2,386,664)**	**(352,040)**

Operating expenses mainly consist of contractor services and staff costs. During 2016, contractor services was mainly provided by subcontractor Denholm Valvecare LTD.

8. INCOME TAX EXPENSE

	Year ended December 31, 2016	Period ended December 31, 2015
Current income tax expense	78,335	-
Deferred tax (credit)/expense	(19,858)	53,036
Total income tax expense	**58,477**	**53,036**

The income tax expense for the year calculated at Azerbaijani statutory income tax rate of 20% can be reconciled to the accounting profit as follows:

	Year ended December 31, 2016	Period ended December 31, 2015
Profit before tax	254,163	237,996
Income tax expense calculated at 20%	(50,833)	(47,599)
Effect of non-deductible expenses, net	(7,644)	(5,437)
Income tax expense recognized in profit or loss	**(58,477)**	**(53,036)**

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2016		December 31, 2015	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Trade and other receivables	-	(257,282)	-	(131,373)
Property and equipment	1,475	-	131	-
Trade and other payables	230,917	-	54,813	-
Loans with banks	133	-	-	-
Tax losses carried forward	-	-	23,393	-
Total deferred tax asset/(liability)	**232,525**	**(257,282)**	**78,337**	**(131,373)**

Movement in temporary differences during the respective years is as follows:

	December 31, 2016	Recognised in profit or loss	December 31, 2015
Property and equipment	1,475	1,344	131
Trade and other receivables	(265,703)	(134,330)	(131,373)
Trade and other payables	230,917	176,104	54,813
Loans from banks	133	133	-
Tax losses carried forward	-	(23,393)	23,393
Total deferred tax liability	**(33,178)**	**19,858**	**(53,036)**

	December 31, 2015	Recognised in profit or loss	September 18, 2015
Property and equipment	131	131	-
Trade and other receivables	(131,373)	(131,373)	-
Trade and other payables	54,813	54,813	-
Tax losses carried forward	23,393	23,393	-
Total deferred tax liability	**(53,036)**	**(53,036)**	**-**

10. PROPERTY AND EQUIPMENT

	Machinery and equipment	Computers and office equipment	Construction in progress	Total
Cost				
Balance at September 18, 2015	-	-	-	-
Additions	-	6,578	-	6,578
Balance at December 31, 2015	-	**6,578**	-	**6,578**
Additions	386,353	3,548	134,529	524,430
Balance at December 31, 2016	**386,353**	**10,126**	**134,529**	**531,008**
Accumulated depreciation				
Balance at September 18, 2015	-	-	-	-
Depreciation charge for the year	-	(1,316)	-	(1,316)
Balance at December 31, 2015	-	**(1,316)**	-	**(1,316)**
Depreciation charge for the year	(7,376)	(1,762)	-	(9,138)
Balance at December 31, 2016	**(7,376)**	**(3,078)**	-	**(10,454)**
Net book value				
At December 31, 2016	**378,977**	**7,048**	**134,529**	**520,554**
At December 31, 2015	-	**5,262**	-	**5,262**

11. TRADE AND OTHER RECEIVABLES

	December 31, 2016	December 31, 2015
Trade receivables	1,286,408	656,865
Other receivables	25,086	1,893
Total trade and other receivables	**1,311,494**	**658,758**

Age of trade receivables is presented in the table below:

	December 31, 2016	December 31, 2015
Current and not impaired	249,399	217,467
Number of days past due but not impaired:		
1-30 days	926,169	225,871
31-60 days	107,287	213,527
61-90 days	3,553	-
Total trade receivables	**1,286,408**	**656,865**

The Company did not recognize an allowance for doubtful debts, since the management considered all amounts as fully collectible. The Company performs ongoing assessment of the collectability of trade receivables. The credit period is determined for each customer individually. No interest is charged on trade receivables.

12. PREPAYMENTS

	December 31, 2016	December 31, 2015
Prepayment for other taxes	56,400	-
Prepayment for profit tax	53,210	-
Prepaid expenses	42,103	9,808
Advances to suppliers	5,147	653
Total prepayments	**156,860**	**10,461**

13. SHARE CAPITAL

The Company's share capital is comprised of 100 participation shares with a par value of AZN 1. Each share entitles one vote to the shareholder.

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

14. LOANS FROM BANKS

On August 25, 2016, the Company signed a credit line agreement with "Azer-Turk Bank" OJSC (registered in the Republic of Azerbaijan) for the total amount of up to AZN 400,000 and was secured by Global Energy Solutions LLC (shareholder). The borrowing bears an annual interest rate of 14% and was fully repaid during 2017. The outstanding balance of the utilized credit line and accrued interest payable as at December 31, 2016 amounted to AZN 287,923 (2015: nil).

15. TRADE AND OTHER PAYABLES

	December 31, 2016	December 31, 2015
Trade payables	1,315,812	246,179
Accrued expenses and other creditors	22,440	40,283
Total trade and other payables	**1,338,252**	**286,462**

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital management

The Company's capital has been managed by the shareholders to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt or equity balance.

The capital structure of the Company is comprised of equity and shareholder related payables.

Categories of financial instruments

The Company's principal financial liabilities comprise shareholder related payables and trade and other payables. Financial assets are represented by trade and other receivables and bank balances. All financial instruments held by the Company are recorded at amortised cost.

The carrying amounts of the Company's financial instruments as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Financial assets		
Trade receivables	1,286,408	656,865
Cash and cash equivalents	60,821	82
Total financial assets	**1,347,229**	**656,947**
Financial liabilities		
Loans from banks	287,923	-
Shareholder related payables	-	124,500
Trade payables	1,315,812	246,179
Total financial liabilities	**1,603,735**	**370,679**

The main risks arising from the Company's financial instruments are credit and liquidity risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets which are potentially subject to concentration of credit risk principally consist of trade and other receivables and cash and cash equivalents reduced by the amount of petty cash.

Apart from British Petroleum plc, the largest customer of the Company (see below and refer to Notes 11), the Company does not have significant credit risk exposure to any single counterparty.

The maximum exposure to credit risk at December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Trade receivables	1,286,408	656,865
Cash and cash equivalents	60,821	82
Total financial assets	**1,347,229**	**656,947**

The Company has not experienced any credit losses with respect to its other receivables due from related parties, trade and other receivables and current bank accounts and management believes that there is no impairment in receivables from related parties, trade and other receivables and current banks accounts.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the director, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. The undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

December 31, 2016	Carrying amount	Contractual cash flows less than 12 months
Non-derivative financial liabilities		
Loans from banks	287,923	287,923
Trade and other payables	1,338,252	1,338,252
Total non-derivative financial liabilities	**1,626,175**	**1,626,175**

December 31, 2015	Carrying amount	Contractual cash flows less than 12 months
Non-derivative financial liabilities		
Shareholder related payables	124,500	124,500
Trade and other payables	286,462	286,462
Total non-derivative financial liabilities	**410,962**	**410,962**

Currency risk

The Company is exposed to currency risk on sales, purchases and cash and cash equivalents that are denominated in currencies other than AZN. The currencies in which these transactions primarily denominated are Euro (EUR) and Great Britain Pound (GBP).

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

EUR-denominated	December 31, 2016	December 31, 2015
Trade and other payables	(567,305)	(163,442)
Net exposure	**(567,305)**	**(163,442)**

GBP-denominated	December 31, 2016	December 31, 2015
Trade and other receivables	350,417	-
Trade and other payables	(384,225)	-
Net exposure	**(33,808)**	**-**

The following exchange rates applied at year end:

	December 31, 2016	December 31, 2015
AZN / 1 EUR	1.8644	1.7046
AZN / 1 GBP	2.1745	2.3133

Sensitivity analysis

A weakening of the AZN, as indicated below, against EUR and GBP at December 31, 2016 and 2015 would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	December 31, 2016	December 31, 2015
AZN / EUR 35% weakening (2015: 35% weakening)	(198,557)	(57,205)
AZN / GBP 35% weakening (2015: 35% weakening)	(11,833)	-

A strengthening of the AZN against foreign currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

17. CONTINGENCIES

Business environment

Emerging markets such as Azerbaijan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Azerbaijan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Azerbaijan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Azerbaijan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 the oil price decreased significantly. As a result, Azerbaijani Manat devalued against the US dollar and other major currencies. In December 2015, the Central Bank of the Republic of Azerbaijan announced the movement to a floating exchange rate. In January 2016, Standard & Poor's, international credit agency, has downgraded long-term and short-term foreign and national currency sovereign ratings.

These events resulted in the worsening of liquidity in the banking system and much tighter credit conditions. There continues to be uncertainty regarding economic growth, access to capital and cost of capital which could adversely affect the Company's future results and financial position and business prospects.

The Azerbaijani government announced plans to accelerate reforms and support the banking system in response to current economic challenges. The Company's management is taking measures to support the sustainability of the Company's business in the foreseeable future.

Legal proceedings

From time to time and in the normal course of business, claims against the Company are received from counterparties. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation

Commercial legislation of the Republic of Azerbaijan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on receivables, as an underestimation of the taxable profit. The management of the Company believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the current practice the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

18. RELATED PARTY TRANSACTIONS

Details of balances and transactions between the Company and related parties are disclosed below:

	December 31, 2016		December 31, 2015	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Shareholder related payables	-	-	124,500	124,500
Trade and other payables	1,259,851	1,338,252	210,081	286,462

Shareholder related payables represent financing provided by the ultimate shareholder. These payables are repayable on demand and bear no interest.

	Year ended December 31, 2016		Period ended December 31, 2015	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Purchase of property and equipment	256,505	524,430	-	6,578
Operating expenses	1,059,274	2,386,664	172,430	352,040

	Year ended December 31, 2016		Period ended December 31, 2015	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation:	74,664	1,131,663	4,410	175,724

19. EVENTS AFTER THE REPORTING PERIOD

No material subsequent events or transactions were occurred after the reporting period till the date of issuance of these financial statements.