MCB Non-banking Credit Organization Closed Joint Stock Company

Financial Statements
For the year ended December 31, 2023

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Statement of management responsibilities

Management has prepared and is responsible for the fair presentation of financial statements and related notes of MCB Non-banking Credit Organization Closed Joint Stock Company (the "Company"). These financial statements have been prepared in accordance with International Financial Reporting Standards (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 and also necessarily include amounts based on judgements and estimates made by management.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

Mr. Ramal Jafarov
Chief Executive Officer

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Mr. Elshan Karimov
Chief Accountant

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Independent auditor's report

To the Shareholders of MCB Non-banking Credit Organization Closed Joint Stock Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **MCB Non-banking Credit Organization Closed Joint Stock Company** (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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 the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Grant Thornton

GRANT THORNTON
Baku, Azerbaijan Republic

January 22, 2024

MCB Non-banking Credit Organization Closed Joint Stock Company
Financial Statements

Statement of financial position
As at December 31, 2023

ASSETS	Notes	2023 AZN	2022 AZN
Cash and cash equivalents	5	**220,768**	180,996
Net investment in finance lease	6	**20,800,752**	17,241,956
Loans to customers	7	**3,377,710**	-
Loan to a related party	8	**64,984**	88,520
Property, equipment and right-of-use assets	9	**198,873**	257,622
Intangible asset		**-**	1,573
Deferred tax asset	10	**10,647**	7,716
Other assets	11	**200,818**	671,469
Total assets		**24,874,552**	18,449,852
Liabilities			
Borrowings	12	**17,361,529**	11,858,576
Lease liability	13	**111,057**	193,783
Other liabilities	14	**400,951**	492,828
Total liabilities		**17,873,537**	12,545,187
Equity			
Share capital	15	**4,283,675**	4,283,675
Retained earnings		**2,717,340**	1,620,990
Total equity		**7,001,015**	5,904,665
Total equity and liabilities		**24,874,552**	18,449,852

These financial statements for the year ended December 31, 2023 (including comparatives) were approved on behalf of management on January 22, 2024 and signed as below:

Mr. Ramal Jafarov
(Chief Executive Officer)

Mr. Elshan Karimov
(Chief Accountant)

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Statement of comprehensive income
For the year ended December 31, 2023

	Notes	2023 AZN	2022 AZN
Interest income		**3,709,918**	2,573,456
Interest expense		**(1,493,410)**	(847,793)
Net interest income		**2,216,508**	1,725,663
Fee, commission and brokerage income		**360,178**	247,739
Exchange loss - net		**-**	(1,164)
Net reversal/(charge) of impairment loss on financial assets	16	**9,770**	(2,572)
Other income		**10,249**	13,149
Finance cost on lease liability	13	**(19,274)**	(29,307)
Personnel expenses	17	**(869,682)**	(725,051)
Administrative and general expenses	18	**(343,159)**	(311,289)
Profit for the year before tax		**1,364,590**	917,168
Taxation:			
Current income tax	10	**(271,171)**	(192,798)
Deferred tax income	10	**2,931**	982
Net profit for the year		**1,096,350**	725,352
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,096,350**	725,352

The accompanying notes 1 to 25 form an integral part of these financial statement

Statement of changes in equity
For the year ended December 31, 2023

	Share capital AZN	Retained earnings AZN	Total equity AZN
Balance at January 1, 2022	4,283,675	895,638	5,179,313
Total comprehensive income for the year	-	725,352	725,352
Balance at December 31, 2022	4,283,675	1,620,990	5,904,665
Total comprehensive income for the year	**-**	**1,096,350**	**1,096,350**
Balance at December 31, 2023	**4,283,675**	**2,717,340**	**7,001,015**

The accompanying notes 1 to 25 form an integral part of these financial statements.

Statement of cash flows
For the year ended December 31, 2023

	Notes	2023 AZN	2022 AZN
OPERATING ACTIVITIES			
Profit for the year before tax		**1,364,590**	917,168
Adjustments for non-cash and non-operating items:			
Amortisation of intangible assets		**1,573**	1,574
(Reversal)/Charge of allowance for impairment loss of cash at banks	5	**(315)**	1,501
(Reversal)/Charge for impairment loss of net investment in finance lease	6	**(12,170)**	1,071
Charge for impairment loss of loans to customers	7	**2,715**	-
Depreciation of property, equipment and right-of-use assets	9	**98,732**	96,253
Interest expense on borrowings		**1,493,410**	847,793
Finance cost on lease liability		**19,274**	29,307
		2,967,809	1,894,667
Changes in working capital:			
Net investment in finance lease		**(3,546,626)**	(4,835,555)
Net investment in loan to customers		**(3,380,425)**	-
Loan to a related party		**23,536**	20,784
Other assets		**470,651**	(347,088)
Other liabilities		**(147,952)**	130,110
		(3,613,007)	(3,137,082)
Taxes paid		**(215,096)**	(228,250)
Net cash used in operating activities		**(3,828,103)**	(3,365,332)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(39,983)**	(19,875)
Net cash used in investing activities		**(39,983)**	(19,875)
FINANCING ACTIVITIES			
Proceed from borrowings	12	**12,570,126**	7,214,908
Repayment of borrowings and interest	12	**(8,560,583)**	(3,723,297)
Payment of lease liability	13	**(102,000)**	(102,000)
Net cash generated from financing activities		**3,907,543**	3,389,611
Net increase in cash and cash equivalents		**39,457**	4,404
Cash and cash equivalents at the beginning of the year		**182,911**	178,507
Cash and cash equivalents at the end of the year	5	**222,368**	182,911

The accompanying notes 1 to 25 form an integral part of these financial statements.

1 Legal status and nature of operations

MCB Non-banking Credit Organization Closed Joint Stock Company (the "Company") was incorporated on October 16, 2009 in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations. The Company was initially registered under the registration number 1701045991, dated October 15, 2009 at the Ministry of Taxes of the Republic of Azerbaijan. Due to the change in the share capital, the Company was re-registered on March 28, 2014 with the Ministry of Taxation of the Republic of Azerbaijan. The Company's registered address is 49 B Tbilisi Avenue Baku AZ1065, Republic of Azerbaijan.

The Company's principal business activity is provision of finance leases within the Republic of Azerbaijan. The Company leases out various types of automotive vehicles, industrial equipment, equipment used in medicine, health care, and for other business needs. In addition, the Company leases out cars and trucks. Further the Company is involved in real estate finance leases. On November 12, 2021, the Central Bank of the Republic of Azerbaijan (CBAR) has issued non-banking credit organization (NBCO) license (BKT-42) to the Company. During the current year, the Company has also started to grant loans within the Republic of Azerbaijan. The Company is a subsidiary of MCB Bank Limited, which is also the Ultimate Parent Company (the "Parent Company"), a public limited company listed on Pakistan Stock Exchange in Pakistan.

2 Statement of compliance with IFRS

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

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2023

New and revised IFRS	Effective for annual period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' to address the classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	January 1, 2023
IFRS 17 'Insurance Contracts' which requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.	January 1, 2023
Amendments to IFRS 17 'Insurance Contracts' to address concerns and implementation challenges identified after IFRS 17 was published in 2017.	January 1, 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 'Financial Instruments', so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity discloses its material accounting policies, instead of its significant accounting policies.	January 1, 2023
The IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023
The amendments replace the definition of Accounting Estimates (Amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".	January 1, 2023

3 Standards, interpretations and amendments to existing standards (continued)

3.1 Standards, interpretations and amendments to existing standards that are effective in 2023 (continued)

IFRS 17 comes into effect for periods beginning on or after January 1, 2023. Its main objective is to provide more transparency to the users of financial statements over the revenue and costs associated with its insurance activities. It also provides information about the current and future profitability of its insurance activities which was not reflected in IFRS 4 'Insurance Contracts'. This transparency is achieved through measuring longer term insurance contracts using a general measurement model which takes into account discounted probability weighted cash flows, explicit risk adjustments, and calculating a contractual service margin that represents the unearned profits of the contract which is recognised as revenue over the insurance contract over the coverage period.

This general measurement model is supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach), and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 does not limit its scope to specific types of entities. Instead it provides a definition of an insurance contract that can apply to any entity, including entities that are not considered to be insurers. While the previous interim standard for accounting for insurance contracts, IFRS 4, defined an insurance contract in a similar way to IFRS 17, its application was more flexible because it permitted existing local country accounting practices for insurance contracts if certain criteria were met. Some notable exclusions exist in IFRS 17 and they include standard manufacturer's warranties, residual value guarantees, contingent consideration resulting from a business combination, and insurance contracts where the entity is a policyholder, unless the contract is a reinsurance contract. While not material, activities of the Company that would be captured by IFRS 17 may now include:

- some financial guarantees that were issued by the parent to its subsidiaries;
- providing extended warranties beyond that set out in consumer legislation and retaining the forgiveness of debt arrangements that arise on the death of retail customers holding store cards; and
- some IT maintenance arrangements, and performance guarantees that are associated with various construction activities its subsidiaries undertake.

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date.

Standards and amendments that are not yet effective and have not been adopted early by the Company include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

3 Standards, interpretations and amendments to existing standards (continued)

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4 Summary of material accounting policies

4.1 Overall considerations

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. Further the accounting policies applied in the preparation of the financial statements are consistent with those applied in the annual financial statements for the year ended December 31, 2022.

4.2 Foreign currency translation

Functional and presentation currency

These financial statements are presented in Azerbaijan Manat (AZN), which is also the functional currency of the Company. Financial information presented in AZN is rounded to the nearest manat, except when otherwise stated.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. For the purpose of translation of financial assets and financial liabilities denominated in foreign currencies the following year-end exchange rates have been used:

	2023	2022
AZN/1 USD	**1.7000**	1.7000

4 Summary of material accounting policies (continued)

4.3 Property, equipment and right-of-use assets

Property and equipment are initially recognised at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses (if any). Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles, computer and office equipment and right-of-use asset, which are depreciated using the straight-line method in accordance with the rates below and after taking into account residual value, if any.

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation of property and equipment is calculated at the estimated following rates:

• Furniture and fixtures	10%
• Computer and office equipment	20%
• Vehicles	20%
• Other fixed assets	20%
• Right-of-use asset	Over the period of lease liability

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income - net'.

4.4 Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line method over their estimated useful life of 3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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.

4.5 Impairment testing of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4 Summary of material accounting policies (continued)

4.5 Impairment testing of non-financial assets (continued)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.6 Leases as lessor

Recognition and measurement of lease

Leases are accounted for in accordance with IFRS 16 "Leases". When assets are leased out under finance lease, the present value of the minimum lease payments is recognised as a receivable. Leases are transferred as finance lease when risk and benefit of ownership are significantly transferred by the lease term to lessee. Other types of leases are classified as operating leases. As per lease, the lessor transfers, in return of payments, the usufruct of an asset to the lessee for a defined period of time that ends with the ownership transferred to lessee.

Investment in finance leases is shown at the net present value of finance lease payments less the provision for doubtful receivables (if any). All direct costs of finance lease are shown under the net present value of investment in finance leases.

Finance lease payments are divided between interest income and the principal payment so that the finance lease income is allocated over the period of the contract.

Inception of the lease

The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

4.7 Loans to customers

'Loans to customers' caption in the year end statement of financial position include loans to customers measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

4.8 Loan to a related party

Loan to a related party is initially recognized at a fair value. Subsequently, this is measured at amortized cost using the effective interest method and are carried net of any allowance for impairment losses.

4 Summary of material accounting policies (continued)

4.9 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured subsequently as described below.

Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit 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 fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, 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.

Business model assessment:

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

4 Summary of material accounting policies (continued)

4.9 Financial instruments (continued)

Classification and measurement (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' 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 financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition:

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Impairment

The Company recognises allowance for impairment for expected credit losses (ECL) on financial assets including at amortised cost.

The Company measures allowance for impairment at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of ECL:

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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.

4 Summary of material accounting policies (continued)

4.9 Financial instruments (continued)

Write-off:

Assets carried at amortised cost and debt securities at FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company has exhausted all legal and remedial efforts to recover from the customers. 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.

Classification and subsequent measurement of financial liabilities

Financial liabilities comprise borrowings, lease liability and accrued liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'interest expenses'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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 settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.10 Cash and cash equivalents

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash on hand (if any) and cash in banks and are carried at amortised cost using the effective interest method. Further the Company has applied IFRS 9 ECL model to calculate the impairment of cash in banks. For purpose of the statement of cash flows, cash on hand and cash at banks are considered as cash and cash equivalents.

4.11 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior years' profits and losses.

4.12 Employee benefits

Staff costs and related contributions

Wages, salaries, contributions to the state pension and social insurance funds in Azerbaijan Republic, 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 Company.

End of service benefits

As required by Azerbaijan legislation, the Company withholds amounts of pension contributions from the salaries of employees and pays them to the state pension fund along with its own share of contribution. Upon retirement all retirement benefit payments are made by the state pension fund.

4.13 Other assets

Other assets are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

4 Summary of material accounting policies (continued)

4.14 Other liabilities

Other liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.15 Provisions and contingencies

Provisions are recognised when present obligations because of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4.16 Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the Company's activities have been met. These activity-specific recognition criteria are described below:

Lease rental income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Gains / losses on termination of lease contracts are recognized as income when these are realized.

Income on loans to customers

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability.

4 Summary of material accounting policies (continued)

4.16 Revenue recognition (continued)

Income on loans to customers (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of comprehensive income includes interest on financial liabilities measured at amortised cost.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

4.17 Borrowing cost

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of comprehensive income using the effective interest method. and reported in 'interest expense'. Foreign currency gains and losses are reported on a net basis depending on whether foreign currency movements are in a net gain or net loss position.

4.18 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.19 Taxation

Income tax expense represents current and deferred tax expense/income.

Current taxation

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using tax rates that have been enacted or substantively enacted in the Azerbaijan Republic during the reporting period.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

4 Summary of material accounting policies (continued)

4.19 Taxation (continued)

Deferred taxation (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Company has a legally enforceable right to set off current income tax assets against current income tax liabilities: and
- Deferred tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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

4.20 Significant management judgement in applying accounting policies

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Provisions against lease receivables

Inputs, assumptions and techniques used for ECL calculation – IFRS - 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk:

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on below mentioned factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk relative to initial recognition.
2. Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

4 Summary of material accounting policies (continued)

4.20 Significant management judgement in applying accounting policies (continued)

Provision against lease receivables (continued)

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit-impairment under IFRS 9 is similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios:

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the historical trends and macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Management overlay is also used to align the macroeconomics factors with the current condition of portfolio based on best management estimate and information.

The estimation of expected credit losses in Stage1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Definition of default:

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. Management has also adopted the IFRS 9 assumption and has considered 90 days past due receivables as an indicator of default.

Governance:

In addition to the existing risk management framework, the Company has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the financial statements.

Leases

In applying the classification of leases in IFRS 16, as a lessor, the management considers its leases as finance lease arrangements and as a lessee, the management considers its leases as operating lease. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease in an operating lease arrangement.

Recognition of deferred tax assets

The extent to which deferred tax liability can be recognised is based on an assessment of the probability of the Company’s future taxable expenses against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

4 Summary of material accounting policies (continued)

4.21 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may substantially differ.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

Provisions

Provisions are raised based on management's estimates from information available surrounding particular transactions. Prudence is exercised when estimating provisions so as not to materially overstate the Company's reported net income and understates its liabilities.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utilisation of the assets to the Company. The carrying amounts are analysed in note 9. Actual results, however, may vary due to technical obsolescence, particularly relating to computers and office equipment.

Useful lives of intangible assets

Management reviews the useful lives of intangible assets at each reporting date, based on the expected utility of the assets to the Company.

Right of use assets and lease liability

Right of use assets and lease liability have been recorded as per IFRS 16 "Leases'. Management believes that the lease period used for calculation is based on facts and likely to conclude, as per contract. The interest rate estimation is also as per Company's own borrowing portfolio and is market based. The carrying amounts of right-of-use asset analysed in note 9.

5 Cash and cash equivalents

	2023	2022
	AZN	AZN
Current accounts with banks in local currency	**221,254**	181,554
Current accounts with banks in foreign currency	**1,114**	1,299
Deposits accounts	**-**	58
	222,368	182,911
Less: allowance for impairment loss (Expected credit loss)	**(1,600)**	(1,915)
	220,768	180,996

The following table shows reconciliations of the allowance for impairment loss as per IFRS 9: "Financial instruments".

	2023	2022
	AZN	AZN
Balance at January 1,	**1,915**	414
(Reversal)/Charge of impairment loss for the year (note 16)	**(315)**	1,501
Balance at December 31,	**1,600**	1,915

Cash and cash equivalents for purpose of the statement of cash flows are given below.

	2023	2022
	AZN	AZN
Current accounts with banks in local currency	**221,254**	181,554
Current accounts with banks in foreign currency	**1,114**	1,299
Deposits accounts	**-**	58
	222,368	182,911

6 Net investment in finance lease

	2023	2022
	AZN	AZN
Net investment in finance lease	**20,816,705**	17,270,079
Less: allowance for impairment loss of net investment in finance lease	**(15,953)**	(28,123)
Net investment in finance lease, net of impairment loss	**20,800,752**	17,241,956

As at December 31, 2023, the interest rates on loans to customers ranged from 5% to 26% (2022: 5% to 24%) per annum.

The collaterals against net investment in finance lease are underlying assets given to lessees. The following table shows reconciliations of the allowance for impairment loss of net investment in finance lease as per IFRS 9: "Financial instruments".

	2023	2022
	AZN	AZN
Balance at January 1,	**28,123**	27,052
(Reversal)/Charge for the year (note 16)	**(12,170)**	1,071
Balance at December 31,	**15,953**	28,123

6 Net investment in finance lease (continued)

	2023			
	AZN			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**
Lease rental receivable	**10,554,497**	**10,246,255**	**-**	**20,800,752**
Minimum lease payments	**13,497,995**	**11,649,674**	**-**	**25,147,669**
Finance charges for future periods	**(2,927,545)**	**(1,403,419)**	**-**	**(4,330,964)**
Less: allowance for impairment loss of net investment in finance lease	**(15,953)**	**-**	**-**	**(15,953)**
Present value of minimum lease payments	**10,554,497**	**10,246,255**	**-**	**20,800,752**

	2022			
	AZN			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**
Lease rental receivable	8,135,046	9,106,910	-	17,241,956
Minimum lease payments	10,605,929	10,422,264	-	21,028,193
Finance charges for future periods	(2,442,760)	(1,315,354)	-	(3,758,114)
Less: allowance for impairment loss of net investment in finance lease	(28,123)	-	-	(28,123)
Present value of minimum lease payments	8,135,046	9,106,910	-	17,241,956

7 Loans to customers

	2023	2022
	AZN	AZN
Loans to Corporates	**2,593,043**	-
Loans to individuals	**787,382**	-
Loans to customers, gross	**3,380,425**	-
Less: Provision for impairment loss (ECL)	**(2,715)**	-
Loans to customers, net	**3,377,710**	-

Accrued interest income included in loans to customers amounted to AZN 17,427 as at December 31, 2023 (2022: AZN).

Loans to customers were issued to customers within the Republic of Azerbaijan.

As at December 31, 2023, the interest rates on loans to customers ranged from 9% to 23% per annum.

7 Loans to customers (continued)

The movement in the expected credit loss (ECL) for loan to customers as at December 31, 2023 is as follows.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	AZN	**AZN**	**AZN**	**AZN**
ECL allowance				
Balance as at January 1, 2023	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance	**2,715**	**-**	**-**	**2,715**
Closing as at December 31, 2023	**2,715**	**-**	**-**	**2,715**

The movement in the expected credit loss (ECL) for loan to customers as at December 31, 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
ECL allowance				
Balance as at January 1, 2022	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Closing as at December 31, 2022	-	-	-	-

The loans to customers and expected credit loss as at December 31, 2023 is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	AZN	**AZN**	**AZN**	**AZN**
Loans to customers at amortised cost				
Not overdue	**3,361,168**	**-**	**-**	**3,361,168**
Overdue less than 30 days	**19,089**	**-**	**-**	**19,089**
Overdue 30-90 days	**-**	**-**	**-**	**-**
Overdue 91-180 days	**-**	**-**	**-**	**-**
Overdue 181-360 days	**-**	**-**	**-**	**-**
Overdue more than 360 days	**-**	**-**	**-**	**-**
Total	**3,380,257**	**-**	**-**	**3,380,257**
Less: Expected credit loss (ECL)	**(2,715)**	**-**	**-**	**(2,715)**
Loans to customers, net	**3,377,542**	**-**	**-**	**3,377,542**

The loans to customers and expected credit loss as at December 31, 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
Loans to customers at amortised cost				
Not overdue	-	-	-	-
Overdue less than 30 days	-	-	-	-
Overdue 30-90 days	-	-	-	-
Overdue 91-180 days	-	-	-	-
Overdue 181-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
Total	-	-	-	-
Less: Expected credit loss (ECL)	-	-	-	-
Loans to customers, net	-	-	-	-

8 Related parties

The Company in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The Company's related parties include its key management personnel, Parent Company and entities under common control as described below.

Loan to a related party

	2023	2022
	AZN	AZN
Loan to a related party	**64,984**	88,520
Non-current portion	**26,653**	64,984
Current portion	**38,331**	23,536
Total	**64,984**	88,520

On March 13, 2020, the Company has sanctioned a loan amounting to AZN 140,000 to Chief Executive Officer of the Company at 12.5% interest rate per annum. The interest is paid on monthly basis. Repayment of the principal amount started in monthly instalment from April 30, 2020 with final payment due on March 30, 2026.

Balances with related parties

Nature	Relationship	2023	2022
		AZN	AZN
Cash and cash equivalents	Branch of Parent Company	**654**	1,281
Loan to employee	Key management personnel	**64,984**	88,520
Borrowings including accrued interest	Branch of Parent Company	**3,455,188**	3,449,857

Details of related party transactions entered during the year and balances at year end are set out below:

Transactions with related parties

Nature	Relationship	2023	2022
		AZN	AZN
Short-term employee benefits	Key management personnel	**526,886**	402,719
Interest income from loan to employee	Key management personnel	**9,747**	12,499
Interest expense on borrowings	Branch of Parent Company	**411,066**	278,702

9 Property, equipment and right-of use assets

2023	Office and computer equipment AZN	Motor vehicles AZN	Furniture fixture and others AZN	Other fixed assets AZN	Right-of-use asset AZN	Total AZN
Gross carrying amount						
Balance at January 1,	95,191	113,418	74,235	32,881	454,614	770,339
Additions	2,095	36,000	1,888	-	-	39,983
Balance at December 31,	97,286	149,418	76,123	32,881	454,614	810,322
Accumulated depreciation						
Balance at January 1,	65,989	63,821	54,325	30,489	298,093	512,717
Charge for the year (note 18)	9,050	15,127	2,101	214	72,240	98,732
Balance at December 31,	75,039	78,948	56,426	30,703	370,333	611,449
Net carrying amount at December 31, 2023	22,247	70,470	19,697	2,178	84,281	198,873

In the opinion of management, there has been no impairment in the carrying value of the Company's property and equipment as at December 31, 2023 (2022: Nil).

9 Property, equipment and right-of-use assets (continued)

2022	Office and computer equipment AZN	Motor vehicles AZN	Furniture fixture and others AZN	Other fixed assets AZN	Right-of-use asset AZN	Total AZN
Gross carrying amount						
Balance at January 1,	75,316	113,418	74,235	32,881	454,614	750,464
Additions	19,875	-	-	-	-	19,875
Balance at December 31,	95,191	113,418	74,235	32,881	454,614	770,339
Accumulated depreciation						
Balance at January 1,	57,034	51,094	52,108	30,375	225,853	416,464
Charge for the year (note 18)	8,955	12,727	2,217	114	72,240	96,253
Balance at December 31,	65,989	63,821	54,325	30,489	298,093	512,717
Net carrying amount at December 31, 2022	29,202	49,597	19,910	2,392	156,521	257,622

10 Taxation

Income tax expense

During the years ended December 31, 2023 and December 31, 2022, the corporate profit tax rate in Azerbaijan was equal to 20%. The tax rate is expected to remain the same in the following fiscal year.

	2023	2022
	AZN	AZN
Profit for the year before tax	**1,364,590**	917,168
Domestic effective tax rate	**20%**	20%
Expected tax expense	**(272,918)**	(183,434)
Adjustments for:		
Tax effect on deductible income/(non-deductible expenses)	**1,747**	(9,364)
Income tax expense	**(271,171)**	(192,798)
Tax effect of temporary differences	**2,931**	982
Actual income tax expense	**(268,240)**	(191,816)

	2023	2022
	AZN	AZN
Income tax expense	**(271,171)**	(192,798)
Deferred tax income	**2,931**	982
	(268,240)	(191,816)

Deferred tax

Deferred tax asset is measured at 20% (2022: 20%). The recoverability of deferred tax asset is dependent on future taxable profits. Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The movement in deferred tax asset recognised by the Company is as follows:

	2023	2022
	AZN	AZN
Balance at January 1,	**7,716**	6,734
Charged during the year	**2,931**	982
Balance at December 31,	**10,647**	7,716

The deferred tax assets as at reporting date is as follows:

	2023	2022
	AZN	AZN
Deductible temporary differences	**53,233**	38,582
Total deductible temporary differences	**53,233**	38,582
Deferred tax asset at the statutory tax rate (20%)	**10,647**	7,716

10 Taxation (continued)

Deferred tax (continued)

Deferred income tax assets and liabilities as at December 31 and their movements for the respective years comprise:

	Balance at January 1, 2022	Recognised in profit or loss	Balance at December 31, 2022	**Recognised in profit or loss**	**Balance at December 31, 2023**
Cash and cash equivalents	83	300	383	**(63)**	**320**
Net investment in finance lease	5,410	215	5,625	**(2,434)**	**3,191**
Loan to customers	-	-	-	**7,472**	**7,472**
Property, equipment and right-of use assets	(52,873)	14,835	(38,038)	**14,318**	**(23,720)**
Other assets	819	170	989	**184**	**1,173**
Lease liability	53,295	(14,538)	38,757	**(16,546)**	**22,211**
	6,734	982	7,716	**2,931**	**10,647**

11 Other assets

	2023	2022
Financial assets	**AZN**	AZN
Other receivables	**146,605**	488,241
	146,605	488,241
Non-financial assets		
Prepaid and advances	**54,213**	183,228
Balance at December 31,	**200,818**	671,469

12 Borrowings

Borrowings include the following financial liabilities:

	2023	2022
Financial liabilities measured at amortised cost:	**AZN**	AZN
Branch of the Parent Company	**3,455,188**	3,449,857
Governmental agency (AKIA)	**1,345,967**	1,084,637
Governmental agency (SIF)	**962,500**	-
Local banks	**11,597,874**	7,324,082
Total	**17,361,529**	11,858,576

The total accrued interest as at December 31, 2023 is AZN 105,872 (2022: AZN 88,804)

On October 31, 2017 the Company entered into a loan agreement with the Branch of the Parent Company for a total amount of USD 2,000,000 at 3 month's LIBOR + 5.50% interest rate per annum plus the interest calculated will be grossed up for the applicable withholding tax applicable in the Republic of Azerbaijan to reach the total interest amount. The interest is paid on quarterly basis. The principal amount of loan was payable on November 7, 2019 which was extended till November 7, 2022 and in 2022 it was further extended till November 7, 2025.

On March 5, 2020 the Company entered into loan agreement with Agrarian Credit and Development Agency (ACDA) under the Ministry of Agriculture. Agrarian Credit and Development Agency (ACDA) is also known as AKIA. This agreement is to facilitate customers in agriculture activities. The customer provides 20% of asset's value as advance payment to the Company. The ACDA provides subsidy which is 40% of custom value, the benefit of this amount is passed on to the customer. The remaining amount is also given as loan to the Company by ACDA. The Company buys assets, and these assets are leased out to the customers. The Company recovers this principal amount from customer and pays back to Agrarian Credit and Development Agency. Under this arrangement, the lessee is charged 7% interest rate per annum for the lease and the Company is liable to pay 2% interest per annum to AKIA, however, the interest to be paid by the lessee is ultimately borne by AKIA, therefore the net interest income of 5% per annum is recorded by the Company.

On July 17, 2023 the Company entered into loan agreement with Entrepreneurship Development Funds under the Ministry of Economy. Entrepreneurship Development Funds (EDF) is also known as SIF. Under the agreement with the Company, the SIF has provided loans to the Company at fixed interest rate of 2% per annum and the Company has provided the loans to customers at fixed interest rate of 9% per annum. These loans will be repaid fully till November 30, 2027.

The Company entered into a credit line agreement with a local bank equivalent to AZN 2,000,000, accordingly an amount of AZN 1,964,660 is outstanding as at year end. The interest rate ranging from 12.25%-12.50% per annum. These loans will be repaid fully till December 5, 2025. The lease assets equivalent to 150% of loan outstanding and future interest are pledged against these loans.

The Company entered into various loan trances agreement with a local bank. The outstanding principal amount as at year end is AZN 9,582,531. The interest rate ranging from 12%-12.5% per annum. These loans will be repaid fully till February 23, 2026. The lease assets equivalent to 110%-150% of loan outstanding are pledged against these loans.

There are various covenants set by the financial institutions and as per management these covenants were met.

12 Borrowings (continued)

Movement in borrowings is as follows:

	2023	2022
	AZN	AZN
Balance at January 1,	**11,858,576**	7,519,172
Interest expense for the year	**1,493,410**	847,793
Proceeds from new borrowings	**12,570,126**	7,214,908
Repayment of borrowings	**(8,560,583)**	(3,723,297)
Balance at December 31,	**17,361,529**	11,858,576

13 Lease liability

The Company has obtained office building on rent and has recorded lease liability and right-of-use asset as per IFRS 16 'Leases'.

	2023	2022
	AZN	AZN
Non-current		
Lease liability	**16,728**	111,056
	16,728	111,056
Current		
Lease liability	**94,329**	82,727
	94,329	82,727
Total lease liability	**111,057**	193,783

	Within 1 year	**1-2 year**	**2-5 Years**	**Total**
	AZN	**AZN**	**AZN**	**AZN**
December 31, 2023				
Lease payments	**102,000**	**17,000**	**-**	**119,000**
Finance charges	**(7,671)**	**(272)**	**-**	**(7,943)**
Net present value	**94,329**	**16,728**	**-**	**111,057**

	Within 1 year	1-2 year	2-5 Years	Total
	AZN	AZN	AZN	AZN
December 31, 2022				
Lease payments	102,000	102,000	17,000	221,000
Finance charges	(19,273)	(7,854)	(90)	(27,217)
Net present value	82,727	94,146	16,910	193,783

Movement in lease liability is as follows:

	2023	2022
	AZN	AZN
Balance at January 1,	**193,783**	266,476
Interest expense for the year	**19,274**	29,307
Repayment of borrowings	**(102,000)**	(102,000)
Balance at December 31,	**111,057**	193,783

14 Other liabilities

	2023	2022
Financial liabilities	**AZN**	AZN
Accrued liabilities	**244,997**	406,380
	244,997	406,380
Non-financial liability		
Tax liabilities	**142,523**	86,448
Other liabilities	**13,431**	-
	155,954	86,448
Balance at December 31,	**400,951**	492,828

15 Share capital

The Company's authorized, issued and fully paid up share capital as at December 31, 2023 amounted to AZN 4,283,675 (December 31, 2022: AZN 4,283,675) and comprised of 4,283,675 (December 31, 2022: 4,283,675) ordinary shares with a par value of AZN 1 (December 31, 2022: AZN 1) each. The Company's issued share capital is held by the following shareholders:

	2023	2022	2023	2022
	%	%	**AZN**	AZN
MCB Bank Limited	**99.94**	99.94	**4,281,105**	4,281,105
Mr. Ramal Jafarov (Individual person)	**0.06**	0.06	**2,570**	2,570
	100.00	100.00	**4,283,675**	4,283,675

16 Net reversal/(charge) of impairment loss on financial assets

	2023	2022
	AZN	AZN
(Charge)/Reversal of impairment loss of net investment in finance lease (note 6)	**12,170**	(1,071)
(Charge)/Reversal of impairment loss of net investment in loan to customers (note 7)	**(2,715)**	-
(Charge)/Reversal of impairment loss of cash at banks (note 5)	**315**	(1,501)
	9,770	(2,572)

17 Personnel expenses

	2023	2022
	AZN	AZN
Salaries & other benefits	**725,452**	605,958
Social security costs	**114,888**	96,342
Staff medical and compulsory insurance and others	**29,342**	22,751
	869,682	725,051

18 Administrative and general expenses

	2023	2022
	AZN	AZN
Depreciation (note 9)	**98,732**	96,253
Bank charges	**76,725**	68,187
Professional services fees	**68,276**	42,553
Security expenses	**23,789**	23,458
Vehicle running costs	**17,153**	18,417
Utilities	**11,910**	9,864
Communication expenses	**9,965**	9,617
Office supplies	**7,210**	5,768
State legal fees	**4,284**	4,447
Marketing expenses	**2,219**	8,757
Amortisation expense	**1,573**	1,574
Insurance expense	**938**	3,137
Taxes other than income tax	**1,210**	214
Other expenses	**19,175**	19,043
	343,159	311,289

19 Commitments, contingencies and operation risk

Lease commitments

The Company has no major outstanding lease commitments as at December 31, 2023 (2022: Nil).

Capital commitments

The Company has a commitment to purchase a software at an amount of AZN 25,000. The Company has paid advance amount of AZN 12,500 as at December 31, 2023.

Contingent liabilities

Legal proceedings

From time to time and in the normal course of business, the Company receives claims against it. On the basis of its own estimates and internal professional advice the Company's management is of the opinion that no material losses will be incurred in respect of claims and, accordingly, no provision has been made in these financial statements. There is no case against the Company as at December 31, 2023.

Business environment and regulatory environment

The Company's main operations are conducted in the Azerbaijan Republic. Azerbaijan continues economic reforms and development of its legal, tax, and regulatory framework to strengthen and diversify the economy. In this respect, Azerbaijan endorsed strategic road maps for development of national economy and main economic sectors in 2016. Legislation including tax, currency fluctuation and customs legislations within the Azerbaijan Republic is changing rapidly.

19 Commitments, contingencies and operation risk (continued)

Business environment and regulatory environment (continued)

The future economic direction of the Azerbaijan Republic is largely dependent upon the implementation of economic, financial, legislative and monetary measures undertaken by the government. The Company's financial position will continue to be affected by developments in Azerbaijan, however; the Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in the Azerbaijan Republic. The Company's management is closely watching these developments in current environment and taking appropriate necessary actions to support the sustainability and development of Company's business in foreseeable future. These financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the period when they become known and estimable.

Commercial legislation of the Republic of Azerbaijan, including tax legislation, may allow more than one interpretations'. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed for additional taxes, penalties and interest. Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Management believes that its interpretation of the relevant legislation as at December 31, 2023 is appropriate and that the Company's tax, and currency positions will be sustained.

20 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	Notes	2023	2022
Financial assets		**AZN**	AZN
Financial assets measured at amortised cost:			
Cash and cash equivalents	5	**220,768**	180,996
Net investment in finance lease	6	**20,800,752**	17,241,956
Loans to customers	7	**3,377,710**	-
Loan to a related party	8	**64,984**	88,520
Other assets	11	**146,605**	488,241
		24,610,819	17,999,713
Financial liabilities			
Financial liabilities measured at amortised cost:			
Borrowings	12	**17,361,529**	11,858,576
Lease liability	13	**111,057**	193,783
Other liabilities	14	**244,997**	406,380
		17,717,583	12,458,739

See note 4.9 for a description of the accounting policies for each category of financial instruments. A description of the Company's financial instrument risk, including risk management objectives and policies is given in note 21. Information relating to fair values is presented in note 22.

21 Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 20. The main types of risks are market risk, credit risk and liquidity risk. The Company's risk management is coordinated in close cooperation with the Company's directors and focuses on actively securing the Company's short to medium term cash flows by minimizing the potential adverse effects on the Company's performance through internal risk reports which analyse by degree and magnitude of risks. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are given below.

Market risk

Market 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 Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Company's transactions are carried out in AZN. Exposures to currency exchange rates arise from the Company's overseas transactions, bank accounts and borrowings in foreign currencies, which are primarily denominated in US Dollar (USD). Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Company's transactions are carried out in AZN. Exposures to currency exchange rates arise from the Company's overseas transactions, bank accounts and borrowings in foreign currencies, which are primarily denominated in US Dollar (USD). Management of the Company does not enter future agreement to hedge its currency risk as USD to AZN is a stable conversion rate. However, these are monitored on regular basis and corrective measures initiated wherever required. Financial assets and financial liabilities are denominated in the following currencies:

		2023		
	Notes	AZN	USD	Total
Financial assets:				
Cash and cash equivalents	5	**219,654**	**1,114**	**220,768**
Net investment in finance lease	6	**20,800,752**	**-**	**20,800,752**
Loan to customers	7	**3,377,710**	**-**	**3,377,710**
Loan to a related party	8	**64,984**	**-**	**64,984**
Other assets	11	**146,605**	**-**	**146,605**
		24,609,705	**1,114**	**24,610,819**
Financial liabilities:				
Borrowings	12	**13,906,341**	**3,455,188**	**17,361,529**
Lease liability	13	**111,057**	**-**	**111,057**
Other liabilities	14	**244,997**	**-**	**244,997**
		14,262,395	**3,455,188**	**17,717,583**
Open position		**10,347,310**	**(3,454,074)**	**6,893,236**

21 Financial instrument risk (continued)

Foreign currency risk (continued)

	Notes	2022 AZN	2022 USD	2022 Total
Financial assets:				
Cash and cash equivalents	5	179,697	1,299	180,996
Net investment in finance lease	6	17,241,956	-	17,241,956
Loan to a related party	8	88,520	-	88,520
Other assets	11	488,241	-	488,241
		17,998,414	1,299	17,999,713
Financial liabilities:				
Borrowings	12	8,408,719	3,449,857	11,858,576
Lease liability	13	193,783	-	193,783
Other liabilities	14	406,380		406,380
		9,008,882	3,449,857	12,458,739
Open position		8,989,532	(3,448,558)	5,540,974

The following table illustrates the sensitivity of profit/ (loss) before tax and equity in regard to the exchange rate of the AZN relative to the USD. It assumes a 10% weakening/strengthening of the AZN as at December 31, 2023 (2022: weakening/strengthening 10%). The sensitivity analysis at each reporting date is as follows:

	Profit/(loss) before tax		**Equity**	
	2023	2022	**2023**	2022
	AZN	AZN	**AZN**	AZN
AZN weakening 10% / 10%	**(345,407)**	(344,856)	**(276,326)**	(275,885)
AZN strengthening 10% / 10%	**345,407**	344,856	**276,326**	275,885

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Leases are generally granted at a rate of interest fixed for the duration of the lease and the majority of borrowings are at variable interest rates. Management of the Company does not enter future agreement to hedge its interest rate risk. However, these are monitored on regular basis and corrective measures initiated wherever required.

Borrowings on floating interest rates are as follows:

	2023	2022
	AZN	AZN
Borrowings	**3,400,000**	3,400,000

21 Financial instrument risk (continued)

Interest rate risk (continued)

The following table illustrates the sensitivity of variable rate borrowings to a reasonably possible change in interest rates of ±1% (2022: ±1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables held constant.

	Profit/(loss) before tax		**Equity**	
	AZN	**AZN**	**AZN**	**AZN**
	+1%	**-1%**	**+1%**	**-1%**
2023	**34,000**	34,000	**27,200**	27,200
2022	**34,000**	34,000	**27,200**	27,200

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to this risk for various financial instruments, for example by granting credit terms to customers. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2023	2022
Classes of financial assets - carrying amounts:	**AZN**	AZN
Cash and cash equivalents (note 5)	**220,768**	180,996
Net investment in finance lease (note 6)	**20,800,752**	17,241,956
Loan to customers (note 7)	**3,377,710**	-
Loan to a related party (note 8)	**64,984**	88,520
Other assets (note 11)	**146,605**	488,241
Total carrying amount	**24,610,819**	17,999,713

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. To manage its risk exposure, the Company places its cash with reputable banks.

The Credit Policy of the Company, which was approved by the Management and Supervisory Board, sets forth principles and rules of financial leasing activity, as well as establishing main indicators of procedures with regard to the activity, mitigating the Company’s risks, determining profitability and serving as guidance for all employees while they perform their duties.

There are certain limits set for the lease portfolio in order to ensure its diversification and minimization of possible credit risks. These limits are, as follows:

- Limits for business portfolio;
- Limits by sectors of economy; and
- Concentration limits

21 Financial instrument risk (continued)

Credit risk (continued)

The limits are developed and revised by the management on an annual basis. In case of significant change in the market environment, the limits may also be reviewed. A proposal for limits change is provided firstly to the Credit Committee and next to the Management Board for approval and then it is approved by Supervisory Board. The Leasing Operations department controls maintenance of all limits on a regular basis and some of them (maximum exposure to a single borrower or group of related borrowers, maximum exposure to related parties) are controlled before new lease issue. The Credit Policy of the Company regulates the authorities and responsibilities of each body of the Company involved in lending process and determine the limits for credit granting approval, the rules for monitoring of leases, and lending procedures etc. The Company's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position. The Credit Committee of the Company ("CC") is the collective body which operates and reports to the Management Board. The overall role of CC is to control and manage all leasing operations approved in the framework of strategic and business plan of the Company. Credit Committee controls procedures and operations of leasing arrangements in accordance with the approved Credit Policy of the Company. The Credit Committee is comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the financial statements.

Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company maintains sufficient cash balances and monitors liquidity requirements on a regular basis and the management ensures that sufficient funds are available to meet any future commitments. The Company is also well supported by its related parties for the funding of long-term liquidity needs. Financial liabilities as disclosed in note 8 are non-interest bearing and have contractual maturity dates of less than twelve months from the reporting date except disclosed below:

	Interest rate	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
December 31, 2023		**AZN**	**AZN**	**AZN**	**AZN**
Borrowings	3 months Libor+5.5% per annum, 5%-12.5%	**8,558,436**	**8,803,093**	**-**	**17,361,529**
Lease liability	13% per annum	**16,728**	**94,329**	**-**	**111,057**
		8,575,164	**8,897,422**	**-**	**17,472,586**

	Interest rate	Within 1 year	1 to 5 years	Over 5 years	Total
December 31, 2022		AZN	AZN	AZN	AZN
Borrowings	3 months Libor+5.5% per annum, 5%-12.5%	5,296,297	6,562,279	-	11,858,576
Lease liability	13% per annum	82,727	111,056	-	193,783
		5,379,024	6,673,335	-	12,052,359

The above amounts reflect the contractual cash flows, which may differ to the carrying values of the liabilities at the reporting date. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

22 Fair value and fair value hierarchy

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Company are carried at amortised cost and none of the non-financial assets and liabilities have been fair valued. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed because it does not have significant disclosure impact to the financial statements.

23 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- to comply the requirements of Central Bank of Azerbaijan (CBAR)

by pricing products/services commensurately with the level of risk.

The Company monitors capital based on the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders and return capital to shareholders. The CBAR sets and monitors capital requirements for the Company. The Company defines as capital those items defined by statutory regulation as capital for credit organizations. Under the current capital requirements set by the CBAR, non-bank credit organizations have to hold a minimum level of charter capital of AZN 300,000 (2022: AZN 300,000). There is no requirement set by CBAR to non-bank credit organization regarding the maintenance of a ratio of total regulatory capital to risk weighted assets (statutory capital ratio). Capital for the reporting periods is summarised as follows:

	2023	2022
	AZN	AZN
Total equity	**7,001,015**	5,904,665
Cash and cash equivalents (note 5)	**(220,768)**	(180,996)
Capital	**6,780,247**	5,723,669
Total equity	**7,001,015**	5,904,665
Borrowings (note 12)	**17,361,529**	11,858,576
Lease liability (note 13)	**111,057**	193,783
Overall financing	**24,473,601**	17,957,024
Capital-to-overall financing ratio	**28%**	32%

24 Reclassification of comparatives

The Company has started the business of non-banking credit organization. Therefore the presentation of the statements of financial statements for current period along with comparatives has been made based on liquidity of the assets and liabilities to meet the presentation of statements of financial position of Non-banking credit organization. Therefore, certain assets and liabilities presented in the prior year as current and non-current were presented in combined. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

	2022	2022	2022
	AZN	AZN	AZN
	Previously reported	Reclassification	Adjusted amount
Net investment in finance lease	17,393,776	(151,820)	**17,241,956**
Other assets	833,791	(162,322)	**671,469**
	18,227,567	(314,142)	**17,913,425**
Borrowings	11,769,772	88,804	**11,858,576**
Other liabilities	895,774	(402,946)	**492,828**
	12,665,546	(314,142)	**12,351,404**
Interest expense	877,100	(29,307)	**847,793**
Finance cost on lease liability	-	29,307	**29,307**

25 Post reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of these financial statements.