

“GVL” LLC

The International Financial Reporting Standards Financial Statements and Independent Auditors’ Report
For the Year Ended
December 31, 2024

Audit | Tax | Advisory

"GVL" LLC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the financial statements of "GVL" LLC (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2024, the results of its operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

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

The financial statements for the year ended December 31, 2024 were authorized for issue on October 03, 2025 by the Management Board of the Company.

On behalf of the Management Board:

Tamerlan Aliyev
General Director

October 03, 2025

Elman Bakhishov
Chief Accountant

October 03, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management Board of **"GVL" LLC**

Opinion

We have audited the accompanying financial statements of "GVL" LLC (the "Company"), which comprise the statement of financial position as at December 31, 2024, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of Baltic Caspian Audit LLC



Samir Asadullayev
Director, Certified auditor

October 3, 2025

№ O1RXpf5H8W

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"GVL" LLC

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024
(In Azerbaijani Manats)

	Notes	December 31, 2024	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	6	668,659	1,189,244
Trade receivables	7	2,257,192	2,352,891
Advances given and prepaid expenses	8	978,721	576,966
Tax assets	9	182,453	303,538
Inventories	10	89,455	133,378
Total current assets		**4,176,480**	**4,556,017**
Non-current assets:			
Property and equipment		30,703	47,559
Right-of-use assets	11	553,859	1,107,718
Deferred income tax asset	18	196,938	173,574
Total non-current assets		**781,500**	**1,328,851**
TOTAL ASSETS		**4,957,980**	**5,884,868**
LIABILITIES AND EQUITY			
LIABILITIES:			
Current liabilities:			
Trade and other payables	12	843,300	1,400,532
Current income tax payable		91,939	59,346
Lease liabilities	11	1,515,890	1,064,017
Bank loans	13	215,187	503,000
Total current liabilities		**2,666,316**	**3,026,895**
Non-current liabilities:			
Lease liabilities	11	-	711,892
Total non-current liabilities		**-**	**711,892**
Total liabilities		**2,666,316**	**3,738,787**
EQUITY:			
Share capital	14	100	100
Retained earnings		2,291,564	2,145,981
Total equity		**2,291,664**	**2,146,081**
TOTAL LIABILITIES AND EQUITY		**4,957,980**	**5,884,868**

On behalf of the Management Board:

Tamerlan Aliyev
General Director

October 03, 2025

Elman Bakhishov
Chief Accountant

October 03, 2025

The notes on pages 8-32 form an integral part of these financial statements.

"GVL" LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024

(In Azerbaijani Manats)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Revenues	15	8,913,596	8,785,489
Cost of sales	16	(7,331,794)	(7,234,255)
Gross profit		**1,581,802**	**1,551,234**
General and administrative expenses	17	(1,182,587)	(1,280,951)
OPERATING PROFIT		**399,215**	**270,283**
Interest expense	11, 13	(159,026)	(215,988)
Foreign exchange (loss)/gain, net		(26,031)	32,979
PROFIT BEFORE INCOME TAX		**214,158**	**87,274**
Income tax expense	18	(68,575)	(49,779)
NET PROFIT FOR THE YEAR		**145,583**	**37,495**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**145,583**	**37,495**

On behalf of the Management Board:

Tamerlan Aliyev
General Director

October 03, 2025

Elman Bakhishov
Chief Accountant

October 03, 2025

The notes on pages 8-32 form an integral part of these financial statements.

"GVL" LLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Azerbaijani Manats)

	Share capital	Retained earnings	Total equity
January 1, 2023	**100**	**2,108,486**	**2,108,586**
Total comprehensive income for the year	-	37,495	37,495
December 31, 2023	**100**	**2,145,981**	**2,146,081**
Total comprehensive income for the year	-	145,583	145,583
December 31, 2024	**100**	**2,291,564**	**2,291,664**

The notes on pages 8-32 form an integral part of these financial statements.

"GVL" LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Azerbaijani Manats)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		214,158	87,274
Adjustments:			
Depreciation and amortization		589,666	591,716
Interest expense		159,026	215,988
Net impairment losses on trade receivables		137,122	181,749
Foreign exchange loss/(gain), net		26,031	(32,979)
Operating cash flows before working capital changes		**1,126,003**	**1,043,748**
Change in trade receivables		(85,783)	231,796
Change in advances given and prepaid expenses		(401,755)	(474,740)
Change in tax assets		121,085	220,607
Change in inventories		43,923	302,525
Change in trade and other payables		(543,921)	(937,402)
Cash generated from operations		**259,552**	**386,534**
Income tax paid		(59,346)	(282,074)
Interest paid		(161,239)	(212,988)
Net cash provided by/(used in) operating activities		**38,967**	**(108,528)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures on property and equipment		(18,951)	(18,518)
Net cash used in investing activities		**(18,951)**	**(18,518)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank loans		214,400	500,000
Repayments of bank loans		(500,000)	-
Lease liabilities – principal payments		(260,019)	(138,833)
Net cash (used in)/provided by financing activities		**(545,619)**	**361,167**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(525,603)	234,121
CASH AND CASH EQUIVALENTS, *beginning of the year*		1,189,244	945,985
Effect of foreign exchange rate changes		5,018	9,138
CASH AND CASH EQUIVALENTS, *end of the year*	6	**668,659**	**1,189,244**

The notes on pages 8-32 form an integral part of these financial statements.

1. INTRODUCTION

Company and its principal activity

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

As at December 31, 2024 and 2023, the following shareholders owned the issued shares of the Company:

Shareholder	Country	December 31, 2024, %	December 31, 2023, %
Global Energy Solutions LLC	Azerbaijan	51	51
Nobel Energy Limited	United Kingdom	49	49
Total		**100**	**100**

Principal activity

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

The registered address and place of business

The Company's registered address is:
21 Fazail Bayramov street, Khatai District, Baku, AZ1025, Azerbaijan

The Company's principal place of business is:
Baku Bay Tower, 15th floor, 23A "8 Noyabr" avenue, Khatai District, Baku, AZ1025, Azerbaijan

Operating environment of the Company

Operations of the Company are primarily located in the Republic of Azerbaijan. Consequently, the Company is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan.

The economy of Azerbaijan is particularly sensitive to oil and gas prices. During recent years, the Azerbaijani Government continued major economic and social reforms to accelerate transition to a more balanced economy and reduce dependence on the hydrocarbon sector, which currently accounts for almost half of the country's GDP.

The financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Statement of compliance

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

Going concern

These financial statements have been prepared on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

Management views the Company as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations of the Republic of Azerbaijan. Accordingly, assets and liabilities are recorded on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Management's assessment of the going concern assumption involves making a judgment, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

Other basis of presentation criteria

These financial statements are presented in Azerbaijani Manats ("AZN"), which is also a functional currency of the Company. These financial statements have been prepared under the historical cost convention.

Summary on main principles of accounting are presented below:

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

Trade receivables

Trade receivables are carried at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the statement of comprehensive income.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition, determined on a first-in, first-out (FIFO) basis or another systematic method appropriate to the nature of the inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

The Company's business model involves the direct delivery of goods for resale from suppliers to customers' designated warehouses or delivery locations. Under this model, the Company does not generally take physical possession of the goods or hold inventory.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company.

Property and equipment

Items of property and equipment, except for land, are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation of property and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range is as follows:

Machinery and equipment	5 years
Computers and office equipment	5 years
Furniture and fixtures	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

Financial instruments

Recognition and initial measurement

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Company's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition - Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or

in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Derecognition - Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:
– the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present

value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Warehouses	4 years
Motor vehicles	4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of tangible and intangible assets.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

To determine the incremental borrowing rate, the Company:

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

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Income taxes

Income taxes have been provided for in the financial statements in accordance with Azerbaijani legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, 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 are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within general and administrative 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 reporting date 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 future taxable profit will be available against which the deductions can be utilised.

The Company's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Value added tax

The difference between output VAT related to sales and claimable input VAT is payable to the State Budget within 20 days following the reporting month. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Deferred VAT relates to purchases which have not been settled at the reporting date and property and equipment not yet put into operation. Deferred VAT is reclaimable against VAT payable upon payment for the purchases and putting property and equipment into operation.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short- term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share capital

Ordinary shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Revenue from contracts with customers

The Company defines a contract with a customer as an agreement between two or more parties that creates enforceable rights and obligations, where the customer is a party that has contracted with the Company to obtain goods or services that are an output of the Company's ordinary activities in exchange for consideration. Enforceability of the rights and obligations in a contract is a matter of law. The contracts of the Company are concluded in written form.

Revenue is measured based on the consideration promised in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

Revenue from rendering of services

Revenue from rendering of services belongs to that reporting period when these services were provided and the requirements of agreement on rendering of service have been completed. The completion rate of the requirements of agreement is estimated as the share of the volume of the actually rendered services in total volume of the services to be provided under the agreement.

Revenue from sale of goods

The Company sells goods using the contracts with different terms of delivery and terms of transfer of risks and rewards.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreements. Transfer usually occurs when goods have been delivered to the customer on terms of DAP (Delivered at Place).

The Company recognises sales of goods when a customer obtains control of them. The indicators that control has passed are assessed by the management for each contract and include the customer having:

- a present obligation to pay;
- physical possession;
- legal title;
- accepted the risks and rewards of ownership; and
- accepted the asset.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods.

For the majority of its sales of goods, the Company transfers control and recognises a sale once the goods have been placed at the customer's disposal at the specified location, the customer is then responsible for all costs and risks related to the goods. Related shipping and handling activities occur before control of the goods has been transferred to the customer and do not represent separate performance obligation.

Financing component

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. So, as a practical

expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Invoices are usually payable within 30 days.

Foreign currency conversion

The functional currency of the Company is the currency of the primary economic environment, in which it operates. The Company's functional currency is AZN.

Financial assets and liabilities denominated in foreign currencies are converted into AZN at the appropriate spot rates of exchange of the Central Bank of the Republic of Azerbaijan (CBAR) ruling at the end of reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these conversions are included in foreign exchange conversion gain/(loss) account.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

Tax legislation

Azerbaijani tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and the Company's activity may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that its interpretation of the relevant legislation is appropriate as at December 31, 2024 and 2023 and that it is probable that the Company's tax, currency and customs positions will be sustained.

Deferred income tax asset recognition

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement

is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

Certain new IFRSs became effective for the Company from January 1, 2024. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Company's operations and did not have any material impact on the Company's accounting policies.

Amendments to IAS 1: "Classification of Liabilities as Current or Non-current" and "Non-current Liabilities with Covenants". Amendments made to IAS 1, "Presentation of Financial Statements", in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: (1) the carrying amount of the liability; (2) information about the covenants; and (3) facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible liability.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

Amendments to IFRS 16: "Lease Liability in a Sale and Leaseback". In September 2022, the IASB finalized narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16, "Leases", which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

5. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET ADOPTED

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

- Amendments to IAS 21 – "Lack of Exchangeability" [1];
- Amendments to IFRS 9 and IFRS 7 – "Classification and Measurement of Financial Instruments"[2];
- IFRS 18 "Presentation and Disclosure in Financial Statements" [3];
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" [3].

1 Effective for annual periods beginning on or after January 1, 2025.
2 Effective for annual periods beginning on or after January 1, 2026.
3 Effective for annual periods beginning on or after January 1, 2027.

The management of the Company does not anticipate that the application of these amendments will have a material effect on the Company's financial statements.

6. CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Cash in bank in national currency	82,578	92,625
Cash in bank in foreign currencies	586,081	1,096,619
Total cash and cash equivalents	**668,659**	**1,189,244**

7. TRADE RECEIVABLES

	December 31, 2024	December 31, 2023
Trade receivables	2,627,623	2,586,200
Less: provision for impairment loss	(370,431)	(233,309)
Total trade receivables	**2,257,192**	**2,352,891**

Movement in the provision for impairment loss:

	December 31, 2024	December 31, 2023
Balance at the beginning of the year	(233,309)	(51,560)
Charge for the year	(137,122)	(181,749)
Balance at the end of the year	**(370,431)**	**(233,309)**

The following table presents the age of trade receivables:

	December 31, 2024	December 31, 2023
Current and not impaired	1,215,378	905,858
Age of receivables that are past due:		
1-30 days	526,259	633,035
31-60 days	82,640	157,988
61-90 days	56,365	26,465
91-180 days	157,477	96,603
181-360 days	170,122	202,509
Over 360 days	419,382	563,742
Less: provision for impairment loss	(370,431)	(233,309)
Total trade receivables	**2,257,192**	**2,352,891**

8. ADVANCES GIVEN AND PREPAID EXPENSES

	December 31, 2024	December 31, 2023
Advances to suppliers	864,385	521,392
Prepaid expenses	114,336	55,574
Total advances given and prepaid expenses	**978,721**	**576,966**

9. TAX ASSETS

	December 31, 2024	December 31, 2023
VAT recoverable	158,972	109,098
Prepaid taxes	22,992	127,305
VAT deposit account	489	67,135
Total tax assets	**182,453**	**303,538**

10. INVENTORIES

	December 31, 2024	December 31, 2023
Raw materials and consumables	86,891	52,526
Goods for resale	2,564	20,571
Goods in transit	-	60,281
Total inventories	**89,455**	**133,378**

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has a lease contract for office space used in its operations. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company also has certain leases with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Warehouse	Motor vehicles	Total
Carrying amount at January 1, 2023	**1,429,441**	**232,136**	**1,661,577**
Charge for the year	(476,481)	(77,378)	(553,859)
Carrying amount at December 31, 2023	**952,960**	**154,758**	**1,107,718**
Charge for the year	(476,481)	(77,378)	(553,859)
Carrying amount at December 31, 2024	**476,479**	**77,380**	**553,859**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	December 31, 2024	December 31, 2023
Balance at the beginning of the year	1,775,909	1,914,668
Accretion of interest	121,153	188,813
Payments	(381,172)	(327,572)
Balance at the end of the year	**1,515,890**	**1,775,909**
Current	1,515,890	1,064,017
Non-current	-	711,892

The following are the amounts recognised in profit or loss:

	Year ended December 31, 2024	Year ended December 31, 2023
Depreciation expense of right-of-use assets	553,859	553,859
Interest expense on lease liabilities	121,153	188,813
Expense relating to short-term leases	126,602	425,217
Total amount recognized in profit or loss	**801,614**	**1,167,889**

12. TRADE AND OTHER PAYABLES

	December 31, 2024	December 31, 2023
Trade payables	499,042	935,513
Accrued employee benefit costs	344,258	429,672
Taxes other than income tax payable	-	35,347
Total trade and other payables	**843,300**	**1,400,532**

13. BANK LOANS

	Currency	Interest rate p.a.	Year of maturity	December 31, 2024	December 31, 2023
Unsecured loans from banks	AZN	12.50%	2025	215,187	-
Unsecured loans from banks	AZN	12.00%	2024	-	503,000
Total bank loans				**215,187**	**503,000**

A reconciliation of the opening and closing amounts of loans and borrowings with relevant cash and non-cash changes from financing activities is stated below:

	January 1, 2024	Cash flows		Non-cash changes	December 31, 2024
		Repayments, net	*Interest paid*	*Interest expense*	
Bank loans	503,000	(285,600)	(40,086)	37,873	215,187

	January 1, 2023	Cash flows		Non-cash changes	December 31, 2023
		Proceeds, net	*Interest paid*	*Interest expense*	
Bank loans	-	500,000	(24,175)	27,175	503,000

14. SHARE CAPITAL

The total authorised number of ordinary shares is 100 shares (2023: 100 shares) with a par value of AZN 1 per share (2023: AZN 1 per share). All ordinary shares issued are fully paid. Each ordinary share carries one vote.

The structure of the share capital is presented in Note 1

15. REVENUES

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

	Year ended December 31, 2024	Year ended December 31, 2023
Valve repair and maintenance services	5,352,766	5,384,355
Sale of goods	3,560,830	3,401,134
Total revenues	**8,913,596**	**8,785,489**

16. COST OF SALES

	Year ended December 31, 2024	Year ended December 31, 2023
Staff cost	2,980,075	2,631,093
Depreciation expense	577,341	568,990
Services of subcontractors	353,181	461,768
Materials and consumables used	118,904	84,784
Rent expenses	112,815	424,657
Other	23,570	14,532
Total cost of services	**4,165,886**	**4,185,824**
Cost of goods for resale	3,165,908	3,048,431
Total cost of sales	**7,331,794**	**7,234,255**

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Staff cost	440,280	521,323
Professional services	234,369	197,103
Net impairment losses on trade receivables	137,122	181,749
Bank charges	97,348	119,785
Business trip expenses	64,498	39,009
Insurance expenses	49,671	36,170
Catering services	38,868	40,434
Communication expenses	16,167	16,789
Rent expenses	13,787	560
Depreciation expenses	12,325	22,726
Miscellaneous	78,152	105,303
Total general and administrative expenses	**1,182,587**	**1,280,951**

18. INCOME TAXES

Income tax expense comprised of the following:

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expense	(91,939)	(59,346)
Deferred tax credit on origination and reversal of temporary differences	23,364	9,567
Income tax expense for the year	**(68,575)**	**(49,779)**

Reconciliation between the expected and the actual taxation charge is provided below:

	Year ended December 31, 2024	Year ended December 31, 2023
IFRS profit before tax	**214,158**	**87,274**
Theoretical tax charge at statutory rate of 20% (2023: 20%)	(42,832)	(17,455)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-tax deductible expenses	(25,743)	(32,324)
Income tax expense for the year	**(68,575)**	**(49,779)**

Differences between IFRS and Azerbaijani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20%:

	January 1, 2023	(Charged)/ credited to profit or loss	December 31, 2023
Tax effect of deductible/(taxable) temporary differences			
Property and equipment	22,569	(1,108)	21,461
Trade receivables	20,813	53,273	74,086
Advances given and prepaid expenses	(7,955)	7,955	-
Inventories	7,856	(7,856)	-
Trade and other payables	82,411	(12,626)	69,785
Right-of-use assets, net of lease liabilities	47,880	(16,274)	31,606
Net deferred tax asset	**173,574**	**23,364**	**196,938**

	January 1, 2023	(Charged)/ credited to profit or loss	December 31, 2023
Tax effect of deductible/(taxable) temporary differences			
Property and equipment	29,924	(7,355)	22,569
Trade receivables	2,277	18,536	20,813
Advances given and prepaid expenses	-	(7,955)	(7,955)
Inventories	88,310	(80,454)	7,856
Cash and cash equivalents	2,345	(2,345)	-
Trade and other payables	(9,469)	91,880	82,411
Right-of-use assets, net of lease liabilities	50,620	(2,740)	47,880
Net deferred tax asset	**164,007**	**9,567**	**173,574**

19. COMMITMENTS AND CONTINGENCIES

Litigations

The Company is not involved in any significant litigations as a defendant. The Company regularly claims against its customers that do not cover their receivable obligations on a timely manner. The expected outcome of the litigations is considered by the Company when assessing recoverability of the relative receivables.

Tax contingencies

The taxation system in Azerbaijan is prone to frequent changes in legislation. Official interpretations and rulings of the ambiguous tax law provisions are not made public and are often unclear, contradictory and open to various interpretations. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Because of these relationships, it is possible that the Company may have entered transactions which unrelated parties might not and it is possible that the terms of these transactions are not the same as those that would have resulted from transactions with unrelated parties.

	December 31, 2024		December 31, 2023	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Trade receivables		2,257,192		2,352,891
Shareholders	317,030		101,111	
Entities under common control	429,796		531,795	
Advances given and prepaid expenses		978,721		576,966
Entities under common control	-		17,700	
Trade and other payables		843,300		1,400,532
Entities under common control	23,806		10,965	
Lease liabilities		1,515,890		1,775,909
Shareholders	1,409,375		1,574,350	

	Year-ended December 31, 2024		Year-ended December 31, 2023	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Revenues		8,913,596		8,785,489
Shareholders	205,535		2,450	
Entities under common control	244,933		255,546	
Cost of sales		7,331,794		7,234,255
Entities under common control	-		18,000	
General and administrative expenses		1,182,587		1,280,951
Entities under common control	191,869		197,103	
Interest expense		159,026		215,988
Shareholders	103,025		160,562	

Compensation of key management personnel

During the year ended December 31, 2024, the remuneration of key management personnel comprised salaries and other short-term benefits totaling AZN 594,104 (2023: AZN 624,367).

21. FINANCIAL RISK MANAGEMENT

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, interest rate, liquidity and geographical), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk

The Company takes on exposure 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. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with

counterparties giving rise to financial assets. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. The Company performs a detailed evaluation of potential borrowers before granting loans, if any. This analysis is based on the financial situation, position in the market, type and value of collateral provided to secure trade receivables and on the financial position of the potential borrower.

Monitoring over trade receivables is implemented on a periodic basis during the whole duration of a debt and also depends on the rating granted for the customer. In most cases, the scheduled monitoring is conducted on a quarterly basis. Payments under the majority of the trade receivables are usually made on a quarterly basis which gives the Company additional indicators of the customer's financial condition. In the case of overdue payments an extraordinary monitoring is performed by Finance Department, which executes all types of financial monitoring for the purpose of ensuring the security of the Company's assets and minimising possible risks and losses, and the results of it are formulated in a special monitoring report presented for consideration to the management of the Company.

Market risk

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

Currency risk

In respect of currency risk, Management sets limits on the level of exposure by currency and in total. The positions are monitored on a monthly basis. The table below summarises the Company's exposure to foreign currency exchange rate risk at the reporting date:

	December 31, 2024			December 31, 2023		
	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
USD	858,268	7,392	850,876	617,541	2,381	615,160
EUR	457,042	74,243	382,799	198,046	351,954	(153,908)
GBP	362,080	152,545	209,535	1,666,198	484,715	1,181,483
Total	**1,677,390**	**234,180**	**1,443,210**	**2,481,785**	**839,050**	**1,642,735**

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

Sensitivity analysis

A weakening of the AZN, as indicated below, against USD, EUR and GBP at December 31, 2024 and 2023 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to

be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	December 31, 2024	December 31, 2023
AZN / USD 10% weakening	85,088	61,516
AZN / EUR 10% weakening	38,280	(15,391)
AZN / GBP 10% weakening	20,954	118,148

A strengthening of the AZN against foreign currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. Other than as a result of any impact on the Company's profit and loss, there is no other impact on the Company's equity as a result of such change in exchange rates. The exposure was calculated only for financial balances denominated in currencies other than the functional currency of the Company.

Liquidity risk

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

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratio against regulatory requirements.

The maturity analysis of financial liabilities at December 31, 2024 is as follows:

		Contractual cash flows		
	Carrying amount	Total	Within 1 year	Over 1 year
Trade and other payables	499,042	499,042	499,042	-
Lease liabilities	1,515,890	1,560,372	1,560,372	-
Bank loans	215,187	228810	228,810	-
Total financial liabilities	**2,230,119**	**2,288,224**	**2,288,224**	**-**

The maturity analysis of financial liabilities at December 31, 2023 is as follows:

		Contractual cash flows		
	Carrying amount	Total	Within 1 year	Over 1 year
Trade and other payables	935,513	935,513	935,513	-
Lease liabilities	1,775,909	1,941,544	1,185,172	756,372
Bank loans	503,000	538,000	538,000	-
Total financial liabilities	**3,214,422**	**3,415,057**	**2,658,685**	**756,372**

22. MANAGEMENT OF CAPITAL

The Company has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Company`s operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company`s revenues and profit, and long-term investment plans mainly financed by the Company`s operating cash flows.

23. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

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

As of December 31, 2024 and 2023, all of the Company's financial assets and liabilities were carried at amortised cost.