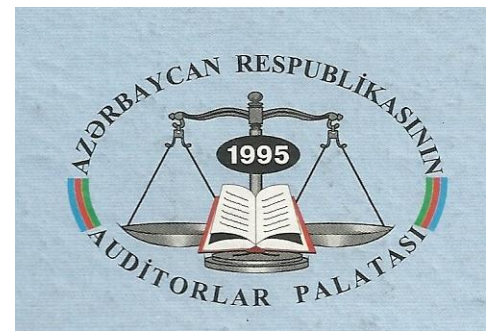


**2015**



# **Chamber of Auditors of the Republic of Azerbaijan (CAAR)**

## **Financial Statements and Independent Auditor's Report**

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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Chamber of Auditors of the Republic of Azerbaijan:

We have audited the accompanying financial statements of Chambers of Auditors of the Republic of Azerbaijan, which comprise the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating to overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

HLB Azerbaijan LLC

Baku, Republic of Azerbaijan  
29 February, 2016

**Global in Reach, Local in Touch**

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## Chambers of Auditors of the Republic of Azerbaijan – Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### Statement of Financial Performance

	Note	2015	2014
<b>Operation revenue</b>			
Membership dues, net		443,952	765,206
Training and examination fee		18,257	35,981
Grants and charitable		8,192	1,275
<b>Total operating revenue</b>		<b>470,401</b>	<b>802,462</b>
<b>Operating expenses</b>			
Employee costs		(242,232)	(438,930)
Travel and meeting costs		(12,907)	(31,838)
Communications and publicity		(35,584)	(57,682)
Printing and distribution		(14,161)	(2,358)
IT Support and office supplies		(12,999)	(24,870)
Bad debt expense		(1,824)	(7,382)
Depreciation and amortisation		(33,656)	(31,753)
Telephone and communications		(13,142)	(16,052)
Membership dues		(6,608)	(10,800)
Audit and consulting remuneration		(20,731)	(26,758)
Other operating expenses		21,021)	(53,460)
Bank charges		(2,185)	(4,114)
Interest expense		(285)	-
Conference expenses		-	(20,711)
Rent expenses		-	(3,824)
Losses of disposal fixed assets		-	-
<b>Total operating expenses</b>		<b>(417,335)</b>	<b>(730,532)</b>
Exchange rate differences		(13,191)	(137)
<b>Surplus /(deficit) for the year</b>		<b>39,875</b>	<b>71,795</b>

See accompanying notes to the financial statements.

**Vahid Novruzov – Chairman**

**Vali Rahimov – Head of Financial Department**

## Chambers of Auditors of the Republic of Azerbaijan – Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### Statements of Changes in Equity

	Note	2015	2014
<b>Equity at beginning of year</b>		<b>595,342</b>	<b>523,483</b>
Exchange differences		(295,878)	66
Surplus /(deficit) for the year		39,875	71,795
<b>Equity at end of year</b>		<b>339,339</b>	<b>595,344</b>

See accompanying notes to the financial statements.

**Vahid Novruzov – Chairman**

**Vali Rahimov – Head of Financial Department**

## Chambers of Auditors of the Republic of Azerbaijan – Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### Statement of Financial Position

	Note	2015	2014
<b>Current assets</b>			
Cash and short-terms deposits	4	30,162	127,686
Dues receivable, net	5	140,688	268,790
Inventory	7	33,132	15,126
Other receivables	6	16,746	53,609
Other current assets	8	18,086	35,018
<b>Total current assets</b>		<b>238,814</b>	<b>500,229</b>
<b>Non-current assets</b>			
Property, plant and equipment	3	129,890	109,130
Non-current receivables	9	10,028	19,935
<b>Total non-current assets</b>		<b>139,918</b>	<b>129,065</b>
<b>TOTAL ASSETS</b>		<b>378,372</b>	<b>629,294</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		4,533	1,118
Other liabilities	11	8,348	32,832
Tax payable	10	861	-
<b>Total current liabilities</b>		<b>39,393</b>	<b>33,950</b>
<b>TOTAL LIABILITIES</b>		<b>39,393</b>	<b>33,950</b>
<b>Equity</b>			
Chamber of Auditors members		339,339	595,344
<b>TOTAL EQUITY</b>		<b>339,339</b>	<b>595,344</b>
<b>TOTAL LIABILITY AND EQUITY</b>		<b>378,372</b>	<b>629,294</b>

See accompanying notes to the financial statements.

**Vahid Novruzov – Chairman**

**Vali Rahimov – Head of Financial Department**

## Chambers of Auditors of the Republic of Azerbaijan – Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### Statement of Cash Flows

	Note	2015	2014
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Membership dues		427,013	754,015
Publications		7,283	-
Other receipts		10,812	35,981
		<b>445,108</b>	<b>789,996</b>
<i>Cash was disbursed to:</i>			
Employee costs		(251,576)	(474,439)
Other payments		(143,216)	(245,576)
		<b>(394,792)</b>	<b>(720,015)</b>
<b>Net cash inflow from operating activities</b>	15	<b>50,316</b>	<b>69,980</b>
<b>Cash from investing activities</b>			
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		(133,452)	(77,171)
<b>Net cash outflow from investing activities</b>		<b>(133,452)</b>	<b>(77,171)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from:</i>			
Short term bank loans		34,133	
Charitable endowments		8,192	1,275
<i>Cash was applied to:</i>			
Short term bank loans			
Charitable endowments		(4,513)	(1,275)
<b>Net cash outflows from financing activities</b>		<b>37,811</b>	<b>-</b>
<b>Net increase/decrease in cash</b>		<b>(45,325)</b>	<b>(7,191)</b>
Cash and cash equivalents at beginning of year	4	<b>127,686</b>	<b>135,001</b>
Effect of exchange rate change on foreign currency balance		(52,199)	(124)
<b>Balance of cash and cash equivalents at end of year</b>	4	<b>30,162</b>	<b>127,686</b>

See accompanying notes to the financial statements.

**Vahid Novruzov – Chairman**

**Vali Rahimov – Head of Financial Department**

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

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### Notes to the Financial Statements

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#### 1. Statement of Accounting Policies

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##### Basis of Preparation

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The Chamber of Auditors of the Republic of Azerbaijan's financial statements have been prepared in accordance with International Public Sector Accounting Standards. Where an International Public Sector Accounting Standard does not address a particular issue, the appropriate International Financial Reporting Standard/International Accounting Standards has been applied.

The preparation of financial statements in conformity with generally accepted accounting practices requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates were based on management's best knowledge of current events and actions, accrual results ultimately may differ from those estimates.

The national currency of the Republic of Azerbaijan is the Manat.

For the purpose of presenting additional information in US dollars, all items in the financial statements have been translated into US dollars at the closing rate of official exchange ruling of CBAR at the statement of financial position date of December 31, 2013.

The financial statements are prepared in United States dollars (USD).

##### Measurement Base

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The accounting principles recognised as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost were followed in the preparation of the financial statements.

##### Accounting policies

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The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

##### Revenue Recognition

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###### *Membership dues revenue*

Chambers of Auditors of the Republic of Azerbaijan recognised membership dues on a calendar basis. Dues are payable by the member body on receipt of an invoice in March for each respective year. Membership dues revenue were reported net of any approved discounts. The sum of a membership dues of members of Chamber is differentiated depending on the organizational form of members of Chamber. Membership dues make:

- for local independent auditors – 3,545 USD or 2,783 AZN (2014- 3,545 USD or 2,783 AZN),
- for the local audit companies – 7,245 USD or 5,693 AZN (2014- 7,245 USD or 5,693 AZN),
- for the branches and representatives of foreign audit companies in Republic of Azerbaijan 29,005 USD or 22,770 AZN (2014- 29,005 USD or 22,770 AZN),
- for the foreign auditor companies and members of networks 6,400 USD or 7,500 AZN (2014 – 14,645 USD or 11,500 AZN).



## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

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### *Publications revenue*

Revenue from sales of printed subscriptions were recognised when the publications were shipped.

### **Accounts Receivable**

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Accounts receivable were recorded at their estimated realisable value after providing for doubtful debts.

### **Employee Entitlements**

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Employee entitlements to salary, wages, annual leave, pension costs, and other benefits were recognised when they were accrued to employees. Annual leave has been calculated on an actual entitlement basis at current rates of pay.

Furthermore, Chamber of Auditors of the Republic of Azerbaijan pays into the Azerbaijan state social security fund an amount of 22% of each employee's wage. These amounts are expensed as they are accrued.

### **Property, plant and equipment**

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#### *Property, plant and equipment*

Items of property, plant and equipment are stated at their purchase price or production cost less accumulated depreciation and impairment losses. Production cost for self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

#### *Depreciation*

Depreciation is provided on a straight line basis over periods related to the estimated useful economic lives of assets and depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The assets are depreciated using the tax allowable depreciation rates. The depreciation rates used for the major categories of assets are within the following ranges:

- Buildings - 20 year or 7%
- Office equipment - 5 - 8 years or 25%
- Furniture and fittings - 10 year or 20%
- Vehicles - 10 year or 25%

Maintenance and repair expenses on buildings and equipment incurred on renewal or conservation are recognised as expenses in the period in which they were incurred. Major maintenance and repair expenses are recorded as deferred expenses or written off as part of the reserve for fixed assets repair.

For operational fixed assets, which are not used for operational purposes, a provision is created. At each balance sheet date this provision is revised for any movements.

### **Foreign currency**

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Transactions in foreign currencies translated to United States currency at the approximate rates of exchange at the date of the transaction. Assets and liabilities at the balance date, denominated in foreign currencies, translated at the rates of exchange prevailing at the date. The resulting gains or losses recognised in the statement of financial performance.

## **Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements**

For the year ended December 31, 2015

Amount in US Dollars

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### **Taxation**

Income tax on the profit or loss for the year comprises current tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity. The Chambers of Auditors of the Republic of Azerbaijan is simple taxpayer in accordance with the Tax Code section XVII of Azerbaijan Republic and tax rate is 4% of the revenue.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for in respect of the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Financial Instruments**

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Chambers of Auditors of the Republic of Azerbaijan used non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit and accounts receivable.

### **Statement of Cash Flows**

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The following are definitions of the terms used in the statement of cash flows:

- (a) Cash comprise cash in hand, current bank balances and short-term deposits that can be converted to cash within two working days.
- (b) Operation activities include all transactions and other events that are not investing or financing activities.
- (c) Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- (d) Financing activities are those activities that result in changes to the size and composition of Chambers of Auditors of the Republic of Azerbaijan's capital structure. This includes both equity and debt not falling within the definition of cash.

### **Changes in accounting policies**

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There have been no changes in accounting policies in the current year.

## **2. Chambers of Auditors of the Republic of Azerbaijan**

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Chamber of Auditors of the Republic of Azerbaijan is the independent financial body which is carrying out the organisation of state regulation and development of auditor service, protection of property rights of proprietors, interest of the state, managing subjects and auditors, the control over observance by independent auditors and the auditor organisations in the activity of the requirements following from act of the Republic of Azerbaijan.

The chamber has started to function on April 4, 1996.

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

**Objectives** - the organization of work of auditor service in republic and realization of measures on development and perfection of its activity according to the current legislation with a view of maintenance of exact and authentic conducting financial and book keeping in all managing subjects irrespective of a pattern of ownership.

**Functions** - gives out licenses to independent auditors and the auditor organizations; carries out the control over their work; prepares standards, instructions, recommendations and methodical instructions on carrying out of audit; spends repeated audits; gives out the auditor conclusions about reliability of an estimation of property of managing subjects at privatization and in connection with other purposes.

**Powers** - to check quality of the audit spent by independent auditors and the auditor organizations; to consider disputes of various character between independent auditors both the auditor organizations and their customers, to consider and solve complaints to actions of auditors; to render services to physical and legal persons in the field of auditor activity and on financial and economic attitudes; to solve other questions of auditor service entering into the competence of Chamber.

### 3. Property, plant and equipment

	Buildings	Office equipment	Furniture and Fittings	Vehicles	Other	Total
<b>Amount of fixed assets at December 31, 2013</b>	<b>38,598</b>	<b>44,507</b>	<b>36,616</b>	<b>154,900</b>	<b>7,206</b>	<b>281,827</b>
<b>Amounts of accumulated depreciation at December 31, 2013</b>	<b>(29,801)</b>	<b>(36,764)</b>	<b>(34,540)</b>	<b>(117,022)</b>	<b>-</b>	<b>(218,127)</b>
<b>Net book value at December 31, 2013</b>	<b>8,797</b>	<b>7,743</b>	<b>2,076</b>	<b>37,878</b>	<b>7,206</b>	<b>63,700</b>
• Additions	-	6,656	-	70,113	403	77,172
• Disposal	-	-	(4,771)	-	-	(4,771)
• Depreciation	(614)	(3,600)	(541)	(26,999)	-	(32,745)
• Depreciation on disposal	-	-	4,771	-	-	4,771
• Exchange rate effect	(5)	(6)	(4)	(24)	(1)	(40)
• Exchange adjustments	4	4	4	16	-	28
<b>Amount of fixed assets at December 31, 2014</b>	<b>38,603</b>	<b>51,169</b>	<b>31,849</b>	<b>225,037</b>	<b>7,610</b>	<b>354,268</b>
<b>Amounts of accumulated depreciation at December 31, 2014</b>	<b>(30,419)</b>	<b>(40,368)</b>	<b>(30,314)</b>	<b>(144,037)</b>	<b>-</b>	<b>(245,138)</b>
<b>Net book value at December 31, 2014</b>	<b>8,184</b>	<b>10,801</b>	<b>1,535</b>	<b>81,000</b>	<b>7,610</b>	<b>109,130</b>

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

	<b>Buildings</b>	<b>Office equipment</b>	<b>Furniture and Fittings</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
• Additions	87,262	1,050	-	45,140	-	133,452
• Disposal	-	-	-	-	-	-
• Depreciation	(6,491)	(2,069)	(257)	(24,839)	-	(33,656)
• Depreciation on disposal	-	-	-	-	-	-
• Exchange rate effect	40,869	25,691	15,829	123,057	3,782	209,228
• Exchange adjustments	(16,730)	(20,575)	(15,130)	(77,756)	-	(130,192)
<b>Amount of fixed assets at December 31, 2015</b>	<b>84,996</b>	<b>26,528</b>	<b>16,020</b>	<b>147,120</b>	<b>3,828</b>	<b>278,492</b>
<b>Amounts of accumulated depreciation at December 31, 2015</b>	<b>(20,180)</b>	<b>(21,861)</b>	<b>(15,441)</b>	<b>(91,120)</b>	<b>-</b>	<b>(148,602)</b>
<b>Net book value:</b>						
<b>At December 31, 2015</b>	<b>64,816</b>	<b>4,667</b>	<b>579</b>	<b>56,000</b>	<b>3,828</b>	<b>129,890</b>
<b>At December 31, 2014</b>	<b>8,184</b>	<b>10,801</b>	<b>1,535</b>	<b>81,000</b>	<b>7,610</b>	<b>109,130</b>

### 4. Cash and Short-term Deposits

	<b>2015</b>	<b>2014</b>
Cash on hand	20,909	48,484
Bank accounts in national currency	7,596	77,981
Bank accounts in foreign currency	1,657	1,221
<b>Total cash and short-term deposits</b>	<b>30,162</b>	<b>127,686</b>

### 5. Dues Receivable

	<b>2015</b>	<b>2014</b>
Dues receivable	182,198	348,586
Provision for uncollectible dues	(41,510)	(79,796)
<b>Total dues receivable – net</b>	<b>140,688</b>	<b>268,790</b>

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### 6. Other receivable

	2015	2014
Debt of subsidiaries	10,022	19,924
Prepayment expenses	816	3,389
Personnel debt	5,908	14,750
Other prepayments to suppliers	-	14,309
Other debtors - tax prepayments	-	1,237
<b>Total other receivable</b>	<b>12,746</b>	<b>53,609</b>

### 7. Inventory

The Chamber of Auditors of the Azerbaijan Republic publishes scientifically-methodical materials and monthly scientifically-practical magazine "Economy and Audit ". The rest of finished goods under the scientifically-methodical publication accordingly at the end of 2015 and 2014 are the followings:

	2013	2014
Finished goods	30,763	11,384
Materials	2,369	3,742
Working in progress	-	-
<b>Total inventory</b>	<b>33,132</b>	<b>15,126</b>

### 8. Other current assets

	2015	2014
Advance holders	18,086	35,018
Other current assets	-	-
<b>Total other current assets</b>	<b>18,086</b>	<b>35,018</b>

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### 9. Other non-current receivables

The Chamber of Auditors of the Republic of Azerbaijan is the founder of the auditor companies where the share of the contribution makes 100 %. Investments in the capital accordingly at the end of 2015 and 2014 make 10,0285 UD dollars and 19,935 US dollars and were as follows:

	2015	2014
Kurdamir	128	255
Ganja	128	255
Guba	128	255
Zardab	128	255
Sumgait	128	255
Nahichivan	1,361	2,707
Baku 1	698	1,388
Baku 3	653	1,298
Audit Services Department	3,501	6,959
Lenkoran	3,173	6,308
<b>Total financial investments</b>	<b>10,028</b>	<b>19,935</b>

### 10. Tax payable

	2015	2014
Tax payable	948	(1,231)
Social contribution fund payable	(87)	10,224
<b>Total tax payable</b>	<b>861</b>	<b>8,994</b>

### 11. Other current liabilities

	2015	2014
Advance received	8,348	32,832
Grants and charitable received	-	-
<b>Total other current liabilities</b>	<b>8,348</b>	<b>32,832</b>

## **Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements**

For the year ended December 31, 2015

Amount in US Dollars

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### **12. Commitments**

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#### *Social commitments*

The Chamber of Auditors of the Republic of Azerbaijan makes contributions to a number of mandatory social programs. The Chambers of Auditors of the Republic of Azerbaijan's social assets as well as local social programs benefit the community at large and are not normally restricted to The Chamber of Auditors of the Republic of Azerbaijan's employees. The Chambers of Auditors of the Republic of Azerbaijan has transferred certain social operations and assets to local authorities. However, the management expects that the Chamber of Auditors of the Republic of Azerbaijan will continue to fund these social programs for the foreseeable future. These costs are recorded in the year they are incurred.

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### **13. Contingent gains and losses**

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#### **Insurance**

The insurance industry in the Republic of Azerbaijan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Chamber of Auditors of the Republic of Azerbaijan does not have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents on the enterprise property or relating to enterprise operations. Until The Chamber of Auditors of the Republic of Azerbaijan obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Chamber of Auditors of the Republic of Azerbaijan's operations and financial position.

#### **Taxation contingencies**

The taxation system in the Republic of Azerbaijan is relatively new and is characterised. by numerous taxes and frequently changing legislation, which may be applied retroactively and is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Azerbaijan substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

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### **14. Related party transactions**

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Chamber of Auditors of the Republic of Azerbaijan did not carry out any significant transactions with related parties.

## Chambers of Auditors of the Republic of Azerbaijan – Notes to the Financial statements

For the year ended December 31, 2015

Amount in US Dollars

### 15. Reconciliation of Net Surplus with Cash Inflow from Operating Activities

	2015	2014
Net surplus /(deficit) for the period	39,874	71,791
Add/(less) non-cash items:		
Depreciation	25,293	31,755
Net gain/(loss) on foreign currency balance	13,191	137
Add/(less) movements in working capital:		
Dues receivable	(5,483)	3,619
Other receivables	10,219	(16,223)
Inventory	(25,523)	(163)
Other current assets	(472)	1,325
Other current liabilities	(11,615)	(11,962)
Tax payable	861	(8,994)
Accounts payable and accrued expenses		
Net cash inflow from operating activities	<b>50,316</b>	<b>69,980</b>

### 16. Risk Management

#### *Credit risk*

The financial assets which potentially subject the Chamber of Auditors of the Republic of Azerbaijan to concentrations of credit risk consist of cash and accounts receivable. The Chamber of Auditors of the Republic of Azerbaijan's cash deposits are placed with reputable financial institutions.

#### *Interest rate risk*

A majority of the Chamber of Auditors of the Republic of Azerbaijan's loans bear fixed interest. Interest expense connected with these loans was not hedged. Management believes that changes in their fair value due to interest rates fluctuation are not material.

#### *Fair value*

The carrying amounts of cash and cash equivalents, receivables, prepayments, other current assets, payables and current borrowings approximate their fair value due to the short-term maturity of these instruments except for the provision for bad receivables and inventory discussed in Note 3 and 5 respectively. Fair values of long-term borrowings with fixed rates may vary from their carrying values.

### 17. Subsequent events

There have not been any material subsequent events after the reporting period.