

“A-Group Insurance Company” OJSC

**International Financial Reporting standards
Financial Statements
for the Year ended 31 December 2024
*and Independent Auditor's Report***

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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2024

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the financial statements of "A-Group Insurance Company" OJSC ("the Company").

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

In preparing the financial statements, management is responsible for:

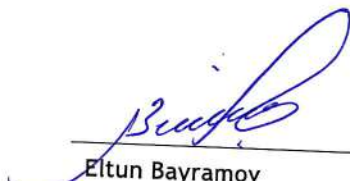
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial 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, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRSs;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Company's management the financial statements for the year ended 31 December 2024 were authorised for issue on 6 October 2025 by:


Mammad Atakishiyev
Chairman of the Board


Eltun Bayramov
Chief Accountant

Independent auditor's report

To the shareholder and the supervisory board of "A-Group Insurance Company" OJSC

Opinion

We have audited the accompanying financial statements of "A-Group Insurance Company" Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Azerbaijan. We have also 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 IFRSs as issued by the IASB, 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 judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control system that is relevant for 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 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 consolidated financial statements or, if such disclosures are inappropriate, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yunis Salayev.

Baku, Azerbaijan

6 October 2025

BDO Azerbaijan LLC

"A-Group Insurance Company" OJSC
Statement of financial position as at 31 December 2024
In Azerbaijani manats, unless otherwise indicated

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash and banks accounts	6	4,222,300	5,343,521
Deposits with banks	7	6,710,808	6,290,499
Investment in debt instruments	8	6,524,476	6,904,591
Reinsurance contract assets	9	1,406,729	2,034,876
Insurance contract assets	10	-	264,215
Property and equipment	11	305,491	187,998
Intangible assets	12	219,592	203,663
Investment property	13	4,057,050	2,393,840
Right-of-use assets	14	87,063	180,139
Income tax assets		74,101	118,345
Deferred tax assets	24	20,404	61,733
Other assets	15	938,218	538,044
TOTAL ASSETS		24,566,232	24,521,464
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	10	10,667,964	11,741,537
Lease liabilities	14	179,516	268,597
Reinsurance contract liabilities	9	-	449,539
Taxes payable other than income tax		64,313	100,035
Deferred tax liabilities	24	-	-
Other liabilities	16	204,220	440,822
Total liabilities		11,116,013	13,000,530
Equity			
Share capital	17	10,005,250	10,005,250
Revaluation reserve	17	184,286	38,126
Retained earnings		3,260,683	1,477,558
Total equity		13,450,219	11,520,934
TOTAL LIABILITIES AND EQUITY		24,566,232	24,521,464

Mammad Atakishiyev
Chairman of the Board



Eltun Bayramov
Chief Accountant

The notes set out on pages 10 to 44 are an integral part of these financial statements

"A-Group Insurance Company" OJSC

Statement of profit and loss and other comprehensive income for the year ended 31 December 2024
In Azerbaijani manats, unless otherwise indicated

	Notes	For the year ended 31 December 2024	For the year ended 31 December 2023
Insurance revenue	18	17,705,044	25,021,796
Insurance service expenses	19	(13,427,633)	(18,007,265)
Net expenses from reinsurance contracts held	20	(1,076,280)	(2,120,835)
Insurance service result		3,201,131	4,893,696
Finance income / (expenses) from insurance contracts issued		669,283	(412,238)
Finance income / (expenses) from reinsurance contracts held		2,960	(162,481)
Net insurance finance income / (expenses)		672,243	(574,719)
Operating expenses	21	(4,320,399)	(4,865,457)
Interest income, net	22	697,486	504,245
Foreign exchange loss		17,508	(11,584)
Other income	23	380,547	284,866
Profit from insurance service		648,516	231,047
Revaluation of investment property	13	1,661,777	-
Rent income related to investment property		140,400	140,400
Profit before income tax		2,450,693	371,447
Income tax (expense) / credit	24	(77,133)	69,426
Net Profit for the year		2,373,560	440,873
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property and equipment		152,070	-
Other comprehensive income for the year, net of tax		152,070	-
Total comprehensive income, net of tax		2,525,630	440,873
Earnings per share (basic and diluted)	18	325.89	56.89

Mammad Atakishiyev
Chairman of the Board



Eltun Bayramov
Chief Accountant

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"A-Group Insurance Company" OJSC

Statement of changes in equity for the year ended 31 December 2024
In Azerbaijani manats, unless otherwise indicated

	Share capital	Revaluation reserve	Retained earnings	Total
1 January 2023	10,005,250	44,036	1,030,775	11,080,061
Net profit for the year	-	-	440,873	440,873
Other comprehensive loss for the year, net of tax	-	(5,910)	5,910	-
Dividends declared	-	-	-	-
31 December 2023	10,005,250	38,126	1,477,558	11,520,934
Net profit for the year	-	-	2,373,560	2,373,560
Other comprehensive loss for the year, net of tax	-	(5,910)	5,910	-
Revaluation of property and equipment	-	152,070	-	152,070
Dividends declared	-	-	(596,345)	(596,345)
31 December 2024	10,005,250	184,286	3,260,683	13,450,219

Mammad Atakishiyev
Chairman of the Board



Eltun Bayramov
Chief Accountant

The notes set out on pages 10 to 44 are an integral part of these financial statements

"A-Group Insurance Company" OJSC

Statement of cash flows for the year ended 31 December 2024

In Azerbaijani manats, unless otherwise indicated

	Notes	For the year ended 31 December 2024	For the year ended 31 December 2023
Cash flows from operating activities			
Premiums received		17,431,487	21,370,607
Premiums paid		(1,378,031)	(2,223,922)
Claims paid		(13,628,755)	(13,903,475)
Reinsurance benefits received		1,124,945	743,607
Operating expenses paid		(4,364,178)	(5,951,436)
Commission paid		(696,220)	(1,340,497)
Interest received		331,592	549,665
Income tax paid		(87,280)	-
Other income received		353,552	230,291
Net cash (outflow)/inflow from operating activities		(912,888)	(525,160)
Cash flows from investing activities			
Investment in deposit with banks		(500,000)	550,000
Investment in financial assets at amortised cost		349,918	(849,918)
Sale of property and equipment		15,000	8,000
Purchase of property and equipment		(38,763)	-
Purchase of intangible assets		(36,094)	-
Net cash outflow from investing activities		(209,939)	(291,918)
Cash flows from financing activities			
Dividends paid		(566,528)	-
Lease payment received		140,400	140,400
Net cash inflow / (outflow) from financing activities		(426,128)	140,400
Effect of foreign exchange difference on cash and cash equivalents		(1,521)	(18,488)
Net decrease in cash and cash equivalents		(1,550,476)	(695,166)
Change in impairment provision		429,255	-
Cash and cash equivalents as of 1 January	6	5,343,521	6,038,687
Cash and cash equivalents as of 31 December	6	4,222,300	5,343,521

Mammad Atakishiyev
Chairman of the Board



Eltun Bayramov
Chief Accountant

The notes set out on pages 10 to 44 are an integral part of these financial statements

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2024
in Azerbaijani manats, unless otherwise indicated

1. Principal activities of the Company

“A-Group Insurance Company” Open Joint Stock Company (“the Company”) was set up in the Republic of Azerbaijan in 1995 as “Gruppa A” Limited Liability Insurance Company. In January 2009 the Company was re-registered as an open joint-stock company with identification number 9900027621. The Company is principally engaged in rendering non-life insurance and reinsurance services. The Company operates under the insurance license issued by Financial Market Supervisory authority of the Azerbaijan Republic. Insurance business covered by the Company includes, but is not limited to medical, cargo, property, casualty, third party liability, vehicle and reinsurance.

As at the date of issue of these Financial Statements the Company's registered office is 87A Reshid Behbudov Street, Baku, the Republic of Azerbaijan. The Company has one branch in Gandja city.

The sole owner and the ultimate controlling party of the Company is Mr. Sabir Adnayevev, an Azerbaijani national.

The average number of the Company's employees in 2024 was 118 (2023: 118 employees).

2. Operating environment of the Company

General

Since the Company's operations are primarily located in the Republic of Azerbaijan, the Company is exposed to economic and financial markets with characteristics of an emerging economy. The challenges faced during operations in the Republic of Azerbaijan include the developing legal, tax and regulatory environment, which are subject to varying interpretations and frequent changes.

Recent reforms in support of long-term economic stability and sustainability, fiscal and monetary policy, as well as continuous steps to diversify the economy contributed to the overall positive trends in the microeconomic environment.

The year of 2024 is marked with higher geo-political tension, rise in global commodity prices and inflation in trade partners, lingering problems in the global value chain and impact on these developments on the global economy at the time when the world is gradually leaving the pandemic behind.

Azerbaijani economy is particularly sensitive to changes in world oil and gas prices as Azerbaijan is producing and exporting large volumes of oil and gas. The country's economy is also significantly influenced by government spending on major infrastructure projects and various socio-economic development state programs.

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. However, currently, it is difficult to determine the effect of changes in the economic situation on the future performance and financial position of the Company.

During 2024 and 2023, the Company complied with all external capital requirements in accordance with rules set by the Central Bank of the Republic of Azerbaijan (“CBAR”).

Inflation

In 2024 inflation in Azerbaijan sharply decreased. The official inflation indices for the last two years are given in the table below:

Year ended	Inflation for the period
31 December 2024	2.2%
31 December 2023	8.3%

Financial market transactions

In preparing the financial statements of the Company, transaction in currencies other than the entity's functional currency (foreign currencies) are recognised at rates of exchange prevailing at dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency at the exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

The notes set out on pages 10 to 44 are an integral part of these financial statements

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

Foreign currency differences arising in transaction are recognised in profit or loss.

As at 31 December 2024 and 31 December 2023 the closing rates of exchange, being official rates of the Central Bank of the Republic of Azerbaijan, used for translating foreign currency balances to Azerbaijani Manats were:

	USD	EUR
31 December 2024	1.700	1.7724
31 December 2023	1.700	1.8766

Effects of Ukraine-Russia War

The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests (e.g. suppliers and customers, investments and lenders). The war and resulting international sanctions imposed on Russia have limited ability of insurance companies in the region to work with the Russian reinsurance market.

3. Basis of presentation

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Company maintains its accounting records in accordance with the applicable legislation of the Republic of Azerbaijan. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRSs.

Functional and presentation currency

These financial statements are presented in Azerbaijani manats (“AZN”) being the Company's functional and presentation currency. AZN is the prevailing currency in the primary economic environment where the Company conducts its ordinary activities and in which majority of receipts from operating activities are retained.

Going concern

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

These financial statements reflect the Company management's current assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Company. The future economic direction of Azerbaijan is largely dependent upon the effectiveness of measures undertaken by the Azerbaijani Government and other factors, including regulatory and political developments, which are beyond the Company's control. The Company's management cannot predict what impact these factors can have on the Company's financial position in future.

For prompt management of liquidity risk the Company regularly monitors external factors, which could influence the Company's liquidity level, and forecasted cash flows. For the medium- and long-term liquidity risk management the Company analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Company sets liquidity gap limits. The set limits are periodically reviewed to reflect the changes in external and internal environment.

Estimates and assumptions

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Company makes certain estimates and assumptions regarding the future. The management also needs to exercise judgement in applying the accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. Key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The notes set out on pages 10 to 44 are an integral part of these financial statements

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

3.1 Other new and amended IFRS standards that are effective for the current year

The following amendments are effective for the period beginning 1 January 2024:

- Amendments to IFRS 7 “Financial Instruments”: Disclosures-Supplier finance arrangements
- Amendments to IFRS 16 “Leases”: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions
- Amendments to IAS 1 ‘Presentation of Financial Statements: Classification of liabilities as current or non-current
- Amendments to IAS 1 “Presentation of Financial Statements”: Non-current liabilities with covenants
- Amendments to IAS 7 “Statement of Cash Flows”: Supplier finance arrangements

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after January 01, 2024. Although the amendments did not result in any changes to accounting policy themselves.

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

3.2 New standards, interpretations and amendments not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

The following amendments are effective for the period beginning 1 January 2025:

- ‘Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Lack of Exchangeability

The following amendments are effective for the period beginning 1 January 2026:

- ‘Amendments to IFRS 7 “Financial Instruments: Disclosures”- Amendments regarding the classification and measurement of financial instruments
- ‘Amendments to IFRS 9 “Financial Instruments” - Amendments regarding the classification and measurement of financial instruments
- ‘Amendments to IFRS 7 “Financial Instruments: Disclosures” - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)
- ‘Amendments to IFRS 9 “Financial Instruments” - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

4. Summary of significant accounting policies

The accounting policies described below have been consistently applied by the Company in all reporting periods presented in these financial statements, except for the new standards. The nature and impact of changes arising from the application of this financial reporting standard are described below.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Initial recognition of financial instruments

The Company recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligation of the financial instrument. Regular way purchases and sales of the financial assets and liabilities are recognised using settlement date accounting.

All financial assets are initially recognised at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

Fair value measurement

The fair value of financial instruments traded on the active market as at the reporting date is determined based on the market or dealers' quotations including transaction costs.

If a quoted market price is not available, the fair value of financial assets and financial liabilities recorded in the statement of financial position is estimated on the basis of market quotations for similar financial instruments or using various valuation techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data or judgment.

Judgment is based on such considerations as the time value of money, credit risk level, volatility of the instrument, market risk level and other applicable factors.

Impairment of financial assets

The Company assesses on each closing date whether there is any objective evidence that the value of a financial asset item or company of items has been impaired. Impairment losses are recognised in the statement of comprehensive income as they are incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For specific categories of financial assets, such as receivables from insurance and reinsurance, assets that were not individually determined to be impaired are also assessed for impairment as a whole for the portfolio. An objective sign of a decline in the value of a portfolio of receivables can be the Company's past experience in debt collection, an increase in the number of delays in repayment of debt on the portfolio, as well as pronounced changes in the national and local economy, which are usually accompanied by default on payments.

If it is impossible to collect insurance and reinsurance receivables, including through the foreclosure of collateral, they are written off against the allowance for impairment losses. Insurance and reinsurance receivables are written off after the management of the Company has taken all possible measures to collect the amounts due to the Company. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

"A-Group Insurance Company" OJSC

Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
- the Company either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

Description of insurance products

The Company accepts for insurance the following insurance risks and portfolios:

- Insurance from fire;
- Vehicle insurance;
- Liability insurance;
- Travel insurance;
- Medical insurance;
- Other non-life insurance.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive - either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

"A-Group Insurance Company" OJSC

Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under Euroland GAAP, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- a group of contracts that are onerous at initial recognition (if any);
- a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any);
- a group of the remaining contracts in the portfolio (if any).

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- pricing information;
- results of similar contracts it has recognised;
- environmental factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- for a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However; the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held);

And

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

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Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks;

Or

- both of the following criteria are satisfied:
- the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio;
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Measurement - premium allocation approach

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for property insurance and liability reinsurance assumed is one year or less and so qualifies automatically for PAA. Both marine insurance and personal accident insurance include contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For one-year property business, insurance acquisition cash flows are expensed as incurred. For all other business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For marine and personal accident insurance, an allowance is made for accretion of interest on the LFRC. For all other business, there is no allowance as the premiums are received within one year of the coverage period.

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	IFRS 17 Options	Adopted approach
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For some claims within the property product line, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money. For all other business, the LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	For the personal accident product line, the impact on LFIC of changes in discount rates will be captured within OCI, in line with the accounting for assets backing this product line. For all other business, the change in LFIC as a result of changes in discount rates will be captured within profit or loss.

Insurance contracts initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary;

Or

- for contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- the extent of future cash flows related to any derivatives embedded in the contracts;
- the length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed;
- plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and;
- any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For marine and personal accident insurance, the liability for remaining coverage is discounted to reflect the time value of money and the effect of financial risk. For all other business, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component.

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Reinsurance contracts held initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- plus premiums received in the period;
- minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur;
- plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group;
- plus any adjustment to the financing component, where applicable;
- minus the amount recognised as insurance revenue for the services provided in the period;
- minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts held - subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

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Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

With the exception of the property insurance product line, for which the Company chooses to expense insurance acquisition cash flows as they occur, the Company uses a systematic and rational method to allocate:

- insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts..

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- an impairment test at the level of an existing or future group of insurance contracts; and
- an additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Insurance contracts - modification and derecognition

The Company derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)
- Or
- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

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Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss recovery components

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its personal accident product line between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the personal accident insurance portfolios are predominantly measured FVOCI. For all other business, the Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Policy cancellation

Policies are cancelled if there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Cancellations therefore affect mostly those policies where policy premiums are paid in instalments over the term of the policy. Cancellations are reported separately from gross written premiums.

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Financial liabilities

Financial liabilities are classified as financial liabilities carried at amortised cost.

Initially, a financial liability shall be measured by the Company at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are payables to suppliers, taxes payable, and borrowed funds. Borrowed funds include regular and subordinated loans received by the Company and are recorded as cash is advanced to the Company.

Offsetting of 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 either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents are assets, which can be converted into cash within a day and consist of cash on hand and current bank account balances of the Company, and other short-term highly liquid investments with original maturities of three months or less. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Deposits with banks

Deposits placed with banks are recognised when the Company issues cash to banks and has no intention to get involved in trading in non-derivative financial instruments not quoted in an active market and repayable on the fixed or determinable date. Deposits with banks are carried at amortised cost and recorded until repayment. **Investment in debt instruments**

Financial assets at amortised cost include investment in debt security. They are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Property and equipment

Property and equipment (except for buildings) are stated at cost less accumulated depreciation and impairment provision, where required. Buildings are stated at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment of property and equipment. If any such indication exists, the Company estimates the recoverable amount, which is determined as the higher of an asset's net selling price and its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the decrease in the carrying amount is charged to the statement of comprehensive income to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded within other expenses in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income when the expense is incurred.

Depreciation of property and equipment commences from the date the assets are ready for use. Depreciation is charged on a straight-line basis over the following useful lives of the assets:

- Buildings - 22 years;
- Furniture - 5 years;
- Computers and office equipment - 4 years;
- Motor vehicles - 4 years.

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The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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 of the Company are accounting software and license. Useful life used in the calculation of amortisation is 5 years.

Investment property

Investment property is property held by the Company to earn rentals or for capital appreciation or both, rather than for: (a) use in the Company's ordinary course of business, for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is initially recorded at the cost of acquisition and subsequently remeasured to the fair value based on its market value. The market value of the Company's investment property is obtained from reports of independent appraisers, who have recognised and relevant professional qualifications and experience in valuation of property of similar location and category. Changes in the fair value of investment property are recorded in the statement of comprehensive income as a separate line.

The Company records rentals in the statement of comprehensive income as gain/(loss) on revaluation of investment property. Direct operating expenses (including repair and maintenance) arising from investment property are recorded as incurred within other expenses relating to investment activity in the statement of comprehensive income.

If the investment property is used by the Company for its own operating activities, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Property under construction and renovation intended for subsequent use as investment property is recorded as investment property.

Lease

A definition of whether the contract is a lease contract or whether it contains indications of a lease is based on an analysis of the contract content at the date of lease commencement. The contract is a lease contract or contains indications of a lease if the contract implementation depends on the use of a particular asset or assets and the right to use the asset or assets as a result of this contract transfers from one party to another, even if it is not explicitly stated in the contract.

The Company as a lessor

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as income on a straight-line basis over the lease term and included into other income in the statement of comprehensive income.

The Company as a lessee

The Company applies a unified approach to recognition and assessment of lease apart from short-term and low-value assets leases. The Company recognised lease liabilities for lease payments and right-of-use assets that represent the right to use underlying assets.

The Company recognises right-of-use assets at commencement of the lease (i.e. at the date on which the underlying asset becomes available for use). Right-of-use assets are measured at historical cost less accumulated amortisation and accumulated impairment losses, adjusted for remeasurement of lease liabilities. The historical cost of the right-of-use asset includes the recognised lease liabilities, initial direct costs incurred and lease payments incurred on or before the lease date. If the lease transfers ownership of the Company's underlying asset before the lease end, or if the historical cost of the right-of-use asset contains the Company's intention to exercise the purchase option, the Company amortises the right-of-use asset from commencement of the lease to the end of the underlying asset's useful life. Otherwise, the Company depreciates the asset in the form of a right of use from the start date of the lease to the earlier of the following dates: the end date of the useful life of the asset in the form of a right of use or the end date of the lease.

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Right-of-use assets are also tested for impairment.

For short-term leases or leases with a low value of an underlying asset, the Company recognises lease payments as an expense on a straight-line basis over the lease term.

Share capital

Statutory share capital is recorded at its nominal amount actually paid in in accordance with the Company's constitution documents. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

Dividends

Dividends are recognised when declared at the General Meeting of Shareholders of the Company. 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.

Contingent assets and liabilities

Contingent assets are not recognised in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the financial statements unless the possibility of any outflow in settlement is remote.

Taxation

The income tax charge comprises current tax and deferred tax and is recorded in the statement of comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of Azerbaijan. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted during the reporting period.

Current income 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 or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

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.

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 and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Judgment is required to determine the amount of deferred tax assets that may be recognised in financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

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

Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Unused vacations

Provision for unused vacation is recognised in the period when that vacations are earned by employees.

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Income and expense recognition

Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided.

Employee benefits and social insurance contributions

The Company pays social security contributions in the territory of Azerbaijan. These contributions are recorded on an accrual basis. The Company does not have pension arrangements separate from the state pension system of Azerbaijan. Wages, salaries, contributions to the State Social Protection Fund, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Company's employees render the related service.

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5. Critical Accounting Estimates and Judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Company makes certain estimates and assumptions regarding the future. The management also needs to exercise judgement in applying the accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

Valuation of investment property and buildings

The Company obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The lack of comparable market transactions has resulted in a greater level of professional judgement being relied upon in arriving at valuations. Changes in the underlying assumptions could have a significant impact on the fair values presented. Further information in relation to the valuation of investment property is disclosed in Note 13 and in relation to the valuation of land and buildings in Note 11.

Useful lives of property and equipment and intangible assets

The Company assesses the remaining useful life of the property and equipment and intangible assets at least at the end of each financial year and, if expectations differ from previous estimates, the changes are shown as changes in accounting estimates as per IAS 8 Accounting policies, changes in accounting estimates and errors. These estimates may have a significant effect on the carrying amounts of the property and equipment and those of intangible assets as well as the amount of depreciation and amortisation recognised in profit and loss.

Legal proceedings

In accordance with IFRS the Company recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control. The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

Taxation

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

As a result, the Company minimizes the risk to this fact. The Company believes that its accruals for tax liabilities are adequate for all years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

The notes set out on pages 10 to 44 are an integral part of these financial statements

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Notes to the financial statements for the year ended 31 December 2024 (continued)
in Azerbaijani manats, unless otherwise indicated

6. Cash and bank accounts

	31.12.2024	31.12.2023
Bank accounts, AZN	3,303,222	4,089,127
Bank account, foreign currency	918,536	1,682,766
Cash on hand	602	943
Allowance for impairment of bank accounts, foreign currency	(60)	(429,315)
Total cash and bank accounts	4,222,300	5,343,521

As at the end of 2024 and 2023 allowance for impairment of bank account comprise the amount on accounts in Azeri banks, which license was cancelled by the decision of the Board of the Central Bank of Azerbaijan.

Movement in the provision for cash and bank accounts is presented as follows.

	2024			2023	
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Balance as at 31 December	(429,315)	-	-	(429,315)	(429,315)
(Accrual) / recovery of an allowance	429,255	-	-	429,255	-
Balance as at 31 December	(60)	-	-	(60)	(429,315)

	2023			2022	
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Balance as at 31 December	(429,315)	-	-	(429,315)	(429,315)
(Accrual) / recovery of an allowance	-	-	-	-	-
Balance as at 31 December	(429,315)	-	-	(429,315)	(429,315)

7. Deposits with banks

Deposits with banks represent the Company’s main investing tool. All securities are placed in local banks.

	31.12.2024	31.12.2023
Deposits with banks, AZN	5,010,808	3,700,000
Deposit with bank, foreign currency	1,700,000	2,550,000
Interest income receivable on deposits with banks	-	40,499
Total deposits with banks	6,710,808	6,290,499

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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8. Investment in debt instruments

	Currency	Rate	31.12.2024	Rate	31.12.2023
PASHA Capital Investment Company OJSC	AZN	10%	1,288,679	10%	1,638,595
PASHA Capital Investment Company OJSC	USD	3.90%-4.30%	5,235,797	3.90%-4.30%	5,265,996
Total investment in debt instruments			6,524,476		6,904,591

9. Reinsurance contract assets / (liabilities)

	31.12.2024		31.12.2023	
	Reinsurance contract assets	Reinsurance contract liabilities	Nett	Nett
Medical insurance	-	-	-	1,155,250
Vehicle insurance	-	-	-	35,208
Insurance from fire	74,678	-	74,678	186,192
Liability insurance	1,337,558	-	1,332,051	208,168
Travel insurance	-	-	-	519
Other insurance	-	-	-	-
Total	1,412,236	-	1,406,729	1,585,337

	31.12.2024	31.12.2023
Assets for Remaining Coverage		
Amounts of premiums carried forward to subsequent periods (excluding acquisition cash flows)	1,042,174	1,554,551
Receivables	754,149	747,203
Payables	(694,946)	(433,631)
Total assets for Remaining Coverage	1,101,377	1,868,123

Assets for incurred claims

Present value of future cash flows	302,392	161,494
Receivables	-	-
Payables	-	-
Risk adjustment	2,960	5,259
Total assets for incurred claims	305,352	166,753
	1,406,729	2,034,876

The notes set out on pages 10 to 44 are an integral part of these financial statements

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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10. Insurance contract assets / (liabilities)

	31.12.2024			31.12.2023
	Insurance contract assets	Insurance contract liabilities	Nett	Nett
Medical insurance	-	(9,680,190)	(9,680,190)	(9,723,921)
Vehicle insurance	-	(653,946)	(653,946)	(1,414,707)
Insurance from fire	-	(192,998)	(192,998)	(178,029)
Liability insurance	-	(140,830)	(140,830)	(114,967)
Travel insurance	-	-	-	(1,394)
	-	-	-	(44,304)
Total		(10,667,964)	(10,667,964)	(11,477,322)

	31.12.2023			01.01.2022
	Insurance contract assets	Insurance contract liabilities	Nett	Nett
Medical insurance	263,977	(9,987,898)	(9,723,921)	(9,138,455)
Vehicle insurance	65	(1,414,772)	(1,414,707)	(3,627,470)
Insurance from fire	113	(178,142)	(178,029)	(135,608)
Liability insurance	60	(115,027)	(114,967)	(114,442)
Travel insurance	-	(1,394)	(1,394)	(532)
	-	(44,304)	(44,304)	(27,706)
Total	264,215	(11,741,537)	(11,477,322)	(13,044,213)

	31.12.2024	31.12.2023
Liability for Remaining Coverage		
Amounts of premiums carried forward to subsequent periods (excluding acquisition cash flows)	(9,912,611)	(9,890,603)
Receivables	2,762,431	2,000,103
Payables	(438,550)	-
Total liability for Remaining Coverage	(7,588,730)	(7,890,500)
Liabilities for incurred claims		
Present value of future cash flows	(3,076,824)	(3,808,129)
Receivables	-	-
Payables	-	-
Risk adjustment	(2,410)	(42,908)
Total liabilities for incurred claims	(3,079,234)	(3,851,037)
	(10,667,964)	(11,741,537)

The notes set out on pages 10 to 44 are an integral part of these financial statements

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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11. Property and equipment

Movements in property and equipment for the year ended 31 December 2024, 31 December 2023 and 1 January 2023 were as follow:

	Buildings	Furniture & fixtures	Computer & equipment	Vehicles	Other	Total
Book value						
1 January 2023	494,048	146,499	205,086	586,678	12,030	1,444,341
Additions	-	-	7,884	8,464	-	16,348
Disposal	-	-	-	(38,250)	-	(38,250)
31 December 2023	494,048	146,499	212,970	556,892	12,030	1,422,439
Additions	-	-	21,846	15,387	1,530	38,763
Revaluation	152,070	-	-	-	-	152,070
Disposal	-	-	(26,553)	(125,769)	-	(152,322)
31 December 2024	646,118	146,499	208,263	446,510	13,560	1,460,950
Accumulated depreciation						
1 January 2023	(353,262)	(146,499)	(146,933)	(471,341)	(12,030)	(1,130,065)
Depreciation charge	(67,856)	-	(18,190)	(50,718)	-	(136,764)
Disposal	-	-	-	32,388	-	32,388
31 December 2023	(421,118)	(146,499)	(165,123)	(489,671)	(12,030)	(1,234,441)
Depreciation charge	-	-	(18,027)	(38,447)	-	(56,474)
Disposal	-	-	22,073	113,383	-	135,456
31 December 2024	(421,118)	(146,499)	(161,077)	(414,735)	(12,030)	(1,155,459)
Net book value						
1 January 2023	140,786	-	58,153	115,337	-	314,276
31 December 2023	72,930	-	47,847	67,221	-	187,998
31 December 2024	225,000	-	47,186	31,775	1,530	305,491

The buildings have been revaluated by valuation firm “BARAT CONSULTANCY” LLC on May 2025.

If the buildings were accounted at historical cost restated according to accumulated depreciation and impairment losses, its carrying value would be AZN 99,054 as at 31 December 2024, AZN 106,442 as at 31 December 2023 and AZN 113,830 manats as at 1 January 2023. The depreciation charge on revaluation reserve of these buildings during the year 2024 was AZN 7,388 (2023: 7,388, 2022: AZN 7,388).

As per 31 December 2024, 31 December 2023 and 1 January 2023 the financial statements of the Company include fully depreciated property and equipment as listed below:

	31.12.2024	31.12.2023	01.01.2023
Vehicles	288,753	253,055	221,770
Furniture and fixtures	146,499	146,499	146,499
Computers & equipment	101,376	98,574	95,849
Other	12,030	12,030	12,030
Total fully depreciated property and equipment	548,658	510,158	476,148

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12. Intangible assets

Movement in intangible assets for the year ended 31 December 2024, 31 December 2023 and 1 January 2023 were as follows:

	Computer software	License	Total
Book value			
As at 1 January 2023	119,000	226,294	345,294
Additions	-	11,421	11,421
As at 31 December 2023	119,000	237,715	356,715
Additions	-	36,094	36,094
As at 31 December 2024	119,000	273,809	392,809

	Computer software	License	Total
Accumulated amortisation			
As at 1 January 2023	(119,000)	(9,696)	(128,696)
Amortisation expenses	-	(24,356)	(24,356)
As at 31 December 2023	(119,000)	(34,052)	(153,052)
Amortisation expenses	-	(20,165)	(20,165)
As at 31 December 2024	(119,000)	(54,217)	(173,217)
Net book value			
1 January 2023	-	216,598	216,598
31 December 2023	-	203,663	203,663
31 December 2024	-	219,592	219,592

In 2021 the Company received perpetual license - the right to provide services for 3 types of compulsory insurance: OSAGO, real estate insurance, civil liability insurance for the operation of real estate. This license expanded the range of insurance services for private and corporate clients of the Company.

13. Investment property

Investment property includes the building located in Baku and leased to “MediClub Dental” LLC, a related party. If premises were measured using the cost model, the items of the statement of financial position would be carried at 44 thousand manats as at 31 December 2024 and, 50 thousand manats as at 31 December 2023.

On 12 May 2018 the Company acquired a building amounting to 1 million manats. The Company spent an additional 639 thousand manats for overhaul of the premises during 2018-2019.

For determining the fair value of the building, the Company engaged an independent appraiser “BARAT CONSULTANSY” LLC. The reassessment of the building took place on 25 February 2020. The valuation was made under valuation standards covering two basic valuation approaches: cost and comparative. The current market value of the evaluated items is AZN 2,042,350 based on the market approach, as the most acceptable.

On 1 July 2019 the renovated buildings were leased out to “MediClub” LLC, a related party, for a period of 10 years. For the year ended 31 December 2024 the Company recognized income from operating lease (Note 23) in the amount of AZN 140,400 (2022: AZN 140,400).

For determining the fair value of the building, the Company engaged an independent appraiser “BARAT CONSULTANSY” LLC. The reassessment of the building took place on May 2024. The valuation was made under valuation standards covering two basic valuation approaches: cost and comparative. The current market value of the evaluated items is AZN 4,057,050 based on the market approach, as the most acceptable.

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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14. Right-of-use assets

The Company has lease contracts for office premises for the period of 3 year. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

	For the year ended 31 December 2024	For the year ended 31 December 2023
As at 1 January	180,139	372,720
Additions/Fee changes	-	-
Depreciation expenses	(93,076)	(192,581)
As at 31 December	87,063	180,139

The weighted average rate for raising additional borrowed funds applied by the Company to lease liabilities is 14.30% (based on Central Bank of Azerbaijan average interest rates on deposits and loans) at the date of initial recognition.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	For the year ended 31 December 2024	For the year ended 31 December 2023
As at 1 January	268,597	401,883
Additions/Fee changes	-	-
Incurred interest (Note 26)	30,220	45,216
Payments made	(119,301)	(178,502)
As at 31 December	179,516	268,597
- Current	179,516	268,597
- non-current	-	-

15. Other assets

	31.12.2024	31.12.2023
Mandatory insurance deposit	-	467,630
Prepayments	628,848	-
Bank guarantee fee	37,423	52,000
Other	271,947	18,414
Total other assets	938,218	538,044

16. Other liabilities

	31.12.2024	31.12.2023
Provision for unused leaves	-	85,095
Advances received	-	71,788
Payable to insurer regulator	182,729	251,021
Other	21,491	32,918
Total other liabilities	204,220	440,822

The notes set out on pages 10 to 44 are an integral part of these financial statements

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17. Share capital and revaluation reserve

The authorised, issued and fully paid share capital of the Company comprised of:

	31.12.2024	31.12.2023
Number of shares	7,750	7,750
Par value	1,291	1,291
Share capital	10,005,250	10,005,250

Earnings per share (basic and diluted) for the year ended 31 December 2024 and 31 December 2023 were calculated as follows:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Net profit for the year	2,525,630	440,873
Weighted average number of ordinary shares for basic earnings per share	7,750	7,750
Earnings per share	325.89	56.89

During 2024 the Company paid dividends to shareholders for the results of 2024 in total amount of AZN 596,345 (2023: AZN Nil).

The properties revaluation reserve arises on the revaluation of buildings (Note 11).

	For the year ended 31 December 2024	For the year ended 31 December 2023
Revaluation reserve as at 1 January	38,126	44,036
Depreciation charge utilisation	(7,388)	(7,388)
Deferred tax liabilities utilisation	1,478	1,478
Revaluation	152,070	-
Revaluation reserve as at 31 December	184,286	38,126

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18. Insurance revenue

	For the year ended 31 December 2024	For the year ended 31 December 2023
Medical insurance	14,609,141	16,725,851
Vehicle insurance	2,156,940	6,793,094
Insurance from fire	631,300	815,849
Liability insurance	301,427	491,298
Travel insurance	-	12,912
Other insurance	6,236	182,792
Total Insurance revenue	17,705,044	25,021,796

19. Insurance service expenses

	For the year ended 31 December 2024			
	Claims paid	Change in provision for claims	Acquisition cost	Total insurance service expenses
Medical insurance	11,275,562	889,844	(138,454)	12,026,952
Vehicle insurance	2,563,019	(912,412)	(177,749)	1,472,858
Insurance from fire	35,910	(49,930)	(39,717)	(53,737)
Liability insurance	685	(5,638)	(13,487)	(18,440)
Travel insurance	-	-	-	-
Other insurance	-	-	-	-
Total insurance service expenses	13,875,176	(78,136)	(369,407)	13,427,633

	For the year ended 31 December 2023			
	Claims paid	Change in provision for claims	Acquisition cost	Total insurance service expenses
Medical insurance	10,718,638	955,417	351,606	12,025,661
Vehicle insurance	4,581,290	474,220	707,143	5,762,653
Insurance from fire	33,987	2,049	90,461	126,497
Liability insurance	-	1,755	53,186	54,941
Travel insurance	313	135	1,771	2,219
Other insurance	1,555	787	32,952	35,294
Total insurance service expenses	15,335,783	1,434,363	1,237,119	18,007,265

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20. Net expenses from reinsurance contracts held

	For the year ended 31 December 2024	For the year ended 31 December 2023
Premiums ceded to reinsurers	(2,095,691)	(2,343,954)
Claims ceded to reinsurers	1,019,411	810,362
Change in reinsurance assets	(896,465)	336,925
Other (expenses) / income	896,465	(924,168)
Total net expenses from reinsurance contracts held	(1,076,280)	(2,120,835)

21. Operating expenses

	For the year ended 31 December 2024	For the year ended 31 December 2023
Salary and bonuses	3,139,773	3,087,848
Insurance	21,330	758,226
Depreciation charge and amortisation expense	80,633	395,615
Bank commissions	67,880	49,827
Vehicle expenses	49,312	62,554
Advertising expenses	67,649	73,246
Utilities	28,551	25,301
Communication expenses	27,150	37,712
Professional services	77,858	140,293
Printing and office supplies	37,921	28,940
Business trips	799	1,308
Taxes other than income tax	7,560	45,721
Other operating expenses	713,983	158,866
Total operating expenses	4,320,399	4,865,457

22. Interest income, net

Interest income amounted AZN 565,369 and AZN 255,852 in 2024 and 2023 years respectively represents revenue earned from placing idle cash balances in deposits with banks (Note 7) with interest rates from 0.4% to 2.2% per annum in USD and interest rates from 5.5% to 9.5% per annum in AZN.

Financial income, related to debt instruments, amounted AZN 162,337 in 2024 (AZN 293,609 in 2023).

Interest expense related to lease agreement was accrued in amount AZN 30,220 during 2024 (2023: AZN 45,216).

23. Other income

	For the year ended 31 December 2024	For the year ended 31 December 2023
Other income	380,547	284,866
Total other income	380,547	284,866

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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24. Income tax

Income tax expenses comprise the following:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Current income tax (credit)/charge	35,804	85,786
Deferred income tax (credit)/charge	41,329	(155,212)
Total income tax charge/(credit) for the year	77,133	(69,426)

The current tax rate applicable to the Company's profit is 20% for 2024 and 2023.

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

	For the year ended 31 December 2024	For the year ended 31 December 2023
Profit before tax	648,516	371,447
Theoretical tax charge at the applicable statutory rate 20%	129,703	74,289
Non-deductible expenses less non-taxable income/(loss)	(52,570)	(143,715)
Total income tax charge for the year	77,133	(69,426)

Differences between IFRS and statutory taxation regulations of the Republic of Azerbaijan give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for the Company's profits tax purposes.

Temporary differences due to	Balance as at 31 December 2023	(Charged)/credited to profit or loss	Balance as at 31 December 2024
Cash and banks accounts	85,863	(85,851)	12
Deposits with banks	(8,100)	15,938	7,838
Investment in debt instruments	5,394	(1,198)	(4,196)
Property and equipment	42,661	(19,533)	(23,128)
Intangible assets	5,394	(3,357)	2,037
Investment property	(72,606)	48,264	(24,342)
Right-of-use assets	(36,028)	18,615	(17,413)
Other assets	11,467	10,098	21,565
Lease liabilities	53,719	(17,816)	35,903
Other liabilities	14,605	(14,605)	-
Reinsurance contract assets	(34,180)	16,860	(17,320)
Insurance contract assets	417,187	47,589	464,776
Reinsurance contract liabilities	89,908	(88,338)	1,570
Insurance contract liabilities	(513,551)	32,005	(481,546)
Net tax assets	61,733	(41,329)	20,404

Azerbaijani tax legislation in particular may give rise to varying interpretations and amendments. As the management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as the result, the Company may be assessed additional taxes, penalties and interest which could be material for these financial statements.

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25. Risk management

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational 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 assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The overall objective of the Management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's comprehensiveness and flexibility. Further details regarding these policies are set out below:

Industry risk. Industry risk is a possibility of incurring losses that may worsen the Company's financial condition due to concentration of operations in specific economic sector. Industry risk is managed by evaluating development of respective industry sectors (consideration of project implementation cycle, market analysis and substantiation of competitiveness, payback period and profitability), evaluating lenders, monitoring projects and determining financing forms.

Credit risk. The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or a group of related debtors. Such risks are monitored by the Company on a regular basis, the limits being subject to an annual or more frequent review. Limits on the level of credit risk by product, debtors or groups of debtors are approved by the Company's management.

Exposure to credit risk is managed through regular analysis of the ability of clients and potential clients to meet repayment obligations and by changing these payment terms where appropriate.

The Company's maximum exposure to credit risk is primarily reflected in the carrying value of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For commitments, the maximum exposure to credit risk is equal to total liabilities.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Company uses the same policies in making contingent obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedure.

Further disclosures regarding categories of financial instruments are provided below.

	31 December 2024	31 December 2023
Cash and bank accounts	4,222,300	5,343,521
Deposit with banks	6,710,808	6,290,499
Investment in debt instrument	6,524,476	6,904,591
Total financial assets	17,457,584	18,538,611
Lease liabilities	(179,516)	(268,597)
Other liabilities	(204,220)	(440,822)
Total financial liabilities	(383,736)	(709,419)

The notes set out on pages 10 to 44 are an integral part of these financial statements

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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Ageing analysis of not impaired and impaired financial assets as at 31 December 2024:

	Not impaired	Impaired financial assets				Impaired but not overdue	Provision for impairment	Total
		Less than 1 month overdue	From 1 to 6 months overdue	From 6 to 12 months overdue	From 1 to 5 years overdue			
Cash and bank accounts	4,222,360	-	-	-	-	-	(60)	4,222,300
Deposits with banks	6,710,808	-	-	-	-	-	-	6,710,808
Investment in debt instrument	6,524,476	-	-	-	-	-	-	6,524,476
Total financial assets	17,457,644	-	-	-	-	-	(60)	17,457,584

Ageing analysis of not impaired and impaired financial assets as at 31 December 2023:

	Not impaired	Impaired financial assets				Impaired but not overdue	Provision for impairment	Total
		Less than 1 month overdue	From 1 to 6 months overdue	From 6 to 12 months overdue	From 1 to 5 years overdue			
Cash and bank accounts	5,343,521	-	-	-	429,315	-	(429,315)	5,343,521
Deposits with banks	6,290,499	-	-	-	-	-	-	6,290,499
Investment in debt instrument	6,904,591	-	-	-	-	-	-	6,904,591
Total financial assets	18,538,611	-	-	-	429,315	-	(429,315)	18,538,611

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Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The management sets acceptable risk limits and monitors them on a regular basis. However, the use of this approach does not prevent losses beyond these limits in the event of more significant market movements.

The objective of market risk management is to keep the exposure to market risk within the acceptable limits assuring optimal yields for accepted risk. The market risk is assessed by the Company.

Geographical risk. All receivables from reinsurance business as at 31 December 2024 and 31 December 2023 are located in Azerbaijan. All sizeable liabilities of the Company are located in Azerbaijan.

Foreign currency risk. The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise. Exchange exposure are managed within approved policy parameters utilising forward foreign exchange contracts.

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December 2024:

	AZN	USD	EUR	RUB	Total
Assets					
Cash and cash equivalents	3,303,769	519,988	602	397,941	4,222,300
Deposits with banks	5,010,808	1,700,000	-	-	6,710,808
Investment in debt instruments	1,288,679	5,235,797	-	-	6,524,476
Total financial assets	9,603,256	7,455,785	602	397,941	17,457,584
Liabilities					
Lease liabilities	(179,516)	-	-	-	(179,516)
Other liabilities	(204,220)	-	-	-	(204,220)
Total financial liabilities	(383,736)	-	-	-	(383,736)
Net balance sheet position	9,219,520	7,455,785	602	397,941	17,073,848

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December 2023:

	AZN	USD	EUR	RUB	Total
Assets					
Cash and cash equivalents	3,674,843	1,667,597	39	842	5,343,321
Deposits with banks	2,890,499	3,400,000	-	-	6,290,499
Investment in debt instruments	1,638,595	5,265,996	-	-	6,904,591
Total financial assets	8,203,937	10,333,593	39	842	18,538,411
Liabilities					
Payables					
Lease liabilities	(265,597)	-	-	-	(265,597)
Other liabilities	(440,822)	-	-	-	(440,822)
Total financial liabilities	(706,419)	-	-	-	(706,419)
Net balance sheet position	7,497,518	10,333,593	39	842	17,831,992

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The Company issued insurance and reinsurance policies and bears expenses in currencies other than its functional currency. Depending on the revenue or expense stream, the appreciation or depreciation of currencies against the Azerbaijani manat may adversely affect the Company's repayment ability and therefore increases the risk of future losses.

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the reporting date if all other conditions remain unchanged.

Reasonably expected exchange rate changes for each currency were projected on the basis of maximal exchange rate fluctuations in December 2024 and December 2023.

	For the year ended 31 December 2024		For the year ended 31 December 2023	
	Effect on profit or loss before taxation	Effect on comprehensiv e income	Effect on profit or loss before taxation	Effect on comprehens ive income
EUR appreciation by 15%	1,118,368	894,694	1,550,039	1,240,031
EUR depreciation by 15%	(1,118,368)	(894,694)	(1,550,039)	(1,240,031)

The risk was calculated only for balances in currencies other than the Company's functional currency.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Company is exposed to this risk via insurance and reinsurance claims, payables to suppliers and government authorities. The Company does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. Liquidity risk is overseen by the management with regard for decisions of the Company's Board for decision making in asset formation and transaction funding requirements.

The Company is keen on maintaining stable financing predominantly consisting of claims for insurance benefits and also on investing funds in diversified liquid asset portfolios to be able to meet unexpected liquidity needs quickly and unhampered.

To manage its liquidity, the Company is required to analyse the level of liquid assets needed to settle the liabilities on their maturity by providing access to various sources of financing, drawing up plans to solve the problems with financing and exercising control over compliance of the liquidity ratios with the laws and regulations.

The management receives information about their financial assets and liabilities and promptly manages the Company's resources with regard for the asset and liabilities management decisions, ensures solvency and liquidity of the Company by optimising cash flows and payment calendar for efficient use of cash funds. The management regularly monitors the liquidity position.

In those cases when the amount to be paid is not fixed, the amount in the table is determined on the basis of conditions prevailing at the reporting date. Foreign currency payments are translated using the spot exchange rates effective at the reporting date.

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Notes to the financial statements for the year ended 31 December 2024 (continued)
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The table below shows the maturity analysis of financial liabilities as at 31 December 2024:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Lease liabilities	-	109,979	69,537	-	179,516
Other liabilities	-	-	204,220	-	204,220
Total liabilities	-	109,979	273,757	-	383,736

The table below shows the maturity analysis of financial liabilities as at 31 December 2023:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Lease liabilities	-	164,553	104,043	-	268,597
Other liabilities	-	-	440,822	-	440,822
Total liabilities	-	164,553	544,865	-	709,419

In the opinion of the Company's management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for successful management of the Company. It is unusual for insurers ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest and exchange rates.

Interest rate risk. This risk appears when the Company takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Underwriting risk. The Company assumes underwriting risk when the amount of premiums and/or the term over which they are paid by the insureds differ significantly from the amount of losses and/or the term over which they are compensated to the insureds.

The Company controls underwriting risks through:

- Underwriting departments and application of the established underwriting procedures to monitor the insurance portfolio rates by class of business;
- Outward reinsurance to mitigate the Company's exposure to great losses/catastrophes;
- Asset and liability management control to match the expected insurance premiums with the assets' maturities;
- Diversification of insurance services;
- Comprehensive actuarial analysis.

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Reinsurance strategy. The Company transfers insurance risk in order to reduce the risk of underwriting losses under various reinsurance contracts that cover the risks of both individual contracts and the portfolio of contracts. These reinsurance contracts distribute the risk between insurer and reinsurer and reduce the amount of losses. The amount of each risk held by the Company depends on the Company's assessment of the specific risk for each type of insurance.

In accordance with the terms of the reinsurance contracts the reinsurer undertakes to reimburse the transferred insurance coverage, provided that the insurance claim is paid. At the same time, the Company continues to be liable to the policy holder in respect of risks transferred to reinsurance in the situation when the reinsurer does not fulfil the assumed obligations.

The Company takes into account reinsurer's financial solvency during the selection of reinsurers. The financial solvency of reinsurers is based on public information and internal research.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items.

26. Capital management

The Company's capital management has the following objectives:

- to observe requirements established by Law of the Republic of Azerbaijan “On insurance”;
- to observe the minimum share capital requirements established by legislation of the Republic of Azerbaijan;
- to ensure the Company's ability to operate as a going concern;
- to maintain the scope and structure of assets used as cover for equity in accordance with respective legislation of the Republic of Azerbaijan.

The control over compliance of the asset scope and structure with the requirements of the Azerbaijani legislation is exercised on the basis of quarterly reports with the corresponding calculations that are verified and approved by the Company's Chairman of the Board and Chief Accountant. Other capital management objectives are assessed annually.

As part of this review the cost of capital and the risks associated with each class of capital are considered.

Based on requirement by The Ministry of Finance of the Republic of Azerbaijan insurance companies should maintained capital for minimum amount of AZN 5,000,000 and maximum of 30% of the cash in one bank. The Company meets both requirements. Other than that, the Company is not subject to any externally imposed capital requirements.

The shareholder's overall strategy remains unchanged as per 31 December 2024 and 31 December 2023.

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27. Contingent liabilities

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

Legal issues. In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company and accordingly no provision has been made as in the management's opinion the possibility of material losses is low.

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

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

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

As at 31 December 2024, the management of the Company believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained by controlling bodies.

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28. Fair value of financial instruments

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced or liquidation sale. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for major part of the Company's financial instruments, the fair value shall be estimated based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Company could realise in a market exchange from the sale of its full holdings of a particular instrument. Management believes that carrying values of the Company's financial assets and liabilities approximate their fair values.

The Company uses the following hierarchical structure of valuation methods to identify and disclose information about the fair value of financial instruments:

- Level 1 - fair value estimates are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value estimates are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices) ; and
- Level 3 - fair value measurements are based on valuation techniques that include inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

The Company uses the following assumptions to estimate the fair value of the following financial instruments:

Insurance receivables. Insurance receivables are recorded net of impairment provision. Provision for impairment is estimated on the basis of risk analysis covering such factors as current economic situation in the debtor's industry, the financial position of a debtor and the guarantees received. Long-term receivables are carried at amortised cost using the discount rate approximating current market rates.

Insurance payables. Short-term payables are stated at the nominal amount due. Long-term payables are measured at amortised cost using the discount rate that is equal to market interest rate on loans used for similar debt financing. The fair value of cash and other financial assets and liabilities approximates their carrying amount due to their short-term nature.

Fair value estimation as at 31 December 2024					
	Date	Level 1	Level 2	Level 3	Total
Assets whose fair value Disclosed					
Cash and bank accounts	31.12.2024	-	4,222,300	-	4,222,300
Deposit with banks	31.12.2024	-	6,710,808	-	6,710,808
Investment in debt instruments	31.12.2024	-	6,524,476	-	6,524,476
		-	17,457,584	-	17,457,584
Liabilities whose fair value Disclosed					
Lease liabilities	31.12.2024	-	(179,516)	-	(179,516)
		-	(179,516)	-	(179,516)
Fair value estimation as at 31 December 2023					
	Date	Level 1	Level 2	Level 3	Total
Assets whose fair value Disclosed					
Cash and bank accounts	31.12.2023	5,342,578	943	-	5,343,521
Deposit with banks	31.12.2023	6,290,499	-	-	6,290,499
Investment in debt instruments	31.12.2023	-	6,904,591	-	6,904,591
		11,633,077	6,905,534	-	18,538,611
Liabilities whose fair value Disclosed					
Lease liabilities	31.12.2023	-	(268,597)	-	(268,597)
		-	(268,597)	-	(268,597)

The notes set out on pages 10 to 44 are an integral part of these financial statements

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29. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or 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 economic substance of the relationship, not merely the legal form.

In the normal course of business the Company enters into transactions with its major shareholders, directors, subsidiaries and other related parties. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions.

There were no outstanding balances with the related parties at the year end and transactions with related parties as of 31 December 2024 and 31 December 2023 were as follows:

	For the year ended 31 December 2024		For the year ended 31 December 2023	
	Related party transactions	Total category	Related party transactions	Total category
Insurance revenue		17,705,044		25,021,796
– companies controlled by the shareholder	45,872		182	
Insurance service expenses		(13,427,633)		(18,007,265)
– companies controlled by the shareholder	(3,794,003)		(4,225,203)	
Operating expenses		(4,320,399)		(4,865,457)
– key management personnel	247,992		(378,382)	
– companies controlled by the shareholder	-		-	
Other income/(loss)		380,547		284,866
– companies controlled by the shareholder	128,400		128,400	

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Subsequent events

There were no reportable events subsequent to the end of the reporting year.