The State Oil Fund of the Republic of Azerbaijan

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

31 December 2020

Contents

Independent Auditor's Report

To the Supervisory Board of the State Oil Fund of the Republic of Azerbaijan:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the State Oil Fund of the Republic of Azerbaijan (the "SOFAZ") and its subsidiaries (together – the "Fund") as at 31 December 2020, and the Fund's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit and loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan
21 May 2021

In thousands of Azerbaijani Manats	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Investment properties	10	1,784,534	2,517,219
Property and equipments		121,746	124,723
Intangible assets		59	2,632
Investments in joint ventures	11	1,053,977	1,047,199
Total non-current assets		**2,960,316**	**3,691,773**
Current assets			
Cash and cash equivalents	7	4,059,687	2,590,446
Term deposits		2,352	7,577
Financial assets at fair value through profit or loss	8	56,870,415	59,612,520
Gold bullion	9	10,490,279	8,381,163
Other current assets		20,244	27,677
Total current assets		**71,442,977**	**70,619,383**
TOTAL ASSETS		**74,403,293**	**74,311,156**
Equity			
Contributed capital		32,507,771	37,529,718
Foreign currency translation reserve		976,768	776,386
Retained earnings		40,268,812	34,908,734
Equity attributable to the owner		73,753,351	73,214,838
Non-controlling interest		7,608	7,502
Total equity		**73,760,959**	**73,222,340**
Liabilities			
Non-current liabilities			
Borrowings of subsidiaries		515,327	928,066
Tenancy deposits		12,248	49,302
Deferred tax liability		12,050	15,894
Lease liabilities		80,054	77,792
Total non-current liabilities	13	**619,679**	**1,071,054**
Current liabilities		**22,655**	**17,762**
TOTAL LIABILITIES		**642,334**	**1,088,816**
TOTAL EQUITY AND LIABILITIES		**74,403,293**	**74,311,156**

In thousands of Azerbaijani Manats	Notes	2020	2019
Interest income calculated using the effective interest method		64,364	40,914
Interest income from financial assets at fair value through profit or loss	14	702,657	922,538
Dividend income		340,998	390,334
Net gain/(loss) on foreign currency translation differences	15	1,243,580	(524,267)
Net gain on financial assets at fair value through profit or loss	16	953,919	2,245,291
Net gain on gold bullions	9	2,059,788	1,194,590
Net fair value (loss)/gain on revaluation of investment properties	10	(115,164)	64,971
Rental income		63,915	75,724
Other operating income		13,899	32,937
Total operating income		**5,327,956**	**4,443,032**
Operating expenses	17	(87,460)	(103,437)
Share of after-tax results of joint venture	11	32,871	(22,056)
Gain on disposal of subsidiary		86,149	-
Profit before income tax		**5,359,516**	**4,317,539**
Income tax benefit/(charge)	19	593	(1,320)
Net profit for the year		**5,360,109**	**4,316,219**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Translation of financial information of foreign operations to presentation currency		203,805	12,209
Other comprehensive income for the year		**203,805**	**12,209**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,563,914**	**4,328,428**
Profit is attributable to:			
- The owner		5,360,078	4,316,070
- Non-controlling interest		31	149
Profit for the year		**5,360,109**	**4,316,219**
Total comprehensive income is attributable to:			
- The owner		5,560,460	4,325,491
- Non-controlling interest		3,454	2,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,563,914**	**4,328,428**

		Attributable to the Owner					
In thousands of Azerbaijani Manats	**Note**	**Contributed capital**	**Currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2019		**33,689,328**	**766,965**	**30,592,664**	**65,048,957**	**8,436**	**65,057,393**
Profit for the year		-	-	4,316,070	4,316,070	149	4,316,219
Other comprehensive income		-	9,421	-	9,421	2,788	12,209
Total comprehensive income for 2019		**-**	**9,421**	**4,316,070**	**4,325,491**	**2,937**	**4,328,428**
Contributions received	12	15,404,690	-	-	15,404,690	-	15,404,690
Exchange translation differences			-	-	-	(3,871)	(3,871)
Transfers to the State Budget	18	(11,364,300)	-	-	(11,364,300)	-	(11,364,300)
Transfers to the State Committee for Affairs of Refugees and Internally Displaced Persons and Social Development Fund of the Internally Displaced Persons of the Republic of Azerbaijan	18	(200,000)	-	-	(200,000)	-	(200,000)
Balance at 31 December 2019		**37,529,718**	**776,386**	**34,908,734**	**73,214,838**	**7,502**	**73,222,340**
Profit for the year		-	-	5,360,078	5,360,078	31	5,360,109
Other comprehensive income		-	200,382	-	200,382	3,423	203,805
Total comprehensive income for 2020		**-**	**200,382**	**5,360,078**	**5,560,460**	**3,454**	**5,563,914**
Contributions received	12	7,382,154	-	-	7,382,154	-	7,382,154
Exchange translation differences		-	-	-	-	(3,348)	(3,348)
Transfers to the State Budget	18	(12,200,000)	-	-	(12,200,000)	-	(12,200,000)
Transfers to the State Committee for Affairs of Refugees and Internally Displaced Persons and Social Development Fund of the Internally Displaced Persons of the Republic of Azerbaijan	18	(199,998)	-	-	(199,998)	-	(199,998)
Transfers for the State Program on "Education of Azerbaijani youth abroad"	18	(4,103)	-	-	(4,103)	-	(4,103)
Balance at 31 December 2020		**32,507,771**	**976,768**	**40,268,812**	**73,753,351**	**7,608**	**73,760,959**

In thousands of Azerbaijani Manats	**Notes**	**2020**	**2019**
Cash flows from operating activities:			
Profit before income tax expense		5,359,516	4,317,539
Adjustments to reconcile result to net cash used in operating activities			
Depreciation of property and equipment		3,039	3,445
Amortization of intangible assets		2,585	2,781
Unrealized gain on change in fair value of financial assets at fair value through profit or loss	16	(318,322)	(2,164,974)
Net unrealized (gain)/loss on foreign currency translation differences		(1,434,503)	494,041
Net gain on revaluation of gold bullion	9	(2,059,788)	(1,194,590)
Fair value loss/(gain) on revaluation of investment properties	10	115,164	(64,971)
Share of after-tax results of joint venture	11	(32,871)	22,056
Interest income		(767,021)	(963,452)
Dividend income		(340,998)	(390,334)
Write-down of VAT receivables and current income tax asset		-	18
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets at fair value through profit or loss	8	4,689,303	(379,693)
Decrease/(increase) in term deposits		5,225	(7,577)
Purchase of gold bullions	9	(49,328)	(3,628,327)
Increase in investment properties	10	(65,793)	(10,093)
Decrease/(increase) in other assets		7,433	(1,875)
Increase in current liabilities		4,893	1,823
Decrease in non-current liabilities		(38,958)	-
Net cash from/(used in) operating activities		**5,079,576**	**(3,964,183)**
Cash flows from investing activities:			
Interest received		632,545	761,551
Dividend received		340,998	390,334
Dividend received from joint venture		5,223	19,053
Proceeds from disposal of investment property	10	757,263	213,099
Capital repayment from jointly controlled entity	11	36,000	76,500
Purchase of property and equipment		(74)	(688)
Net cash from investing activities		**1,771,955**	**1,459,849**
Cash flows from financing activities:			
Contributions received	12	7,382,154	15,404,690
Transfers to the State Budget	18	(12,200,000)	(11,364,300)
Transfers to the State Committee for Affairs of Refugees and Internally Displaced Persons and Social Development Fund of the Internally Displaced Persons of the Republic of Azerbaijan	18	(199,998)	(200,000)
Transfers for the State Program on “Education of Azerbaijani youth abroad”	18	(4,103)	-
Repayment of borrowings	13	(440,100)	-
Net cash (used in)/from financing activities		**(5,462,047)**	**3,840,390**
Effect of exchange rate changes on cash and cash equivalents		**79,757**	**(10,198)**
Net increase in cash and cash equivalents		**1,469,241**	**1,325,858**
Cash and cash equivalents, beginning of the year	7	**2,590,446**	**1,264,588**
Cash and cash equivalents, end of the year	7	**4,059,687**	**2,590,446**

1. The State Oil Fund of the Republic of Azerbaijan and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 for the State Oil Fund of the Republic of Azerbaijan ("SOFAZ") and its subsidiaries (the "Fund").

SOFAZ was incorporated and is domiciled in the Republic of Azerbaijan.

Principal Activity. The State Oil Fund of the Republic of Azerbaijan was established by Decree #240 of the President of the Republic of Azerbaijan on the "Establishment of The State Oil Fund of the Republic of Azerbaijan" dated 29 December 1999 (the "Decree"). The purpose of SOFAZ is to ensure the accumulation, effective management, and use of income and other inflows generated from agreements related to oil and gas exploration and development, as well as, from SOFAZ's own activities, for the benefit of citizens and future generations of the Republic of Azerbaijan.

In accordance with the Decree and the Regulations (discussed below), SOFAZ is an extra-budget state organization, formed as a separate legal entity, which is accountable and responsible to the President of the Republic of Azerbaijan.

The consolidated financial statements include the financial statements of SOFAZ and its direct and indirect subsidiaries listed in the following table and the after-tax results of its joint ventures:

	% interest					
Subsidiary	**2020**	**2019**	**Country**	**Date of establishment**	**Date of acquisition**	**Industry**
SOFAZ RE Limited	100	100	Jersey	22-May-12	-	Property management
SOFAZ RE UK L.P.	100	100	Jersey	6-Aug-12	-	Property management
SOFAZ RE Min Limited	100	100	Jersey	13-Aug-12	-	Property management
78 St James`s Street Unit Trust	100	100	Jersey	2-Oct-12	-	Property management
JSC Tverskaya, 16	100	100	Russian Federation	29-Jun-93	21-Dec-12	Property management
SOFAZ RE Europe Holding S.a.r.l	100	100	Luxembourg	31-Oct-12	-	Property management
SOFAZ RE Europe S.a.r.l.	100	100	Luxembourg	31-Oct-12	-	Property management
SCI 8 Place Vendome	100	100	France	14-Nov-12	-	Property management
MAPS 21	-	100	South Korea	30-Oct-11	31-Mar-14	Property management
Godo Kaisha GK001	98	98	Japan	21-Aug-15	26-Aug-15	Property management
SOFAZ RE Fund S.a.r.l	100	100	Luxembourg	27-May-15	-	Investment management
SOFAZ PE Fund S.a.r.l	100	100	Luxembourg	28-Sep-15	-	Investment management
SOFAZ Europe S.C.S.	100	100	Luxembourg	06-Dec-17	-	Investment management
SOFAZ Fund Limited	100	100	Jersey	28-Dec-18	-	Investment management

Contributions into the Fund are made in accordance with the Regulation of the Fund ("Regulation") approved by the Presidential Decree #434 dated 29 December 2000 and Article 2.3 of the "Regulations on Development and Implementation of the Annual Program of Income and Expenses ("Budget") of the Fund" approved by the Presidential Decree #579 dated 12 September 2001.The contributions are received from the following sources:

1 The State Oil Fund of the Republic of Azerbaijan and its Operations (continued)

a) Agreements on exploration, development and production sharing for oil and gas fields in the territory of the Republic of Azerbaijan including the Azerbaijan Sector of the Caspian Sea, as well as other agreements on oil and gas exploration, development and transportation entered into between SOCAR or other authorized state bodies and investors, including:

i. Contributions from the sale of hydrocarbons related to the share of the Republic of Azerbaijan in oil and gas agreements (net of expenditures incurred for hydrocarbons transportation, customs clearance and bank costs, marketing, insurance, and independent surveyor fees) excluding portion related to the participating interest or investment of SOCAR in a project in which SOCAR is an investor, participant or a contracting party;

ii. Bonus payments - the fees payable by foreign oil companies to SOCAR or other relevant authorities of the Republic of Azerbaijan due to signing of an oil and gas contracts and its implementation;

iii. Acreage payments due to SOCAR and/or an authorized state body of the Republic of Azerbaijan from investors for the use of the contract area in connection with oil and gas exploration and development;

iv. Contributions generated from oil and gas transported over the territory of the Republic of Azerbaijan by means of the Baku-Supsa, Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum export pipelines (excluding shareholder revenues of SOCAR from its investments in the projects where it is an investor, participant or a contracting party);

v. Dividends and profit participation revenues falling on the share of the Republic of Azerbaijan in connection with oil and gas agreements implementation (excluding portion related to the participating interest or investment of SOCAR in a project in which SOCAR is an investor, participant or a contracting party);

vi. Contributions generated from the transfer of assets from investors to an authorized state body within the framework of oil and gas agreements.

b) Revenues generated from investment, management, sale and other disposal of the Fund's assets (including financial assets and assets contributed by investors within oil and gas agreements), other non-sale income or revaluation surplus of the Fund's assets in its reporting currency (Azerbaijani manats), etc.;

c) Grants and other free aids;

d) Other revenues and receipts in accordance with the legislation of the Republic of Azerbaijan.

In 2020 and 2019, the Fund was a party to a custody agreement with the Bank of New York Mellon. Management of some portion of the financial assets of the Fund is granted to financial institutions namely DWS International GmbH, the International Bank for Reconstruction and Development (IBRD – World Bank Group), State Street Global Advisors Limited (SSGA), UBS Asset Management (UK) LTD, Sumitomo Mitsui Trust International LTD, Blackrock Investment Management (UK) LTD and Mellon Capital Management Corporation. Under the custody agreement the financial institutions hold securities purchased by the Fund, whereas in accordance with the investment management agreements the financial institutions manage the Fund's investments within the mandate based on general investment policies established by the Fund.

SOFAZ's registered and actual office address is 165, Heydar Aliyev Avenue, Baku, Azerbaijan, AZ1029.

These consolidated financial statements as of and for the year ended 31 December 2020 are authorized for issue by the Fund's Management on 20 May 2021.

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

2. Operating Environment of the Fund

Current and future growth and stability of the economy is largely dependent upon the effective implementation of economic, fiscal and monetary measures undertaken by government as well as crude oil prices and stability of Azerbaijani's currency, manat. Following the sharp economic contraction in 2016 due to negative impact of the decline in oil prices and devaluations of national currency against major international currencies, the Azerbaijani government accelerated reforms in support of long-term economic stability and sustainability. Based on the economic reforms involving institutional changes, inflation stabilized at a low single-digit rate, the economic growth remained positive, the currency exchange rate – sustainable, and the country's foreign sector exhibited positive trends. Oil production has peaked and is likely to decline in the medium term. We anticipate that this trend will only be partly offset by an expansion of gas production.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Azerbaijani authorities implemented numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. The above measures were intermittently relaxed and put back again in December 2020. These measures have, among other things, restricted economic activity in Azerbaijan, particularly services sector and foreign trade, and have negatively impacted, and could continue to negatively impact businesses for some time in the future. Notwithstanding their adverse effect on these sectors, such measures helped containing the pandemic and allowed partial openings beginning in February 2021. Also in February 2021, Moody's rated Azerbaijan's economy as "Ba2" with stable outlook. Notwithstanding of the coronavirus pandemic, the agency's view of the country's resilience to external shocks is encouraging. In addition, most major economic organizations, including IMF and World Bank, forecast the country's GDP to grow by about 3% this year.

In addition to the hardship brought on by the pandemic, during late September 2020, renewed hostilities broke out between Azerbaijan and Armenia over Armenian-occupied Nagorno-Karabakh and territories surrounding Nagorno-Karabakh. Azerbaijan introduced martial law along with curfew and subsequently liberated its occupied territories over the following six weeks. According to the ceasefire agreement, all military operations in Nagorno-Karabakh and surrounding areas have been suspended since 10 November 2020. It is expected that this agreement will unblock transport and communications in the region, which will stimulate economic growth even further.

In light of the foregoing, the Fund's management continues to monitor macroeconomic conditions in the country and beyond to determine what measures may be required to support the Fund's growth and development strategy.

3. Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, investment properties, gold bullions, and instruments categorised at fair value through profit or loss ("FVTPL"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. (refer to Note 5).

The preparation of the 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 Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Fund presents its consolidated statement of financial position separating current and non-current assets and liabilities. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented.

3 Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Fund controls because the Fund (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Fund has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Fund may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Fund assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Fund from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Fund (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Fund measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. SOFAZ and all of its subsidiaries use uniform accounting policies consistent with the Fund's policies. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Fund's accounting policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by SOFAZ. Non-controlling interest forms a separate component of the Fund's equity.

Purchases and sales of non-controlling interests. The Fund applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Fund recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. SOFAZ has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

3 Significant Accounting Policies (Continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Fund's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Fund's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Fund's net investment in the joint ventures), the Fund does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Fund and its joint ventures are eliminated to the extent of the Fund's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Disposals of subsidiaries, associates or joint ventures. When the Fund ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Fund had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation. The functional currency of each of the Fund's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of SOFAZ and the Fund's presentation currency, is the national currency of the Republic of Azerbaijan, Azerbaijani Manat ("AZN"). The consolidated financial statements are presented in Azerbaijani Manat ("AZN"), which is the Fund's presentation currency.

Transactions and balances. Monetary assets and liabilities are translated into each 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. 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.

Group companies. Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

3 Significant Accounting Policies (Continued)

When control over a foreign operation or a subsidiary with a functional currency other than the functional or presentation currency of the Fund is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

At 31 December 2020, the principal rates of exchange used for translating foreign currency balances was USD 1 = AZN 1.7000; EUR 1 = AZN 2.0890; KRW 100 = AZN 0.1565; GBP 1 = AZN 2.3021; JPY 100 = AZN 1.6456; RUB 1 = AZN 0.0231 (2019: USD 1 = AZN 1.7000; EUR 1 = AZN 1.9035; KRW 100 = AZN 0.1470; GBP 1 = AZN 2.2284; JPY 100 = AZN 1.5578; RUB 1 = AZN 0.0274). The principal average rate of exchange used for translating income and expenses was USD 1 = AZN 1.7000; EUR 1 = AZN 1.9448; KRW 100 = AZN 0.1445; GBP 1 = AZN 2.1868; JPY 100 = AZN 1.5944; RUB 1 = AZN 0.0236 (2019: USD 1 = AZN 1.7000; EUR 1 = AZN 1.9027; KRW 100 = AZN 0.1459; GBP 1 = AZN 2.1698; JPY 100 = AZN 1.5599; RUB 1 = AZN 0.0263).

Investment property. Investment property is property held by the Fund to earn rental income or for capital appreciation, or both and which is not occupied by the Fund. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In the absence of current prices in an active market, the Fund considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Market value of the Fund's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

If a valuation obtained for a property is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

Earned rental income is recorded in profit or loss for the year within rental income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Fund disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss for the year within net gain from fair value adjustment on investment property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3 Significant Accounting Policies (Continued)

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.

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 20.

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 consolidated 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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other 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 and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

3 Significant Accounting Policies (Continued)

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

Financial assets – classification and subsequent measurement – measurement categories. The Fund classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Fund'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 Fund manages the assets in order to generate cash flows – whether the Fund'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.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Fund undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Fund in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how asset managers are compensated.

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 Fund 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 Fund 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.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

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.

Financial assets impairment – credit loss allowance for ECL. The Fund assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI. The Fund 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 and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Fund applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Fund identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Fund determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

3 Significant Accounting Policies (Continued)

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

Financial assets - derecognition. The Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Fund 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 Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund 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 (e.g. 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, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

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).

An exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Money market funds. Investments in Money market funds are included in Cash and cash equivalents and measured at fair value. They are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity they present insignificant risk of changes in value because of changes in interest rates.

3 Significant Accounting Policies (Continued)

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.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include investment in debt and equity securities. Interest from financial assets at fair value through profit or loss includes interest from debt and equity securities. Dividends are included in finance income when the Fund's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading investments in the period in which they arise.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Fund. Investments in equity securities are measured at FVTPL, except where the Fund elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Fund's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Fund's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

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 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 Fund.

The Fund controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Fund does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

3 Significant Accounting Policies (Continued)

Business combinations. Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Fund, liabilities incurred by the Fund to the former owners of the acquiree and the equity interests issued by the Fund in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Gold bullion. The Fund is involved in purchase of gold bullion for investment purposes with the intention of diversification of the investment portfolio with the ability to sell the gold in the future. The gold bullion is initially recognized and subsequently measured at fair value with gains or losses recognised in profit or loss.

Premises and equipment. The Fund's premises and equipment are tangible assets held for administrative purposes with an expected useful life of more than one accounting period. Premises and equipment are initially measured at cost and are stated at cost less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset. If there is no market based evidence of fair value, fair value is estimated using an income approach.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises 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 to sell 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 to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

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

	Years
Buildings	50
Vehicles	7
Office equipment	4
Furniture	5
Other property and equipment	3

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were 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.

Intangible assets. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives (5 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with definite useful lives are reviewed at least at each financial year-end.

3 Significant Accounting Policies (Continued)

Derecognition of intangible assets. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Accounting for leases by the Fund as a lessee. The Fund leases freehold property. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Fund. Each lease payment is allocated between the liability and finance cost. The finance cost is 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. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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
- restoration costs.

In determining the lease term, management of the Fund 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).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Fund as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingencies. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

3 Significant Accounting Policies (Continued)

Equity reserves. The reserves recorded in equity (other comprehensive income) on the Fund's consolidated statement of financial position include:

- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Retained earnings'

As discussed in Note 18, in accordance with the Decrees and the Regulations, the Fund is an extra-budget state organization. All decisions regarding contributions to and transfers from the Fund are made and approved by the Decrees of the President of the Republic of Azerbaijan.

Contributions/transfers received/made by the Fund represent contributions/withdrawals and, accordingly, are recognized through net equity at the fair value of the consideration received/paid.

Transfers to the State Budget, as well as state institutions, state-owned entities and companies are recognized on the date of payment. All transfers are made within the approved budget of the Fund and transferred to the State Treasury of the Republic of Azerbaijan for payments to eligible budgetary beneficiaries (state institutions, state-owned entities and companies) based on their requests for payments.

Interest income and expense recognition. Interest income and expense are recorded for financial assets at AC on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt and equity instruments at FVTPL calculated at nominal interest rate is presented within "Interest income from FVTPL assets" line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss when the Fund's right to receive payment is established.

Other operating income including rental income is recognized on accruals basis, i.e. when these are earned.

Expenses are recognized on accrual basis, i.e. when they are incurred.

Accounting for Cash Inflows and Outflows. As described in Note 1, the Fund receives cash inflows from revenues generated from various oil and gas activities carried out in the Republic of Azerbaijan. These cash inflows are made according to certain decrees of the President of the Republic of Azerbaijan. Cash outflows for major projects and contributions to the State budget are also made according to decrees of the President of the Republic of Azerbaijan. SOFAZ believes these inflows and outflows of funds represent contributed capital and withdrawals of capital, respectively. Accordingly, SOFAZ recognises them as movements in equity in the consolidated statement of changes in equity.

3 Significant Accounting Policies (Continued)

Valuation of financial instruments. Financial instruments that are classified at fair value through profit or loss are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty.

Where market-based valuation parameters are absent, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the statement of profit or loss and other comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Fund considers that the accounting estimates related to valuation of financial instruments where quoted markets prices are not available are a key source of estimating uncertainty because: (i) they are highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in the statement of financial position as well as its profit/(loss) could be material.

Management uses different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments where quoted market prices are not available using their own knowledge and capabilities, as well as, data obtained from its custodians (mainly Bank of New York Mellon) and Bloomberg. Please refer to Note 20.

Measurement of fair value of investment properties and property and equipment (building)*.* Fair value of investment properties as well as at the property and equipment (building) is determined by independent professionally qualified appraisers. Fair value is determined using the combination of internal capitalization method (also known as discounted future cash flow method), sales comparison method and also based on the highest and best use method.

Staff costs and related contributions. Wages, salaries, contributions to the Azerbaijan State Social Insurance Fund, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Fund. The Fund has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Fund makes estimates and assumptions that affect the amounts recognised in the consolidated 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 consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Structured entities. Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgement is also required to determine whether the substance of the relationship between the Fund and a structured entity indicates that the structured entity is controlled by the Fund.

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

The Fund does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Fund does control a structured entity, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the structured entity is consolidated.

Were the Fund not to consolidate the assets, liabilities and the results of these consolidated structured entities, the net effect on the statement of financial position would be a decrease in net assets of AZN 458,233 thousand (31 December 2019: decrease in net assets of AZN 431,053 thousand) and decrease in profit by AZN 2,926 thousand (2019: decrease of AZN 18,712 thousand). Refer to Note 25 for further information about the structured entitiy.

5. Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Fund:

- 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).
- 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).
- 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).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

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 2021 or later, and which the Fund 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 Fund is currently assessing the impact of the amendments on its consolidated financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

6 New Accounting Pronouncements (Continued)

• *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

• *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

• *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Fund is currently assessing the impact of the amendments on its consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Fund when adopted:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

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

7. Cash and Cash Equivalents

Cash and cash equivalents comprise:

In thousands of Azerbaijani Manats	**2020**	**2019**
Bank accounts	2,794,016	1,160,617
Money market funds	1,255,741	1,429,032
Short-term deposits	9,930	797
Total cash and cash equivalents	**4,059,687**	**2,590,446**

Money market funds

Investments in money market funds represent share ownership in funds, payable on demand. Investments in money market funds are highly liquid. Money market funds invest their assets in short-term debt and debt related instruments, such as commercial paper, certificates of deposit, bonds bearing floating interests, US treasury bonds, Eurobonds and asset-backed securities. Interest and dividends payable to the Fund are reinvested. The fair value of money market fund approximates their carrying amount.

The Fund holds all money market fund investments in BlackRock ICS-Institution Liquidity Funds plc with AAA credit rating.

7 Cash and Cash Equivalents (Continued)

Bank accounts

Bank accounts were denominated in the following currencies:

In thousands of Azerbaijani Manats	**2020**	**2019**
USD	1,978,437	694,638
EUR	732,231	340,082
JPY	53,027	43,175
GBP	13,024	67,599
TRY	6,981	4,434
AUD	2,850	2,108
CNY	1,741	1,349
AZN	1,622	1,010
CHF	1,167	1,946
CAD	980	822
SEK	530	75
RUB	448	398
SGD	260	220
HKD	173	435
DKK	168	208
ILS	149	93
NZD	125	143
NOK	103	406
KRW	-	1,476
Total bank accounts	**2,794,016**	**1,160,617**

As at 31 December 2020, the Fund had AZN 116 thousand and AZN 1,531,561 thousand (2019: AZN 71 thousand and AZN 972 thousand) held at bank accounts in the International Bank of Azerbaijan and the Central Bank of the Republic of Azerbaijan, respectively.

Other accounts originated in foreign currencies were opened with non-resident banks with long-term ratings B/B2 (Standard & Poor's/ Fitch/Moody's) and above.

The credit quality of cash and cash equivalents balances may be summarised (based on Standard and Poor's/Fitch/Moody's ratings) as follows at 31 December 2020:

In thousands of Azerbaijani Manats	**Bank Account**	**Short term Deposit**	**Money Market Funds**	**Total**
Neither past due nor impaired				
AAA	-	-	1,255,741	1,255,741
AA	501	-	-	501
A	868,111	4,420	-	872,531
BBB*	386,745	5,510	-	392,255
B	7,098	-	-	7,098
Total cash and cash equivalents**	**1,262,455**	**9,930**	**1,255,741**	**2,528,126**

*- AZN 445 thousand (2019: AZN 397 thousand) of this amount denotes the cash balances held by the Fund's subsidiaries, where the Fund is not directly involved in cash allocations.

**- AZN 1,531,561 thousand (2019: AZN 972 thousand) cash balance held by the Fund in the Central Bank of the Republic of Azerbaijan is excluded from the table. Central Bank of the Republic of Azerbaijan does not have credit rating.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Fund did not recognise any credit loss allowance for cash and cash equivalents.

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances may be summarised (based on Standard and Poor's/Fitch/Moody's ratings) as follows at 31 December 2019:

In thousands of Azerbaijani Manats	Bank Account	Short term Deposit	Money Market Funds	Total
Neither past due nor impaired				
AAA	-	-	1,429,032	1,429,032
AA	4,446	-	-	4,446
A	557,195	797	-	557,992
BBB*	593,499	-	-	593,499
B	4,505	-	-	4,505
Total cash and cash equivalents**	**1,159,645**	**797**	**1,429,032**	**2,589,474**

Interest rate analysis of cash and cash equivalents is disclosed in Note 22. Information on related party balances is disclosed in Note 24.

8. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise of followings:

In thousands of Azerbaijani Manats	2020	2019
Agency/Supranational bonds	12,276,695	9,293,635
Corporate bonds	17,158,399	25,200,773
Sovereign bonds	13,683,076	12,429,189
Equity securities	9,072,839	8,036,393
Private Equity Funds	1,348,519	902,260
Real Estate Funds	3,239,097	2,608,665
Money Market	91,790	1,141,605
Total financial assets at fair value through profit or loss	**56,870,415**	**59,612,520**

As at 31 December 2020 the Fund held AZN 9,029,638 thousand (2019: AZN 7,887,278 thousand) under asset management agreements with financial institutions ("external managers") including cash and cash equivalents. The management fees in 2020 to the external managers were AZN 3,098 thousand (2019: AZN 2,850 thousand).

Agency/Supranational bonds. These bonds are represented by investments in debt securities issued by international organizations of Europe, Asia and America. As at 31 December 2020 these securities bear fixed interest ranging from 0.06% p.a. 6.25% p.a. and USD LIBOR, GBP LIBOR, CNY 5-day average SHIBOR with the spread ranging from -1.00% p.a. to +0.925% p.a. (2019: 0.06% p.a. 6.25% p.a. and USD LIBOR, GBP LIBOR, CNY 5-day average SHIBOR with the spread ranging from -0.05% p.a. to +0.925% p.a.) and mature during the period from January 2021 to November 2024 (2019: January 2020 to November 2024). As at 31 December 2020 total accrued interest on these securities amounted AZN 33,478 thousand (2019: AZN 39,672 thousand). These securities were held in the portfolio managed both directly by the Fund as well as the Fund's external managers, DWS International GmbH and IBRD – World Bank Group.

Corporate bonds. Corporate bonds are represented by investments in debt securities issued by corporations of Europe, Asia, Australia and America. As at 31 December 2020 these securities bear fixed interest ranging from 0.0% p.a. to 7.875% p.a. and USD LIBOR, GBP LIBOR, EURIBOR and Australian Bank Bill Short Term Rate with the spread ranging from +0.23% p.a. to +4% p.a.(2019: 0.0% p.a. to 7.875% p.a. and USD LIBOR, GBP LIBOR, EURIBOR and Australian Bank Bill Short Term Rate with the spread ranging from +0.21% p.a. to +4% p.a.) and mature during the period from January 2021 to January 2031 (2019: January 2020 to January 2031). As at 31 December 2020 total accrued interest on these securities amounted AZN 871,043 thousand (2019: AZN 740,269 thousand). These securities were held in the portfolio managed both directly by the Fund and the Fund's external manager DWS International GmbH.

8 Financial Assets at Fair Value through Profit or Loss (Continued)

Sovereign bonds. Sovereign bonds are represented by investments in debt securities issued by various European, Asian, Australian and American institutions. As at 31 December 2020 these securities bear fixed interest ranging from 0.0% p.a. (zero-coupon sovereigns expressed in TRY) to 20.9% p.a (2019: 0.0% p.a. (zero-coupon sovereigns expressed in TRY and GBP) to 11.75% p.a) and mature during the period from January 2021 to February 2036 (2019: January 2020 to May 2029). As at 31 December 2020 total accrued interest on these securities amounted AZN 69,709 thousand (2019: AZN 60,900 thousand). These securities were held in the portfolio managed both directly by the Fund as well as the Fund's external managers, DWS International GmbH and IBRD – World Bank Group.

Private Equity Funds

The IFC Funds are comprised of three independent investment funds: IFC Global Infrastructure Fund ("IFC GIF"), IFC Catalyst Fund ("IFC CF") and IFC African, Latin American and Caribbean Fund ("IFC ALAC").

"IFC GIF" was formed with the purpose of identifying, acquiring, holding and disposing of a portfolio of equity or equity related infrastructure investments in emerging markets. The Fund's commitment to "IFC GIF" is USD 200,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "IFC GIF" was AZN 158,893 thousand (2019: AZN 144,707 thousand).

"IFC CF" was formed with the purpose of investing in a portfolio of limited partnerships or equivalent interests of investment funds or other pooled investment vehicles ("Investee Funds"), and direct co-investments primarily focused on resource efficiency and developing low-emission products and services in emerging markets. The Fund's commitment to "IFC CF" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "IFC CF" was AZN 66,136 thousand (2019: AZN 69,395 thousand).

"IFC ALAC" was formed with the purpose of identifying, acquiring, holding and disposing a portfolio of equity or equity related investments in the African, Latin American and Caribbean regions. The Fund's commitment to "IFC ALAC" is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "IFC ALAC" was AZN 43,657 thousand (2019: AZN 51,370 thousand).

"NB Caspian Partners" is a separately managed Private Equity mandate formed with the purpose of investing predominantly in buy-out funds in the developed markets. The Fund's commitment to "NB Caspian Partners" is USD 300,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "NB Caspian Partners" was AZN 369,592 thousand (2019: AZN 272,208 thousand).

"EBRD EPF" was formed by EBRD with the purpose of providing investors with the exposure to EBRD's equity investments in Central and Eastern Europe, Mediterranean, Central Asia. The Fund's commitment to "EBRD EPF" is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "EBRD EPF" was AZN 98,604 thousand (2019: AZN 70,838 thousand).

"BC European Capital X" is a BC Partners' buyout fund focused on acquiring large businesses exhibiting defensive growth characteristics mainly in Europe. The Fund's commitment to "BC European Capital X" is EUR 56,300 thousand. As of 31 December 2020 the fair value of Fund's investment in "BC European Capital X" was AZN 137,686 thousand (2019: AZN 82,523 thousand).

"FSI Mid-Market Growth Equity Fund" was formed by FSI in order to invest into Italian mid-market companies in industrial and service sectors. The Fund's commitment to "FSI Mid-Market Growth Equity Fund" is EUR 20,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "FSI Mid-Market Growth Equity Fund" was AZN 16,482 thousand (2019: AZN 13,480 thousand).

"Blackstone Core Equity Partners L.P." is Blackstone Group's fund which specializes in investments mainly in North America. The Fund's commitment to "Blackstone Core Equity Partners L.P." is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Blackstone Core Equity Partners L.P." was AZN 88,100 thousand (2019: AZN 75,255 thousand).

"Apollo Fund IX" is a buyout fund founded by Apollo specializing in acquisitions predominantly in North America. The Fund's commitment to "Apollo Fund IX" is USD 85,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Apollo Fund IX" was AZN 35,895 thousand (2019: AZN 23,674 thousand).

"Carlyle Partners VII" is Carlyle Group's buyout fund focused in large-to-mega cap deals in North America. The Fund's commitment to "Carlyle Partners VII" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Carlyle Partners VII" was AZN 37,298 thousand (2019: AZN 18,566 thousand).

"Carlyle Europe Partners V" is Carlyle Group's buyout fund focused in investments in Europe. The Fund's commitment to "Carlyle Europe Partners V" is EUR 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Carlyle Europe Partners V" was AZN 19,948 thousand (2019: AZN 14,055 thousand).

8 Financial Assets at Fair Value through Profit or Loss (Continued)

"Vista Equity Partners VII" is a tech buyout fund founded by Vista Equity Partners mainly focusing in North America region. The Fund's commitment to "Vista Equity Partners VII" is USD 40,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Vista Equity Partners VII" was AZN 34,557 thousand (2019: AZN 16,012 thousand).

"Warburg Pincus Global Growth" is a diversified growth fund founded by Warburg Pincus focusing mainly in investments in North America, Asia and Europe. The Fund's commitment to "Warburg Pincus Global Growth" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Warburg Pincus Global Growth" was AZN 38,118 thousand (2019: AZN 12,530 thousand).

"PAG Asia Capital Fund III" is a buyout fund of PAG with regional focus in Asia. The Fund's commitment to "PAG Asia Capital Fund III" is USD 30,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "PAG Asia Capital Fund III" was AZN 11,870 thousand (2019: AZN 2,771 thousand).

"Thoma Bravo Fund XIII" is a tech buyout fund of Thoma Bravo with regional focus in North America. The Fund's commitment to "Thoma Bravo Fund XIII" is USD 25,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Thoma Bravo Fund XIII" was AZN 37,273 thousand (2019: AZN 14,097 thousand).

"Baring Private Equity Asia VII" is a buyout fund managed by Baring with regional focus in Asia. The Fund's commitment to "Baring Private Equity Asia VII" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Baring Private Equity Asia VII" was AZN 68,334 thousand (2019: AZN 17,914 thousand).

"Dyal Capital Partners IV" is a fund managed by Dyal Capital Partners which aims to primarily acquire minority equity interests in investment companies. The Fund's commitment to "Dyal Capital Partners IV" is USD 25,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Dyal Capital Partners IV" was AZN 12,358 thousand (2019: AZN 2,865 thousand).

"Cinven Fund VII" is a buyout fund managed by Cinven which aims to invest in companies with operations in European countries. The Fund's commitment to "Cinven Fund VII" is EUR 48,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Cinven Fund VII" was AZN 11,022 thousand (2019: nil).

"Green Equity Investors VIII" is buyout fund managed by Leonard Green & Partners which aims to invest in large and mega-cap buyout investments in North America. The Fund's commitment to "Green Equity Investors VIII" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Green Equity Investors VIII" was AZN 11,188 thousand (2019: nil).

"Brookfield Infrastructure Fund IV" is an infrastructure fund managed by Brookfield which aims to invest in infrastructure investments globally. The Fund's commitment to "Brookfield Infrastructure Fund IV" is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Brookfield Infrastructure Fund IV" was AZN 40,694 thousand (2019: nil).

"Vitruvian Investment Partners IV" is an independent European private equity firm that invests in dynamic situations, including buyouts and growth capital investments. Vitruvian Partners is dedicated to investing in the growth-orientated middle-market across a range of business sectors, these include technology, media, telecoms, financial services, business services, and healthcare and consumer sectors. The Fund's commitment to "Vitruvian Investment Partners IV" is EUR 40,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Vitruvian Investment Partners IV" was AZN 1,032 thousand (2019: nil).

"Thoma Bravo Explore Fund" is focused on investing in software companies and is known for its "buy and build" investment strategy and process. Mainly focused on software with end users of various businesses and individual customers. Specialized investment team with deep industry knowledge focused on effective cooperation with management team of portfolio companies. The Fund's commitment to "Thoma Bravo Explore Fund" is EUR 30,000 thousand. As of 31 December 2020 the fair value of Fund's investment in "Thoma Bravo Explore Fund" was AZN 9,782 thousand (2019: nil).

"CVC Capital Partners VIII" is focused on large buyout market and targets well established, cash generating companies. CVC Capital Partners, the global private equity and investment advisory firm with a network of offices across Europe, the Americas and the Asia-Pacific regions. The Fund's commitment to "CVC Capital Partners VIII" is EUR 40,000 thousand. As of 31 December 2020 the fund has not drawn capital from the Fund yet.

8 Financial Assets at Fair Value through Profit or Loss (Continued)

”KKR Asian Fund IV” KKR focuses on sourcing investments that have strong potential for growth and operational improvement through effective portfolio management through main principal thematic investments. The Fund's commitment to ”KKR Asian Fund IV” is EUR 40,000 thousand. As of 31 December 2020 the fund has not drawn capital from the Fund yet.

“Ares Corporate Opportunities Fund VI” is publicly traded, leading global alternative asset manager. Ares utilizes flexible capital strategy which has employed in all prior Ares corporate opportunities funds. The Fund's commitment to “Ares Corporate Opportunities Fund VI” is EUR 40,000 thousand. As of 31 December 2020 the fund has not drawn capital from the Fund yet.

Real Estate Funds
Real estate’s indirect portfolio is comprised of real estate funds and co-investments.

“AXA Pan European Value Added Venture” (PEVAV) was established to implement value-added real estate strategies within targeted European countries including the UK, Germany, France, Spain, Italy, Netherlands, Poland and the Nordic/Scandinavian region. The Fund's commitment to PEVAV is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in PEVAV was AZN 79,332 thousand (2019: AZN 82,407 thousand).

“PGIM European Value Partners” (EVP) is a real estate fund formed to acquire real estate assets in the Eurozone, targeting mainly France, Germany, Italy and Spain, with a value-add investment profile. The Fund's commitment to EVP fund is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in EVP was AZN 154,764 thousand (2019: AZN 145,704 thousand).

“Blackstone Real Estate Partners Europe V” (BREP Europe V) is an opportunistic real estate fund and makes investments mostly in United Kingdom, Germany, Spain and Italy. The Fund's commitment to BREP Europe V fund is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in BREP Europe V was AZN 202,695 thousand (2019: AZN 183,161 thousand).

“PAG Real Estate Partners” (PREP) is a real estate fund formed to invest in core-plus and value-add real estate assets in Asian Pacific region targeting mainly Japan, China and Australia. The Fund's commitment to PREP fund is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in PREP was AZN 74,135 thousand (2019: AZN 163,248 thousand).

”PGIM Asia Property Fund III” (ASPF III) is primarily focused on investing in the key markets of Australia, China, Japan, Malaysia and Singapore with value added strategy. The Fund's commitment to ASPF III fund is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in ASPF III was AZN 73,895 thousand (2019: AZN 83,303 thousand).

”Redwood Japan Logistics Fund II” (RJLF II) is a development/opportunistic fund with a focus on logistics real estate investments in Japan. The Fund's commitment to RJLF II fund is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in RJLF II was AZN 213,211 thousand (2019: AZN 189,352 thousand).

“Blackrock Europe Property Fund IV Feeder” (EPF IV Feeder) is a private real estate fund with a value-add strategy focused on the European region. The Fund's commitment to EPF IV Feeder is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in EPF IV Feeder was AZN 64,068 thousand (2019: AZN 63,889 thousand).

”Gaw Capital Gateway Real Estate Fund V” (GREF V) is a private real estate fund with a value-add strategy focused on the Asia-Pacific region. The Fund's commitment to GREF V is USD 34,100 thousand. As of 31 December 2020 the fair value of Fund's investment in GREF V was AZN 47,788 thousand (2019: AZN 50,932 thousand).

“GAW Capital US Fund III” (GAW US Fund III) is a value-add investment fund, established to invest in North American assets. The Fund's commitment to GAW US Fund III is USD 63,500 thousand. As of 31 December 2020 the fair value of Fund's investment in GAW US Fund III was AZN 51,221 thousand (2019: 28,140 thousand).

”Walton Street Real Estate Fund VIII” (WSREF VIII) was raised by Walton Street Capital. WSREF VIII is a private real estate fund with a value-add/opportunistic strategy focused on the US. The Fund's commitment to WSREF VIII is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in WSREF VIII was AZN 97,147 thousand (2019: AZN 105,023 thousand).

8 Financial Assets at Fair Value through Profit or Loss (Continued)

“Angelo Gordon Commercial Real Estate Debt Opportunities” (AG CREDO) invests in commercial mortgage-backed securities and other real estate debt originally rated investment grade. AG CREDO uses its expertise in the ownership and management of commercial real estate to invest in the real estate debt markets. The Fund's commitment to AG CREDO is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's investment in AG Commercial R.E Debt Fund was AZN 64,490 thousand (2019: AZN 91,016 thousand).

“Angelo Gordon Realty Value Fund X” (AG Realty X) is a value-add investment fund formed to invest in North America, Europe, and APAC. The Fund's commitment to AG Realty Value is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund's investment in AG Realty Value Fund was AZN 64,955 thousand (2019: AZN 32,909 thousand).

“Ares US Real Estate Fund IX” (Ares US IX) is a private real estate fund with a core-plus/value-add strategy focused on the US region. The Fund's commitment to Ares US IX is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund's investment in Ares US IX was AZN 131,001 thousand (2019: AZN 89,712 thousand).

The Fund made a value-add mixed-use co-invesment with “GAW Capital GREF V” (Sophia) in Singapore. The Fund's commitment with regard to this investment is USD 20,000 thousand. As of 31 December 2020 the fair value of Fund's investment in this asset was AZN 31,890 thousand (2019: AZN 31,553 thousand).

“Starwood Global Opportunity Fund XI” (SOF XI) was established to implement value-add/opportunistic real estate strategies targeted globally, but with a focus on North America and Europe. The Fund's commitment to SOF XI is USD 200,000 thousand. As of 31 December 2020 the fair value of Fund's investment in SOF XI was AZN 148,983 thousand (2019: AZN 72,161 thousand).

“PAG Real Estate Partners II” (PREP II) is a real estate fund formed to invest in core-plus value-add real estate assets in Asian Pacific region targeting mainly Japan and South Korea. The Fund's commitment to PREP II fund is USD 100,000 thousand. As of 31 December 2020 value of Fund's investment in PREP II was 107,366 AZN thousand (2019: AZN 90,289 thousand).

“GreenOak US III” (GreenOak) is a value-add investment fund formed to invest in North America. The Fund's commitment to GreenOak is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund's investment in GreenOak was AZN 65,680 thousand (2019: AZN 46,765 thousand).

The Fund made a co-investment into a mixed-use property with a development strategy with “PGIM European Value Partners” (Junghof) fund located in Frankfurt, Germany. The Fund's commitment with regard to this investment is EUR 40,632 thousand. As of 31 December 2020 the fair value of the Fund’s share in this co-investment was AZN 100,251 thousand (2019: AZN 99,330 thousand).

The Fund made a co-investment into an opportunistic hotel development with ”PGIM Asia Property Fund III” (GK Winchester) in Kyoto, Japan. The Fund's commitment with regard to this investment is JPY 2,134,000 thousand. As of 31 December 2020 the fair value of Fund’s share in this co-investment was AZN 643 thousand (2019: AZN 46,136 thousand).

The Fund made a co-investment in an office property with “Blackrock Europe Property Fund IV Feeder” (Kustermann) (in Munich, Germany. The Fund's commitment with regard to this investment is EUR 6,333 thousand. As of 31 December 2020 the fair value of Fund’s share in this co-investment was AZN 3 thousand (2019: AZN 307 thousand).

The Fund has made a mixed-use co-investment with ”Walton Street Real Estate Fund VIII” (Walton NMA VIII) in Chicago, USA. The Fund's commitment with regard to this investment is USD 25,000 thousand. As of 31 December 2020 the fair value of Fund's share in this co-investment was AZN 23,857 thousand (2019: AZN 23,166 thousand).

The Fund made a development logistics portfolio co-investment with “GAW Capital GREF V” (Centurion II) in China. The Fund's commitment with regard to this investment is USD 60,000 thousand. As of 31 December 2020 the fair value of Fund’s share in this co-investment was AZN 71,112 thousand (2019: AZN 43,599 thousand).

The Fund made a value-add retail portfolio co-investment with “GAW Capital GREF V” (Doris) in Hong Kong. The Fund's commitment with regard to this investment is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund's share in this co-investment was AZN 102,812 thousand (2019: AZN 99,104 thousand).

8 Financial Assets at Fair Value through Profit or Loss (Continued)

“Blackstone Real Estate Partners Europe VI” (BREP Europe VI) is an opportunistic real estate fund and makes investments mostly in United Kingdom, Germany, Spain and Italy. The Fund's commitment to BREP Europe VI fund is EUR 150,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in BREP Europe VI was AZN 73,463 thousand (2019: AZN 8,516 thousand).

“Blackstone Property Partners U.S.” (BPP U.S.) is a core-plus investment fund formed to invest in North America. The Fund’s commitment to BPP U.S. fund is USD 200,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in BPP U.S. was AZN 320,212 thousand (2019: AZN 340,000 thousand).

“Fonciere LFPI Europe” (FLE) fund was established in 2005. Fund makes core to core-plus commercial real estate investments in Europe and USA. The Fund’s commitment in FLE is EUR 100,000 thousand as a Limited Partner. As of 31 December 2020 the fair value of Fund’s investment in FLE was AZN 219,166 thousand (2019: AZN 193,473 thousand).

”Gaw Capital Gateway Real Estate Fund VI” (GREF VI) was established in 2018 and makes commercial real estate investments in the Asia-Pacific region. The Fund’s commitment in GREF VI is USD 50,000 thousand as a Limited Partner. As of 31 December 2020 the fair value of Fund’s investment in GREF VI was AZN 56,377 thousand (2019: AZN 31,508 thousand).

The Fund reached an agreement with “GAW Capital US Fund III” (H&H Retail) in 2019 to make a co-investment into a retail asset located in Los Angeles. The Fund’s equity portion in the co-investment is USD 50,000 thousand. As of 31 December 2020 the fair value of Fund’s share in this co-investment was AZN 59,629 thousand (2019: AZN 85,000 thousand).

“PGIM European Value Partners II” (EVP II) is a real estate fund formed to acquire real estate assets in the Eurozone and UK, targeting mainly France, Germany, Italy, Spain and major cities in UK with a value-add investment profile. The Fund's commitment to EVP II fund is EUR 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in EVP II was AZN 29,589 thousand (2019: AZN 30,770 thousand).

“Blackstone BioMed Life Science Real Estate” is the second largest owner of life science office buildings in the U.S. The portfolio consists of 80 assets totalling 11M SF with 100% of value in core life science markets. The Fund’s equity portion in the co-investment is USD 100,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in “Blackstone BioMed Life Science Real Estate” was AZN 149,032 thousand (2019: nil).

“PRISA LP” is a Delaware limited partnership investing on a pro rata basis alongside PRISA SA through one or more private REITS (“PRISA REIT”) organized as a perpetual life, open-ended commingled fund to invest primarily in core real estate assets located in the United States through PRISA REIT. The Fund's commitment to “PRISA LP” is USD 200,000 thousand. As of 31 December 2020 the fair value of Fund’s investment in “PRISA LP” was AZN 342,354 thousand (2019: nil).

The Fund has reached an agreement with Gaw Capital Partner’s “GAW US Fund III” (project Rainbow) to make co-investment to hotel asset located in Hawaii. The Fund’s equity portion in the co-investment is USD 14,000 thousand. As of 31 December 2020 the fair value of Fund’s share in this co-investment was AZN 17,976 thousand (2019: nil).

”Walton Street Real Estate Fund IX” (WSREF IX) was raised by Walton Street Capital. WSREF IX will combine opportunistic and value-add strategies to a portfolio designed to generate attractive risk-adjusted returns. The Fund's commitment to WSREF IX is USD 100,000 thousand. As of 31 December 2020 the fund has not drawn capital from the Fund yet.

Equity securities. The carrying value of equity investments consists of investments in the following sectors at 31 December 2020 and 2019:

In thousands of Azerbaijani Manats	**2020**	**2019**
Telecommunication and information technologies	2,296,466	1,658,757
Consumer	1,871,960	1,579,207
Finance	1,796,870	2,008,941
Healthcare	1,040,085	1,014,436
Industrial	899,281	742,331
Materials	514,024	393,596
Utilities	383,117	277,865
Energy	271,036	361,260
Total equity securities	**9,072,839**	**8,036,393**

8 Financial Assets at Fair Value through Profit or Loss (Continued)

These securities were held in the portfolio managed both directly by the Fund as well as the Fund's external managers, SSGA, UBS Asset Management (UK) LTD, Blackrock Investment Management, Mellon Capital Management Corporation and Sumitomo Mitsui Trust International LTD.

FVTPL assets are carried at fair value which also reflects any credit risk related write-downs. Therefore, the Fund does not analyse or monitor impairment indicators.

8 Financial Assets at Fair Value through Profit or Loss (Continued)

Analysis by credit quality of debt trading securities is as follows at 31 December 2020:

In thousands of Azerbaijani Manats	**Agency/Supranational Bonds**	**Corporate Bonds**	**Sovereign Bonds**	**Money Market**	**Total**
Neither past due nor impaired (at fair value)					
AAA	7,042,639	308,889	9,931,417	-	17,282,945
AA	3,689,756	75,712	370,211	91,790	4,227,469
A	1,539,183	4,567,920	1,232,078	-	7,339,181
BBB	5,117	3,004,782	1,649,780	-	4,659,679
BB	-	7,972,920	125,914	-	8,098,834
B	-	1,227,638	373,676	-	1,601,314
D	-	538	-	-	538
Total neither past due nor impaired	**12,276,695**	**17,158,399**	**13,683,076**	**91,790**	**43,209,960**
Total debt trading securities	**12,276,695**	**17,158,399**	**13,683,076**	**91,790**	**43,209,960**

Analysis by credit quality of debt trading securities is as follows at 31 December 2019:

In thousands of Azerbaijani Manats	**Agency/Supranational Bonds**	**Corporate Bonds**	**Sovereign Bonds**	**Money Market**	**Total**
Neither past due nor impaired (at fair value)					
AAA	6,677,835	616,510	8,266,609	-	15,560,954
AA	1,634,410	2,186,774	656,401	168,852	4,646,437
A	975,204	7,897,721	962,979	401,650	10,237,554
BBB	6,186	5,417,770	1,957,597	571,103	7,952,656
BB	-	7,644,475	-	-	7,644,475
B	-	1,436,610	585,603	-	2,022,213
D	-	913	-	-	913
Total neither past due nor impaired	**9,293,635**	**25,200,773**	**12,429,189**	**1,141,605**	**48,065,202**
Total debt trading securities	**9,293,635**	**25,200,773**	**12,429,189**	**1,141,605**	**48,065,202**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch rating converted to the nearest equivalent on the Standard & Poor's rating scale. The debt securities are not collateralised.

9. Gold Bullion

In accordance with the "Rules on Holding, Placement and Management of Foreign Assets of The State Oil Fund of the Republic of Azerbaijan" approved by Decree #511 of the President of the Republic of Azerbaijan dated 19 June 2001 as amended by Decrees #607 dated 21 December 2001, #202 dated 1 March 2005, #216 dated 10 February 2010 and #519 dated 27 October 2011, gold bars conforming to the requirements of the London Bullion Market Association may be included in the Investment Portfolio of the Fund.

Movements of gold bullion:

In thousands of Azerbaijani Manats	**2020**	**2019**
Opening balance at 1 January	**8,381,163**	**3,558,246**
Additions	49,328	3,628,327
Net fair value gain on gold bullions	2,059,788	1,194,590
Closing balance at 31 December	**10,490,279**	**8,381,163**

10. Investment Properties

Movement of investment properties:

In thousands of Azerbaijani Manats	**2020**	**2019**
Investment properties at fair value at 1 January	**2,517,219**	**2,584,684**
Additions	65,793	10,093
Disposals	(757,263)	(213,099)
Right-of-use asset	355	78,245
Fair value (losses)/gains	(115,164)	64,971
Effect of translation to presentation currency	73,594	(7,675)
Investment properties at fair value at 31 December	**1,784,534**	**2,517,219**

Investment properties consist of "Gallery Actor", a mixed-use office and retail complex located in Moscow Central Administrative District at 16 Tverskaya Street, "78 St James's Street" an office complex located in London, "8 Place Vendome" a mixed-use office, retail and residential building located in Paris and "Kirarito Ginza" retail complex located in Tokyo. All properties are leased out on a commercial basis.

As at 31 December 2020 investment properties are stated at fair value, which has been determined based on valuations performed by professional valuation companies (accredited independent appraisers). Appraisers are recognized industry professionals that specialize in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair values of the properties have been primarily derived using prices for comparable properties, market information, discounted cash flow method (income approach) and the expert opinion of independent accredited valuators who have advised on current market levels.

At 31 December 2020, investment property carried at AZN 960,190 thousand (2019: AZN 1,736,537 thousand) have been pledged to third parties as collateral with respect to borrowings. Refer to Note 13.

Where the Fund is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

In thousands of Azerbaijani Manats	**2020**	**2019**
Not later than 1 year	24,017	56,824
Later than 1 year and not later than 5 years	42,549	132,983
Later than 5 years	2,069	2,019
Total operating lease payments receivable at 31 December	**68,635**	**191,826**

10 Investment Properties (Continued)

Detailed disclosure on fair value change of investment properties:

Investment property	Fair value 2020	Change in fair value	Effect of translation to presentation currency	Additi-ons	Disposals	Right-of-use asset	Fair value 2019
"78 St James Street", London	378,601	(28,712)	12,805	64,713	-	-	329,795
"Gallery Actor", Moscow	69,143	(8,408)	(14,162)	-	-	355	91,358
"SCI 8 Place Vendome", Paris	376,600	(16,839)	33,796	114	-	-	359,529
"Pine Avenue Tower A", Seoul	-	(51,846)	(10,269)	-	(757,263)	-	819,378
"Kirarito Ginza" , Tokyo	960,190	(9,359)	51,424	966	-	-	917,159
	1,784,534	**(115,164)**	**73,594**	**65,793**	**(757,263)**	**355**	**2,517,219**

Investment property	Fair value 2019	Change in fair value	Effect of translation to presentation currency	Additi-ons	Disposals	Right-of-use asset	Fair value 2018
"78 St James Street", London	329,795	(16,041)	8,849	8,208	-	70,431	258,348
"Gallery Actor", Moscow	91,358	1,139	9,552	575	-	-	80,092
"SCI 8 Place Vendome", Paris	359,529	4,361	(8,056)	896	-	-	362,328
"Pine Avenue Tower A", Seoul	819,378	61,114	(25,812)	-	-	-	784,076
"Kirarito Ginza" , Tokyo	917,159	(823)	12,381	414	-	7,814	897,373
"Palazzo Turati", Milan	-	15,221	(4,589)	-	(213,099)	-	202,467
	2,517,219	**64,971**	**(7,675)**	**10,093**	**(213,099)**	**78,245**	**2,584,684**

Establishment of 78 St James's Street Unit Trust (the "Unit Trust")

The Unit Trust was established by the Fund on 22 November 2012 under the provision of the Trust Instrument. SOFAZ RE Limited in its capacity as general partner of the SOFAZ RE UK L.P. has a 99% holding of the Unit Trust. SOFAZ RE Min Limited has a 1% holding of the Unit Trust. SOFAZ RE Limited, SOFAZ RE UK L.P. and SOFAZ RE Min Limited are ultimately owned by the State Oil Fund of Azerbaijan. The Unit Trust invests in real estate located in the United Kingdom and owns the office complex "78 St James's Street". The Unit Trust is established, resident and domiciled in Jersey, Channel Islands. During 2020, the Unit Trust has not contributed rental income due to the refurbishment of the office complex (2019: nil) and contributed AZN 32,787 thousand loss (2019: AZN 19,689 thousand loss) to the net profit/(loss) before tax of the Fund (Net profit figure includes fair value decrease of AZN 28,712 thousand (2019: AZN 16,041 thousand decrease)).

Acquisition of JSC Tverskaya 16

On 21 December 2012, SOFAZ acquired 100% of voting shares of JSC Tverskaya 16. Its main activity is management of the business and retail centre "Gallery Actor" located in the Central Administrative District of Moscow, Russia. During 2020, JSC Tverskaya 16 contributed AZN 6,971 thousand (2019: AZN 8,300 thousand) of rental income and AZN 4,126 thousand loss (2019: AZN 4,600 thousand profit) to the net profit/(loss) before tax of the Fund (Net profit figure includes fair value decrease of AZN 8,408 thousand (2019: increase AZN 1,139 thousand)).

10 Investment Properties (Continued)

Establishment of SCI 8 Place Vendome

On 19 March 2013, the Fund acquired via a special purpose vehicle, a mixed use office, retail and residential complex SCI 8 Place Vendome located on Place Vendome 8, Paris, France from AXA Real Estate for EUR 135,000 thousand. SCI 8 Place Vendome is an indirect subsidiary of the Fund incorporated in France as a civil partnership having its registered office in Paris, 6 place de Madeleine. SCI 8 Place Vendome is held by the Fund via two Luxembourg holding companies (the Luxcos): SOFAZ RE Fund S.a.r.l. - a private limited company with a share capital of EUR 12,500 having its registered office in Luxembourg which is 100% held by SOFAZ RE Europe Holding S.a.r.l. and holds 0.1% of SCI 8 Place Vendome and SOFAZ RE Europe S.a.r.l. - a private limited company with a share capital of EUR 12,500 having its registered office in Luxembourg which is 100% held by SOFAZ RE Europe Holding S.a.r.l. and holding 99.9% of SCI 8 Place Vendome. During 2020, SCI 8 Place Vendome has contributed AZN 10,962 thousand (2019: AZN 10,503 thousand) of rental income and AZN 12,485 thousand loss (2019: 8,850 thousand profit) to the net profit/(loss) before tax of the Fund (Net profit figure includes fair value decrease of AZN 16,839 thousand (2019: AZN 4,361 thousand increase)).

Acquisition of Pine Avenue Tower A office complex

On 31 March 2014 SOFAZ finalised the acquisition of a prime office complex, Pine Avenue Tower A in Seoul, South Korea via the acquisition of 100% interest in Beneficiary Certificates (“BCs”) in Real Estate Fund from Mirae Asset Management for KRW 469,007 million (AZN 346,250 thousand). The property was disposed of on 21 September 2020. Until the disposal date, “Pine Avenue Tower A” has contributed AZN 21,516 thousand (2019: AZN 24,337 thousand) of rental income and AZN 58,785 thousand loss (2019: AZN 71,930 thousand profit) to the net profit/(loss) before tax of the Fund (Net profit figure includes fair value decrease of AZN 51,846 thousand (2019: AZN 61,114 thousand increase)).

Establishment of Kirarito Ginza

SOFAZ made an investment in the amount of 51,989 million JPY (AZN 455,736 thousand) to an operator entity ("OE") under a Tokumei Kumiai ("TK") agreement on 21 August 2015. This investment formed 98% of the capital of the OE. 2% is held by the Asset Managers ("AM"), PGIM Real Estate (Japan). SOFAZ is free to sell this investment (right to cashflows) in the OE at any time. The OE invested proceeds from investors in an investment property, a retail complex in Ginza, Tokyo, for 52,434 million JPY (AZN 459,633 thousand), including investment-related acquisition costs. For detailed information, refer to the Note 25.

During 2020, “Kirarito Ginza” has contributed AZN 24,466 thousand (2019: AZN 25,196 thousand) of rental income and AZN 2,926 thousand profit (2019: AZN 18,927 thousand profit) to the net profit/(loss) before tax of the Fund (Net profit figure includes fair value decrease of AZN 9,359 thousand (2019: AZN 823 thousand decrease)).

11. Investments in Joint Ventures

The table below summarises the movements in the carrying amount of the Fund’s investments in joint ventures.

In thousands of Azerbaijani Manats	2020	2019
Carrying amount at 1 January	**1,047,199**	**1,167,214**
Capital repayment from joint venture	(36,000)	(76,500)
Share of after tax results of joint venture	32,871	(22,056)
Dividends received from joint venture	(5,223)	(19,053)
Gain/(loss) from FX translation recognised in OCI	15,130	(2,406)
Carrying amount at 31 December	**1,053,977**	**1,047,199**

11 Investments in Joint Ventures (Continued)

On 21 June 2013, Caspian Drilling Company (90% share) and SOCAR (10% share) jointly established “SOCAR Rig Assets” LLC with the share capital of AZN 1000 (100 shares, nominal value of AZN 10 for each share). The main activity of the entity is financing the construction of a new sixth generation semi-submersible drilling rig for operations in the Caspian Sea through funding from the founders’ proportion of their respective shares. On 5 July 2013, SOFAZ acquired all of the shares of "SOCAR Rig Assets" LLC from Caspian Drilling Company for their nominal value. “SOCAR Rig Assets” LLC did not have any operations prior to acquisition by the Fund. After acquisition “SOCAR Rig Assets” LLC was renamed “Azerbaijan Rigs” LLC. No additional paid-in capital was contributed during 2020 (2019: nil). All strategic financial and operating decisions relating to the activity of the acquiree require the unanimous consent by both founders. The results of this joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

Capitals Property S.a.r.l was established by Capitals Holding S.a.r.l on 29 January 2018 as a private limited liability company governed by the laws of the Grand Duchy of Luxembourg. When it was established, SOFAZ R.E Fund S.a.r.l and Capitals Holding S.a.r.l each held 50% of the share capital of the Capitals Property S.a.r.l in the amount of EUR 12,000 (12,000 shares with the nominal value of EUR 1 for each). On 21 September 2018 Capitals Holding S.a.r.l transferred 2,400 shares and SOFAZ R.E Fund S.a.r.l transferred 1,200 shares to Mainz International Holdings S.a.r.l. As a result the shareholder holdings are as follows: SOFAZ RE Fund S.a.r.l 40% ownership (4,800 shares), Capitals Holding S.a.r.l 30% ownership (3,600 shares), Mainz International Holdings S.a.r.l 30% ownership (3,600 shares). The main activity of the entity is real estate business through funding from the shareholders’ proportion of their respective shares and bank loan. No additional paid-in capital was contributed during 2020 (2019: nil). All strategic financial and operating decisions relating to the activity of the acquiree require the unanimous consent of all shareholding parties. The results of this joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

At 31 December 2020, the Fund’s interests in its joint ventures and its summarised aggregate financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Other income	Expenses	Profit	% interest held	Country of incorporation
“Azerbaijan Rigs” LLC	113,993	904,843	(5,674)	(23,317)	90,730	428	(56,592)	34,566	90%	Azerbaijan
"Capitals Property S.a.r.l" LLC	59,896	1,024,864	(1,423)	(675,548)	38,141	2,034	(35,767)	4,408	40%	Luxembourg

At 31 December 2019, the Fund’s interests in its joint venture and its summarised aggregate financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Other income	Expenses	Profit/ (loss)	% interest held	Country of incorporation
“Azerbaijan Rigs” LLC	84,127	939,116	(9,144)	(18,820)	97,872	255	(124,342)	(26,215)	90%	Azerbaijan
"Capitals Property S.a.r.l" LLC	52,655	952,421	(3,126)	(623,330)	37,338	1,230	(34,724)	3,844	40%	Luxembourg

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures is as follows:

	“Azerbaijan Rigs” LLC		**"Capitals Property S.a.r.l" LLC**	
	2020	**2019**	**2020**	**2019**
Opening net assets	**995,279**	**1,127,664**	**378,620**	**380,789**
Profit/(loss) for the period	34,566	(26,215)	4,408	3,844
Dividends paid	-	(21,170)	(13,057)	-
Decrease in charter capital	(40,000)	(85,000)	-	-
Translation to presentation currency	-	-	37,818	(6,013)
Closing net assets	**989,845**	**995,279**	**407,789**	**378,620**
Fund’s share in %	90%	90%	40%	40%
Fund’s share in amount	890,861	895,751	163,116	151,448
Carrying amount of investment	**890,861**	**895,751**	**163,116**	**151,448**

12. Capital Contributions

The movements in capital contributions to the Fund were as follows:

In thousands of Azerbaijani Manats	**2020**	**2019**
Contributions received from sales of oil and gas	6,587,262	14,614,709
Bonuses	767,777	766,351
Pipeline transit tariffs	20,362	18,938
Acreage fees	6,753	4,692
Total capital contributions	**7,382,154**	**15,404,690**

13. Non-Current Liabilities

In thousands of Azerbaijani Manats	**2020**	**2019**
Term loan Godo Kaisha (GK001 - Tokyo, Japan)	515,327	487,066
Term loan MAPS 21 (Mirae Asset Securities)	-	441,000
Tenancy deposits	12,248	49,302
Deferred tax liabilities	12,050	15,894
Lease liabilities	80,054	77,792
Total non-current liabilities	**619,679**	**1,071,054**

Tenancy deposits comprise of prepayments made by tenants for Kirarito Ginza, the investment property in Tokyo with the amount of AZN 10,472 thousand (2019: AZN 20,307 thousand) and SCI 8 Place Vendome, the investment property in Paris with the amount of AZN 1,776 thousand (2019: AZN 2,204 thousand).

The term loan comprises of borrowing by Godo Kaisha GK001 (Kirarito Ginza), denominated in Japanese Yen. Bank borrowing mature by 09 September 2024 and bear coupon of 0.81% annually (2019: 0.81%). An investment property is pledged as collateral for the borrowing. Please refer to Note 10.

Borrowing by MAPS 21 (Pine Avenue Tower A), denominated in Korean Won was fully repaid in 2020.

The Fund does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The fair value of current borrowing approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 0.81% (2019: 0.81%). The fair values are within level 2 of the fair value hierarchy.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Fund's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Liabilities from financing activities
	Borrowing
Liabilities from financing activities at 1 January 2019	**935,981**
Foreign exchange adjustments	(7,915)
Liabilities from financing activities at 31 December 2019	**928,066**
Cash flows	(440,100)
Foreign exchange adjustments	26,552
Other non-cash movements	809
Liabilities from financing activities at 31 December 2020	**515,327**

14. Interest Income from Financial Assets at Fair Value Through Profit or Loss

In thousands of Azerbaijani Manats	**2020**	**2019**
Government securities	254,035	124,380
Agency securities	115,319	260,072
Corporate securities	333,303	538,086
Total interest income	**702,657**	**922,538**

15. Foreign Currency Translation Differences

Net foreign currency translation differences comprise of:

In thousands of Azerbaijani Manats	2020	2019
Net unrealized gain/(loss) on foreign currency translation differences	1,332,403	(496,576)
Net realized loss on foreign currency translation differences	(88,823)	(27,691)
Total net gain/(loss) on foreign currency translation differences	**1,243,580**	**(524,267)**

16. Net Fair Value Gain on Financial Assets at Fair Value Through Profit or Loss

Net gain on financial assets at fair value through profit or loss comprises:

In thousands of Azerbaijani Manats	2020	2019
Unrealized gain on change in fair value adjustment	318,322	2,164,974
Realized gain on trading operations	635,597	80,317
Net gain on financial assets at fair value through profit or loss	**953,919**	**2,245,291**

17. Operating Expenses

Operating expenses are comprised of:

In thousands of Azerbaijani Manats	2020	2019
Operating expenses of subsidiaries	60,970	73,281
Wages, salaries and employee benefits	6,523	6,755
Depreciation and amortization	5,624	6,226
Short-term license fee	4,233	3,865
Asset management fee	3,098	2,850
Bank services	2,358	2,687
SSPF contributions	1,378	1,447
Communication expenses	55	61
Other operating expenses	3,221	6,265
Total operating expenses	**87,460**	**103,437**

18. Transfers by the Fund

During 2020 transfers to the State Budget, as well as to the state institutions, state-owned entities and companies were made in accordance with:

- The Decree #906 of the President of the Republic of Azerbaijan dated 29 December 2019 on the Approval of the Budget of the State Oil Fund of the Republic of Azerbaijan for 2020.
- Decree # 1148 of the President of the Republic of Azerbaijan dated 31 August 2020 on making amendments to the Decree No. 906 of the President of the Republic of Azerbaijan dated 29 December 2019 on the Budget of the State Oil Fund of the Republic of Azerbaijan for 2020.

During 2019 transfers to the State Budget, as well as to the state institutions, state-owned entities and companies were made in accordance with:

- The Decree #449 of the President of the Republic of Azerbaijan dated 28 December 2018 on the Approval of the Budget of the State Oil Fund of the Republic of Azerbaijan for 2019.

19. Income Taxes

The Fund provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Russian Federation, Luxembourg, Japan and France.

According to the Presidential decree №- 509-IVQD dated 21 December 2012, and law of State Parliament regarding changes to the Tax Code of Azerbaijan Republic dated 29 December 2012 starting from 1 January 2013 SOFAZ is exempted from corporate income tax. All the Jersey companies are zero corporate income tax rated by virtue of being International Service Entities. As a result there are no temporary differences in respect of SOFAZ's Azerbaijani and UK operations. According to double taxation treaty with Japan, gains from Tokumei Kumiai investments is exempt from taxation in this country. South Korea subsidiary is also exempt from taxes for the income generated from operations of its assets. It is only obliged for tax withholding when distributing earnings to unitholders.

Standard corporate income tax rates for companies operating in the Russian Federation comprised 20% for 2020 and 2019. Whereas Luxembourg and French subsidiaries are subject to income tax at a rate of 17% (2019: 17%) and 33.33% (2019: 33.33%), respectively. Japan subsidiary is subject to income tax of 34.59% (2019: 34.59%).

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

20. 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.

20 Fair Value Disclosures (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2020				**31 December 2019**			
In thousands of Azerbaijani Manats	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value								
Financial Assets								
Financial assets at fair value through profit or loss	**44,309,879**	**7,972,920**	**4,587,616**	**56,870,415**	**48,492,532**	**7,609,063**	**3,510,925**	**59,612,520**
- Agency/Supranational bonds	12,276,695	-	-	12,276,695	9,293,635	-	-	9,293,635
- Corporate bonds	9,185,479	7,972,920	-	17,158,399	17,591,710	7,609,063	-	25,200,773
- Sovereign bonds	13,683,076	-		13,683,076	12,429,189	-	-	12,429,189
- Private Equity Funds	-	-	1,348,519	1,348,519	-	-	902,260	902,260
- Real Estate Funds	-	-	3,239,097	3,239,097	-	-	2,608,665	2,608,665
- Equity securities	9,072,839	-	-	9,072,839	8,036,393	-	-	8,036,393
- Money Market	91,790	-	-	91,790	1,141,605	-	-	1,141,605
Non-financial Assets	**10,490,279**	**-**	**1,784,534**	**12,274,813**	**8,381,163**	**-**	**2,517,219**	**10,898,382**
- Investment properties	-	-	1,784,534	1,784,534	-	-	2,517,219	2,517,219
- Gold bullions	10,490,279	-	-	10,490,279	8,381,163	-	-	8,381,163
Total assets recurring fair value measurements	**54,800,158**	**7,972,920**	**6,372,150**	**69,145,228**	**56,873,695**	**7,609,063**	**6,028,144**	**70,510,902**

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2020 and 31 December 2019:

In thousands of Azerbaijani Manats	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
FINANCIAL ASSETS			
2020			
- Corporate bonds	7,972,920	DCF	Government bonds yield curve
2019			
- Corporate bonds	7,609,063	DCF	Government bonds yield curve

20 Fair Value Disclosures (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2020:

In thousands of Azerbaijani Manats	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measu-rement**
Assets at fair value						
Non-financial assets						
Investment properties						
"78 St James Street", London	378,601	Residual appraisal approach	Net rental value	AZN 26,576 thousand	+/- 5%	22,275/ (23,295)
"Gallery Actor", Moscow	69,143	Discounted cash flows	Target rate of return	12%	+/- 1%	(2,450)/ 2,123
"SCI 8 Place Vendome", Paris	376,600	Income capitalisation method, Discounted cash flows, Direct comparison method	Market yield	3.5-4.5%	+/- 0.5%	(65,123)/ 34,568
"Kirarito Ginza" , Tokyo	960,190	Cost method, income capitalisation method	Market yield	2.4%	+/- 0.1%	(39,785)/ 31,078
Total recurring fair value measurements at level 3	**1,784,534**					

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2019:

In thousands of Azerbaijani Manats	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Reasonable change**	**Sensitivity of fair value measu-rement**
Assets at fair value						
Non-financial assets						
Investment properties						
"78 St James Street", London	329,795	Residual appraisal approach	Net rental value	AZN 21,955 thousand	+/- 5%	18,411/ (18,411)
"Gallery Actor", Moscow	91,358	Discounted cash flows	Target rate of return	12%	+/- 1%	(3,239)/ 3,406
"SCI 8 Place Vendome", Paris	359,529	Income capitalisation method, Discounted cash flows, Direct comparison method	Market yield	3.5-4.5%	+/- 0.5%	(77,021)/ 30,676
"Pine Avenue Tower A", Seoul	819,378	Discounted cash flows, Comparison method	Target rate of return/ Transaction case price	4.6-4.8%, AZN 11,760-12,936 per sq.m	+/- 0.25%, +/- 5%	(15,950)/ 17,640, (20,654)/ 20,654
"Kirarito Ginza" , Tokyo	917,159	Cost method, income capitalisation method	Market yield	2.4%	+/- 0.1%	(32,351)/ 35,432
Total recurring fair value measurements at level 3	**2,517,219**					

20 Fair Value Disclosures (Continued)

For investments in private equity and real estate funds, increases in the EBITDA multiple would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 fund investments have been identified.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2020 is as follows:

In thousands of Azerbaijani Manats	Securities at FVTPL
Fair value at 1 January 2020	**3,510,925**
Loss recognised in profit or loss for the year	(64,945)
Gain recognised in other comprehensive income	258,350
Purchases	883,286
Fair value at 31 December 2020	**4,587,616**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2019 is as follows:

In thousands of Azerbaijani Manats	Securities at FVTPL
Fair value at 1 January 2019	**2,253,461**
Gain recognised in profit or loss for the year	46,464
Loss recognised in other comprehensive income	(36,388)
Purchases	1,247,388
Fair value at 31 December 2019	**3,510,925**

b) 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 carrying value of assets not measured at fair value are as follows:

	31 December 2020				31 December 2019			
In thousands of Azerbaijani Manats	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets								
Other financial assets								
- Other receivables	-	9,866	-	9,866	-	4,283	-	4,283
- Term deposits	-	2,352	-	2,352	-	7,577	-	7,577
Total Assets	**-**	**12,218**	**-**	**12,218**	**-**	**11,860**	**-**	**11,860**
Liabilities								
Other borrowed funds								
- Term loan	-	515,327	-	515,327	-	928,066	-	928,066
Other financial liabilities								
- Other liabilities	-	22,655	-	22,655	-	17,762	-	17,762
- Lease liabilities	-	80,054	-	80,054	-	77,792	-	77,792
Total Liabilities	**-**	**618,036**	**-**	**618,036**	**-**	**1,023,620**	**-**	**1,023,620**

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

21. 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 or subsequently.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

In thousands of Azerbaijani Manats	**FVTPL (mandatory)**	**AC**	**Total**
ASSETS			
Cash and cash equivalents			**4,059,687**
- Money market funds	1,255,741	-	1,255,741
- Bank accounts	-	2,794,016	2,794,016
- Short-term deposits	-	9,930	9,930
FVTPL assets			**56,870,415**
- Agency/Supranational bonds	12,276,695	-	12,276,695
- Corporate bonds	17,158,399	-	17,158,399
- Sovereign bonds	13,683,076	-	13,683,076
- Money market	91,790	-	91,790
- Private Equity Funds	1,348,519	-	1,348,519
- Real Estate Funds	3,239,097	-	3,239,097
- Equity securities	9,072,839	-	9,072,839
Other financial assets			**9,867**
-Other	-	9,867	9,867
TOTAL FINANCIAL ASSETS	**58,126,156**	**2,813,813**	**60,939,969**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2019:

In thousands of Azerbaijani Manats	**FVTPL (mandatory)**	**AC**	**Total**
ASSETS			
Cash and cash equivalents			**2,590,446**
- Money market funds	1,429,032	-	1,429,032
- Bank accounts	-	1,160,617	1,160,617
- Short-term deposits	-	797	797
FVTPL assets			**59,612,520**
- Agency/Supranational bonds	9,293,635	-	9,293,635
- Corporate bonds	25,200,773	-	25,200,773
- Sovereign bonds	12,429,189	-	12,429,189
- Money market	1,141,605	-	1,141,605
- Private Equity Funds	902,260	-	902,260
- Real Estate Funds	2,608,665	-	2,608,665
- Equity securities	8,036,393	-	8,036,393
Other financial assets			**11,860**
-Other	-	11,860	11,860
TOTAL FINANCIAL ASSETS	**61,041,552**	**1,173,274**	**62,214,826**

As of 31 December 2020 and 31 December 2019, all of the Fund's financial liabilities were carried at AC.

22. Financial Risk Management

Management of risk is an essential element of the Fund's operations. Risks inherent to the Fund's operations are those related to credit exposures, liquidity, market and operational risks. A summary description of the Fund's risk management policies in relation to those risks is discussed below.

22 Financial Risk Management (Continued)

Credit risk. The Fund is exposed to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is subject to credit risk from its portfolio of cash and cash equivalents and its investments. The Fund manages its credit risk in accordance with the "Rules on Holding, Placement and Management of Foreign Currency Assets of The State Oil Fund of the Republic of Azerbaijan" approved by Decree #511 of the President of the Republic of Azerbaijan dated 19 June 2001 as amended by Decree #607 dated 21 December 2001, Decree #202 dated 1 March 2005, Decree #216 dated 10 February 2010, Decree #519 dated 27 October 2011 (hereinafter collectively referred to as the "Rules").

Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount of investment per investment asset.

The following table details the credit ratings of financial instruments held by the Fund. The credit rating is issued by internationally regarded agencies Standard & Poor's, Fitch and Moody's. If the agencies have assigned different credit ratings to an asset, the lowest one was used.

2020	AAA	AA	A	BBB	BB	B	D	Total
Cash and cash equivalents*	1,255,741	501	872,531	392,255	-	7,098	-	2,528,126
Financial assets at fair value through profit or loss**	17,282,945	4,227,468	7,339,181	4,659,678	8,098,834	1,601,316	538	43,209,960

* AZN 1,531,561 thousand (2019: AZN 972 thousand) – bank account at Central Bank of the Republic of Azerbaijan was excluded as Central Banks do not have credit rating

** Equity securities in the amount of AZN 9,072,839 thousand (2019: AZN 8,036,393 thousand) and investments in Real Estate and Private Equity Funds in the amount of AZN 4,587,616 thousand (2019: AZN 3,510,925 thousand) are excluded from this table. The Fund has investment strategies for investments in Real Estate and Private Equity funds. The Fund performs comprehensive review process where assesses the investment experience of the funds, opinions of shareholders in the previous investments of General Partner, knowledge and experience of staff, financial facilities used in fund's organization and cash flow management and evaluates them by 10 points scale. As of 31 December 2020, the scores awarded for Real Estate and Private Equity funds are in the range of 8-9 and 7-8, respectively.

2019	AAA	AA	A	BBB	BB	B	D	Total
Cash and cash equivalents*	1,429,032	4,446	557,992	593,499	-	4,505	-	2,589,474
Financial assets at fair value through profit or loss**	15,560,954	4,646,437	10,237,554	7,952,656	7,644,475	2,022,213	913	48,065,202

Equity securities portfolio represent a passive replication of broad indices (MSCI World, MSCI Europe ex UK, S&P 100), where the Fund relies on Tracking Error metrics. Ex-ante tracking error limits are established at the level of 30 bps on an annual basis.
The Fund also reports on such market risk metrics as Standard deviation, Value at Risk (VaR), Beta in its internal reports.

External managers. In accordance with the "Rules", when an external manager is engaged in management of the Fund's currency assets, the external manager or its principal founder should have investment credit ratings (not lower than Baa3 (Moody's) or BBB- (Standard & Poor's, Fitch)) or have at least five years of positive history of management of assets, or be experienced in managing assets with a value not less than one billion USD.

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is managed according to the currency allocation set in Investment Policy, which states firm weights for specific currencies. Apart from that according to Investment Guidelines the Fund has a discretion of using currency derivatives for hedging purposes. Currency rebalancing is implemented quarterly in line with internal procedures. Currency allocation is implemented in the multi-asset and diversified Fund investment portfolio context.

22 Financial Risk Management (Continued)

The table below summarizes the Fund's exposure to foreign currency exchange rate risk for the year ended 31 December 2020:

2020	AZN	USD	EUR	GBP	TRY	AUD	RUB	Other	Total
Financial assets									
Cash and cash equivalents	1,622	3,094,142	732,231	157,480	6,981	2,850	5,958	58,423	4,059,687
Financial Assets at Fair Value Through Profit or Loss	-	35,425,248	13,781,767	3,434,453	499,592	453,544	334,141	2,941,670	56,870,415
Other financial assets	-	-	7,449	317	-	-	1,519	582	9,867
Total financial assets	**1,622**	**38,519,390**	**14,521,447**	**3,592,250**	**506,573**	**456,394**	**341,618**	**3,000,675**	**60,939,969**
Financial liabilities									
Borrowings	-	-	-	-	-	-	-	(515,327)	(515,327)
Other financial liabilities	(1,510)		(4,662)	(7,067)	-	-	(1,401)	(8,015)	(22,655)
Lease liabilities	-	-	-	(72,666)	-	-	(7,388)	-	(80,054)
Total financial liabilities	**(1,510)**	**-**	**(4,662)**	**(79,733)**	**-**	**-**	**(8,789)**	**(523,342)**	**(618,036)**
Open position	**112**	**38,519,390**	**14,516,785**	**3,512,517**	**506,573**	**456,394**	**332,829**	**2,477,333**	**60,321,933**

22 Financial Risk Management (Continued)

The table below summarizes the Fund's exposure to foreign currency exchange rate risk for the year ended 31 December 2019:

2019	AZN	USD	EUR	GBP	TRY	AUD	RUB	Other	Total
Financial assets									
Cash and cash equivalents	1,010	1,980,627	340,082	210,650	4,434	2,108	398	51,137	2,590,446
Financial Assets at Fair Value Through Profit or Loss	-	29,911,197	22,261,867	3,267,653	585,602	407,745	480,631	2,697,825	59,612,520
Other financial assets	-	-	-	2,631	-	-	8,917	312	11,860
Total financial assets	**1,010**	**31,891,824**	**22,601,949**	**3,480,934**	**590,036**	**409,853**	**489,946**	**2,749,274**	**62,214,826**
Financial liabilities									
Borrowings	-	-	-	-	-	-	-	(928,066)	(928,066)
Other financial liabilities	(1,202)	-	(4,246)	(309)	-	-	(1,097)	(10,908)	(17,762)
Lease liabilities	-	-	-	(70,386)	-	-	-	(7,406)	(77,792)
Total financial liabilities	**(1,202)**	**-**	**(4,246)**	**(70,695)**	**-**	**-**	**(1,097)**	**(946,380)**	**(1,023,620)**
Open position	**(192)**	**31,891,824**	**22,597,703**	**3,410,239**	**590,036**	**409,853**	**488,849**	**1,802,894**	**61,191,206**

22 Financial Risk Management (Continued)

Currency risk sensitivity. The tables below indicate the currencies to which the Fund had significant exposure at 31 December 2020 and 2019 on its monetary assets and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AZN, with all other variables held constant on the statement of profit or loss and other comprehensive income.

	Impact on profit/ (loss) for the year		Impact on equity	Impact on profit/ (loss) for the year		Impact on equity
		31-Dec-20			31-Dec-19	
AZN/USD	**+ 10%**	3,851,939	3,851,939	**+ 10%**	3,189,182	3,189,182
	- 10%	(3,851,939)	(3,851,939)	**- 10%**	(3,189,182)	(3,189,182)
AZN/EUR	**+ 10%**	1,451,679	1,824,914	**+ 10%**	2,259,770	2,566,296
	- 10%	(1,451,679)	(1,824,914)	**- 10%**	(2,259,770)	(2,566,296)
AZN/GBP	**+ 10%**	351,252	382,920	**+ 10%**	341,024	373,815
	- 10%	(351,252)	(382,920)	**- 10%**	(341,024)	(373,815)
AZN/TRY	**+ 10%**	50,657	50,657	**+ 10%**	59,004	59,004
	- 10%	(50,657)	(50,657)	**- 10%**	(59,004)	(59,004)
AZN/AUD	**+ 10%**	45,639	45,639	**+ 10%**	40,985	40,985
	- 10%	(45,639)	(45,639)	**- 10%**	(40,985)	(40,985)
AZN/RUB	**+ 10%**	33,284	39,998	**+ 10%**	48,885	57,327
	- 10%	(33,284)	(39,998)	**- 10%**	(48,885)	(57,327)

Commodity price risk. The Fund is affected by the volatility of gold prices. The following table shows the effect of price changes in gold:

	31-Dec-20		31-Dec-19	
AZN/XAU	**10%**	**-10%**	**10%**	**-10%**
Impact on profit/(loss) for the year	1,049,028	(1,049,028)	838,116	(355,825)
Impact on equity	1,049,028	(1,049,028)	838,116	(355,825)

22 Financial Risk Management (Continued)

Geographical concentration. The geographical concentration of the Fund's financial assets and liabilities at 31 December 2020 is set out below:

2020	Azerbaijan	Europe	America	Asia	Australia and Oceania	International organizations	Total
Financial assets							
Cash and cash equivalents	1,531,667	2,148,940	333,613	41,123	4,344	-	4,059,687
Financial Assets at Fair Value Through Profit or Loss	9,200,558	18,475,024	18,209,878	5,774,565	856,915	4,353,475	56,870,415
Other financial assets	-	9,285	-	582	-	-	9,867
Total financial assets	**10,732,225**	**20,633,249**	**18,543,491**	**5,816,270**	**861,259**	**4,353,475**	**60,939,969**
Financial liabilities							
Borrowings	-	-	-	(515,327)	-	-	(515,327)
Other financial liabilities	(1,510)	(13,110)	-	(8,035)	-	-	(22,655)
Lease liabilities	-	(80,054)	-	-	-	-	(80,054)
Total financial liabilities	**(1,510)**	**(93,164)**	**-**	**(523,362)**	**-**	**-**	**(618,036)**
Net position	**10,730,715**	**20,540,085**	**18,543,491**	**5,292,908**	**861,259**	**4,353,475**	**60,321,933**

22 Financial Risk Management (Continued)

The geographical concentration of the Fund's financial assets and liabilities at 31 December 2019 is set out below:

2019	Azerbaijan	Europe	America	Asia	Australia and Oceania	International organizations	Total
Financial assets							
Cash and cash equivalents	1,047	1,861,192	688,693	39,514	-	-	2,590,446
Financial Assets at Fair Value Through Profit or Loss	9,045,673	22,075,302	17,705,373	5,797,909	1,501,217	3,487,046	59,612,520
Other financial assets	-	11,548	-	312	-	-	11,860
Total financial assets	**9,046,720**	**23,948,042**	**18,394,066**	**5,837,735**	**1,501,217**	**3,487,046**	**62,214,826**
Financial liabilities							
Borrowings	-	-	-	(928,066)	-	-	(928,066)
Other financial liabilities	(1,202)	(5,652)	-	(10,908)	-	-	(17,762)
Lease liabilities	-	(70,386)	-	(7,406)	-	-	(77,792)
Total financial liabilities	**(1,202)**	**(76,038)**	**-**	**(946,380)**	**-**	**-**	**(1,023,620)**
Net position	**9,045,518**	**23,872,004**	**18,394,066**	**4,891,355**	**1,501,217**	**3,487,046**	**61,191,206**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by comparing reports from portfolios with investment policy of the Fund approved by the President of the Azerbaijan Republic. The Fund did not have any such significant risk concentrations at 31 December 2020 and 2019.

22 Financial Risk Management (Continued)

Interest Rate Risk. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows as fixed income securities account for the largest portion of the investment portfolio. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management sets limit maximum of 48 months (duration of 4) on average for the portfolio.

Interest rate sensitivity. At 31 December 2020 and 2019 deposits and debt securities were interest-bearing and, therefore, were exposed to the interest rate risk. Depending on the market conditions the Fund is managing this risk by gradually increasing or decreasing the duration of assets in the investment portfolio. Daily risk management and monitoring is performed within above set limits by the Risk Management Department.

The following table presents a net impact of change of the fair value of securities, when market interest rate changed by 1%. Sensitivity analysis of interest rate risk has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit/(loss) before tax:

	31-Dec-20		31-Dec-19	
	Interest rate 1%	**Interest rate -1%**	**Interest rate 1%**	**Interest rate -1%**
Assets:				
Cash and cash equivalents	35	(35)	39	(39)
Financial assets at fair value through profit or loss	(654,161)	654,161	(612,085)	612,085
Net impact on profit/(loss) before tax	**(654,126)**	**654,126**	**(612,046)**	**612,046**
Impact on equity	**(654,126)**	**654,126**	**(612,046)**	**612,046**

Liquidity risk. Management's guiding policies are to maintain conservative levels of liquidity to ensure that the Fund has the ability to meet its obligations under all conceivable circumstances. Liquidity risk requires to hold at least of 100 million USD in cash and cash equivalents and is monitored on a daily basis. Due to budget transfers throughout the year liquidity issue is addressed in the Fund's asset class allocation (at least 60% to be invested in highly liquid Debt obligations and money market sub-portfolio), which in turn further contributes to liquidity of the Fund's investment portfolio.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities 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 amount in the statement of financial position is based on discounted cash flows.

An analysis of the liquidity risk of financial position items is presented in the following tables:

2020	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**over 5 years**	**Maturity undefined**	**Total**
Financial assets							
Cash and cash equivalents	-	9,930	-	-	-	4,049,757	4,059,687
Financial assets at fair value through profit or loss	1,167,565	2,363,982	9,931,936	23,903,179	5,843,298	13,660,455	56,870,415
Other financial assets	9,867	-	-	-	-	-	9,867
Total financial assets	**1,177,432**	**2,373,912**	**9,931,936**	**23,903,179**	**5,843,298**	**17,710,212**	**60,939,969**
Financial liabilities							
Borrowings	(350)	(700)	(3,149)	(529,561)	-		(533,760)
Lease liabilities	(319)	(913)	(2,212)	(11,891)	(291,495)	-	(306,830)
Other financial liabilities	(22,655)	-	-	-	-	-	(22,655)
Total financial liabilities	**(23,324)**	**(1,613)**	**(5,361)**	**(541,452)**	**(291,495)**	**-**	**(863,245)**
Liquidity gap	**1,154,108**	**2,372,299**	**9,926,575**	**23,361,727**	**5,551,803**	**17,710,212**	**60,076,724**

22 Financial Risk Management (Continued)

2019	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	-	797	-	-	-	2,589,649	2,590,446
Financial assets at fair value through profit or loss	2,020,129	2,740,790	9,868,602	28,718,165	4,717,517	11,547,317	59,612,520
Other financial assets	4,283	1,937	5,640	-	-	-	11,860
Total financial assets	**2,024,412**	**2,743,524**	**9,874,242**	**28,718,165**	**4,717,517**	**14,136,966**	**62,214,826**
Financial liabilities							
Borrowings	(331)	(4,631)	(14,888)	(984,648)	-	-	(1,004,498)
Lease liabilities	(233)	(466)	(2,098)	(10,480)	(245,945)	-	(259,222)
Other financial liabilities	(17,762)	-	-	-	-	-	(17,762)
Total financial liabilities	**(18,326)**	**(5,097)**	**(16,986)**	**(995,128)**	**(245,945)**	**-**	**(1,281,482)**
Liquidity gap	**2,006,086**	**2,738,427**	**9,857,256**	**27,723,037**	**4,471,572**	**14,136,966**	**60,933,344**

Price risk. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Fund is exposed to price risks of its products which are subject to general market and specific fluctuations.

	31-Dec-20		31-Dec-19	
	1% increase in securities price	1% decrease in securities price	1% increase in securities price	1% decrease in securities price
Impact on profit/(loss) before tax	568,704	(568,704)	596,125	(596,125)
Impact on net assets/equity	568,704	(568,704)	596,125	(596,125)

Operational risk. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. Commitments and Contingencies

Off-balance sheet transactions. On 11 August 2006 the Fund signed an Asset Management Agreement on "Granting free budget (balance) Funds to trust management" with the Ministry of Finance of the Republic of Azerbaijan. According to this agreement free budget Funds of the Ministry of Finance of the Republic of Azerbaijan are to be transferred to and managed by the Fund within the asset management rules set in the agreement with the Ministry of Finance of the Republic of Azerbaijan. The Fund manages these assets free of charge, on behalf of the Ministry of Finance and in favor, at the expense and at the risks of the Ministry of Finance of the Republic of Azerbaijan. At 31 December 2020 the total value of the assets were AZN 1,420 million (31 December 2019: AZN 2,208 million) including accrued interest.

24. Transactions with Related Parties

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

Transactions between the Fund and its subsidiaries, which are related parties of the Fund, have been eliminated on consolidation and are not disclosed in this note. All government entities and their subsidiaries are considered to be entities under common control with the Fund. Transactions with such entities are disclosed below as related party transactions:

24 Transactions with Related Parties (Continued)

	Year	Contributions received from related parties	Carrying value of investment in joint venture	Transfers to related parties	Carrying value of bonds acquired from related parties	Interest income on bonds acquired from related parties	Bank accounts with related parties	Off-balance sheet transactions
SOCAR	**2020**	**6,438,727**						
	2019	14,049,684						
Azerbaijan Gas Supply Company	**2020**	**119,872**						
	2019	471,371						
Operating and Contractor Companies	**2020**	**823,555**						
	2019	883,635						
The State Budget	**2020**			**12,200,000**				
	2019			11,364,300				
Ministry of Finance of the Republic of Azerbaijan	**2020**							**1,420,128**
	2019							2,207,798
State Committee for Affairs of Refugees and Internally Displaced Persons and Social Development Fund of the Internally Displaced Persons of the Republic of Azerbaijan	**2020**			**199,998**				
	2019			200,000				
Central Bank of the Republic of Azerbaijan	**2020**						**1,531,561**	
	2019						972	
Ministry of Education of the Republic of Azerbaijan	**2020**			**4,103**				
	2019			-				
International Bank of Azerbaijan	**2020**				**1,227,638**	**44,801**	**116**	
	2019				1,436,610	55,614	71	
Southern Gas Corridor CJSC	**2020**				**4,887,294**	**106,338**		
	2019				4,793,334	169,915		
Mercury Investments and Holdings Ltd.	**2020**				**1,488,853**	**42,943**		
	2019				1,222,709	18,842		
Azerbaijan (ACG) Ltd	**2020**				**230,736**	**6,419**		
	2019				289,931	12,601		
SOCAR (Absheron)	**2020**				**897,984**	**41,656**		
	2019				875,334	48,502		
SOCAR (Karabakh)	**2020**				**468,053**	**19,228**		
	2019				427,755	3,382		
"Azerbaijan Rigs" LLC	**2020**		**890,861**					
	2019		895,751					
"Capitals Property S.a.r.l" LLC	**2020**		**163,116**					
	2019		151,448					

24 Transactions with Related Parties (Continued)

Key management personnel

The senior management group consists of the Fund's Executive Director, Deputy Executive Director and Director of Finance and Operations. The aggregate remuneration of members of the senior management group and the number of managers determined on a full-time equivalent basis receiving remuneration within this category are:

In thousands of Azerbaijani Manats	2020	2019
Short-term benefits:		
-Salary expense	306	282
-State Social Protection Fund expense	67	62
Number of persons	3	3

25. Interests in Structured Entities

Consolidated structured entities. A Tokumei Kumiai ("TK") agreement is a contractual arrangement under which one or more silent investors (the "TK investor") makes a contribution to a Japanese operating company (the "TK operator") in return for a share in the profit/loss of a specified business conducted by the TK operator (the "TK business"). To support the tax status of the TK, a Japanese resident company should have independent stake in the TK business. To comply with TK-GK rules, SOFAZ and Mitsubishi UFJ Trust and Banking ("MUTB") entered into TK arrangement to acquire Kirarito Ginza where MUTB is a Japanese resident and contributed 2% of the investment amount JPY 1,100 million (AZN 9,643 thousand) required for TK Business, i.e. for TK Operator to acquire the property. TK-GK tax structure was chosen to obtain 0% withholding tax on distribution of TK profits to SOFAZ under Japan-former Soviet Union tax treaty. According to the agreement the total amount of SOFAZ's investment constituted JPY 51,989 million (AZN 455,736 thousand). In return both SOFAZ and MUTB were entitled to a proportional share of profit or loss of TK Business. In 2016 MUTB was replaced by PGIM Foreign Investment Inc, who acquired MUTB's interests in the structure and took over the asset management role. The Asset Managers of PGIM Foreign Investment Inc is PGIM Real Estate (Japan).

The TK operator invested proceeds from investors in a retail complex in Ginza, Tokyo, for JPY 52,300 million (AZN 458,462 thousand). The building met the definition of an investment property under IAS 40. SOFAZ signed an Agreement with the TK operator that contains the Strategic Plan on the development and management of the investment property. The TK operator operates the business of the company according to the Agreement and the Strategic Plan.

TK agreement provides SOFAZ with limited rights with respect to the management and development of the investment property. This makes the TK operator similar to unconsolidated structured entities under IFRS 12, where a structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in its management and control. Under this arrangement, voting rights relate to the administrative tasks only and relevant activities of the company are directed by means of contractual arrangements.

Based on the specific characteristics of the TK Agreement, the management concluded that a principal/agent relationship exists between SOFAZ and the TK operator. According to IFRS 10, the investor should treat decision making powers delegated to the agent as held by the investor/principal himself. The management performed analysis based on paragraph B60 of IFRS 10 and given the limited 2% investment by the Asset Managers, concluded that the TK operator is an agent of SOFAZ and hence, SOFAZ should consolidate the investee.

26. Events after the Reporting Period

In accordance with the Decree of the President of the Republic of Azerbaijan on the Approval of the Budget of the State Oil Fund of the Republic of Azerbaijan for 2021" dated 30 December 2020, the Fund's budgeted contributions and distributions for the year of 2021 are estimated at AZN 8,001,169 thousand and AZN 12,249,436 thousand, respectively.

The following main types of distributions for 2021 are budgeted:

- Upper bound of transfer to the State Budget of the Republic of Azerbaijan – AZN 12,200,000 thousand;
- Financing of "The State Program for increasing international competitiveness of the higher education system of the Republic of Azerbaijan in 2019-2023" – AZN 20,534 thousand;
- Administrative expenses of the State Oil Fund of the Republic of Azerbaijan – AZN 28,902 thousand.

Covid-19 developments. Government of Republic of Azerbaijan is in process of continuous monitoring of the current sanitary and epidemiological situation in the world and Azerbaijan, associated with a COVID-19, and it was decided to extend the period of the special quarantine regime in the country until 1 June 2021.

At the same time, given a certain stability in the dynamics of the spread of the virus in Azerbaijan, the government eased some of the restrictions introduced under the special quarantine regime from 18 January 2021.

To the date of these consolidated financial statements were ready for the issue, the Fund did not experience significant effect of the COVID-19 developments occurred after the reporting period; the operations of the Fund were not disrupted and the management of the Fund does not expect any impact of the circumstance described above on their consolidated financial statements.