

**“PRIOR LEASING” OPEN
JOINT STOCK COMPANY**

**Consolidated Financial Statements and
Independent Auditors’ Report**
For the Year Ended December 31, 2024

"PRIOR LEASING" OPEN JOINT STOCK COMPANY

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024	1
INDEPENDENT AUDITORS' REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024:	
Consolidated statement of financial position	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7-8
Notes to the consolidated financial statements	9-56

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

The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of "Prior Leasing" OJSC (the "Company") and its subsidiary (together referred to as the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at December 31, 2024, the results of its operations, changes in equity and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group 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 Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS Accounting Standards;
- 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 Group; and
- Detecting and preventing fraud, errors and other irregularities.

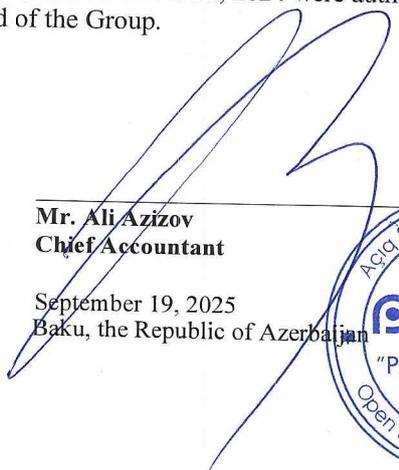
The consolidated financial statements for the year ended December 31, 2024 were authorized for issue on September 19, 2025 by the Management Board of the Group.

On behalf of the Management Board:



Ms. Kifayat Aghalirova
General Director

September 19, 2025
Baku, the Republic of Azerbaijan



Mr. Ali Azizov
Chief Accountant

September 19, 2025
Baku, the Republic of Azerbaijan



INDEPENDENT AUDITORS' REPORToffice@bakertilly.az
www.bakertilly.az

To the Shareholders and Management Board of "Prior Leasing" Open Joint Stock Company.

Opinion

We have audited the consolidated financial statements of "Prior Leasing" Open Joint Stock Company (the "Company") and its subsidiary (together refer to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Baker Tilly Azerbaijan

September 19, 2025
Baku, the Republic of Azerbaijan

"PRIOR LEASING" OPEN JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024

(in Azerbaijani Manats, unless otherwise indicated)

	Notes	December 31, 2024	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	7	1,436,599	2,333,304
Trade receivables	8, 28	14,069,872	8,318,945
Amount due from related parties	9, 28	2,000,000	-
Loans to customers	10, 28	2,294,945	1,835,978
Net investment in the leases	11, 28	15,312,265	12,722,630
Inventories	12	31,475,623	39,038,405
Prepayments	13	2,436,224	3,384,840
Other current assets		63,762	45,160
Total current assets		69,089,290	67,679,262
Non-current assets:			
Loans to customers	10, 28	1,376,283	1,010,997
Net investment in the leases	11, 28	18,379,029	17,792,264
Property, plant and equipment and intangible assets	14	1,268,435	1,328,544
Prepayment for property, plant and equipment and intangible assets		-	2,018
Total non-current assets		21,023,747	20,133,823
TOTAL ASSETS		90,113,037	87,813,085
LIABILITIES AND EQUITY			
LIABILITIES:			
Current liabilities:			
Trade and other payables	15, 28	44,247,043	47,576,491
Borrowings	16	12,428,849	11,727,359
Lease liability	17	461,089	387,019
Advances received	18	1,956,333	1,989,504
Other current liabilities	19	298,739	43,444
Total current liabilities		59,392,053	61,723,817
Non-current liabilities:			
Borrowings	16	20,749,328	17,815,987
Lease liability	17	208,554	387,059
Amount due to shareholder	20, 28	2,673,340	1,873,340
Deferred tax liability	21	40,107	140,809
Total non-current liabilities		23,671,329	20,217,195
TOTAL LIABILITIES		83,063,382	81,941,012
EQUITY:			
Share capital	22	5,000,000	5,000,000
Retained earnings		2,049,655	872,073
TOTAL EQUITY		7,049,655	5,872,073
TOTAL LIABILITIES AND EQUITY		90,113,037	87,813,085

On behalf of the Management Board:

Ms. Kifayat Aghalarova
General Director

September 19, 2025
Baku, the Republic of Azerbaijan

Mr. Ali Azizov
Chief Accountant

September 19, 2025
Baku, the Republic of Azerbaijan

The notes on pages 9-56 form an integral part of these consolidated financial statements.



“PRIOR LEASING” OPEN JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024 (in Azerbaijani Manats, unless otherwise indicated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Revenue from trading activities	23, 28	41,530,288	34,518,924
Cost of goods sold	24, 28	(35,481,132)	(29,795,743)
Gross profit from trading activities		6,049,156	4,723,181
Interest income on leasing operations	11, 28	2,523,381	2,457,248
Interest income on loans to customers		598,967	540,696
(Charge)/recovery of expected credit losses on financial assets	8, 10, 11	(329,395)	127,257
Interest income on leasing and lending operations after expected credit loss allowance		2,792,953	3,125,201
General and administrative expenses	25, 28	(7,099,287)	(5,794,127)
Fee and commission expenses		(15,586)	(11,289)
Operating profit		1,727,236	2,042,966
Interest expenses	16, 17	(702,983)	(743,116)
Gain on lease modification/termination		1,050	3,616
Net gain/(loss) on foreign exchange operations		258,870	(333,336)
Recovery of provision for obsolescence of inventories	12	70,140	161,674
Other income		120,813	142,876
Net profit before income tax		1,475,126	1,274,680
Income tax expense	21	(297,544)	(254,936)
Net profit for the year		1,177,582	1,019,744
Total comprehensive income for the year		1,177,582	1,019,744

On behalf of the Management Board:

Ms. Kifayat Aghalarova
General Director

September 19, 2025
Baku, the Republic of Azerbaijan

Mr. Ali Azizov
Chief Accountant

September 19, 2025
Baku, the Republic of Azerbaijan

The notes on pages 9-56 form an integral part of these consolidated financial statements.



“PRIOR LEASING” OPEN JOINT STOCK COMPANY

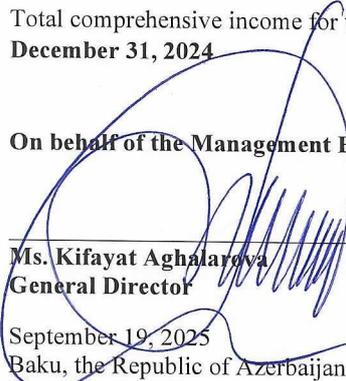
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

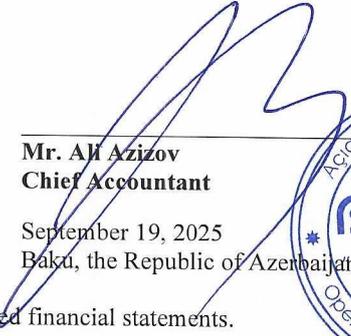
(in Azerbaijani Manats, unless otherwise indicated)

	Notes	Share capital	Retained earnings	Total equity
January 1, 2023		5,000,000	1,652,329	6,652,329
Total comprehensive income for the year		-	1,019,744	1,019,744
Dividend declared		-	(1,800,000)	(1,800,000)
December 31, 2023		5,000,000	872,073	5,872,073
Total comprehensive income for the year		-	1,177,582	1,177,582
December 31, 2024		5,000,000	2,049,655	7,049,655

On behalf of the Management Board:


 Ms. Kifayat Aghalarova
 General Director

September 19, 2025
 Baku, the Republic of Azerbaijan


 Mr. Ali Azizov
 Chief Accountant

September 19, 2025
 Baku, the Republic of Azerbaijan



The notes on pages 9-56 form an integral part of these consolidated financial statements.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024**
(in Azerbaijan Manats, unless otherwise indicated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		1,475,126	1,274,680
Adjustments for:			
Depreciation and amortization	14	579,526	544,714
Gain on lease modification/termination		(1,050)	(3,616)
Net (gain)/loss on foreign exchange operations		(258,870)	333,336
Charge/(recovery) of expected credit losses on financial assets		329,395	(127,257)
Recovery of provision for obsolescence of inventories	12	(70,140)	(161,674)
Other income		-	(3,035)
Net change in accrued interest income		16,517	50,723
		<u>2,070,504</u>	<u>1,907,871</u>
Cash flows from operating activities before changes in operating assets and liabilities			
Change in operating assets and liabilities:			
Change in trade receivables		(5,857,208)	(3,244,573)
Change in loans to customers		(898,704)	320,403
Change in prepayments		948,616	1,983,245
Change in inventories		7,632,922	(19,935,660)
Change in net investment in the leases		(3,325,063)	(499,069)
Change in other current assets		(18,602)	(10,239)
Change in trade and other payables		(3,046,095)	18,643,673
Change in advances received		(33,171)	1,464,258
Change in other current liabilities		20,775	(25,301)
		<u>(2,506,026)</u>	<u>604,608</u>
Cash (outflow)/inflow from operating activities before taxation			
Income tax paid		(163,726)	(84,085)
		<u>(2,669,752)</u>	<u>520,523</u>
Net cash (outflow)/inflow from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Amount transferred to related parties		(2,000,000)	-
Purchase of property, plant and equipment and intangible assets		(242,456)	(178,466)
		<u>(2,242,456)</u>	<u>(178,466)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	16	16,168,384	13,317,672
Repayment of borrowings	16	(12,550,070)	(14,327,424)
Dividend paid		-	(1,800,000)
Repayment of lease liabilities	17	(378,328)	(289,515)
Proceeds from borrowings from shareholder		800,000	1,800,000
		<u>4,039,986</u>	<u>(1,299,267)</u>
Net cash inflow/(outflow) from financing activities			

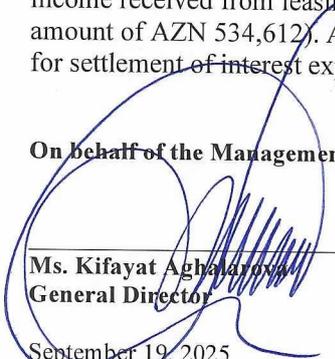
“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijan Manats, unless otherwise indicated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Effect of exchange rate changes on cash and cash equivalents		(24,483)	(25,199)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(896,705)	(982,409)
CASH AND CASH EQUIVALENTS, at the beginning of the year	7	2,333,304	3,315,713
CASH AND CASH EQUIVALENTS, at the end of the year	7	1,436,599	2,333,304

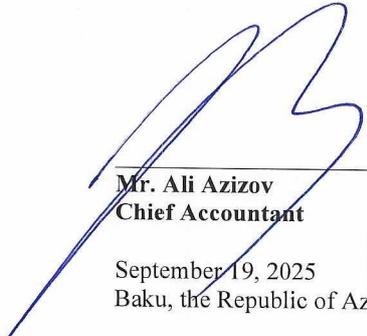
*During the year ended December 31, 2024, the Group received interest income from leasing activities in the amount of AZN 2,523,381 and from the lending activities in the amount of AZN 539,830 (2023: interest income received from leasing activities AZN in the amount of 2,457,248 and from lending activities in the amount of AZN 534,612). A portion of interest income attributable to the Group was withheld by the agent for settlement of interest expense payable in the amount of AZN 603,357 (2023: AZN 597,864).

On behalf of the Management Board:



Ms. Kifayat Aghalayeva
General Director

September 19, 2025
Baku, the Republic of Azerbaijan



Mr. Ali Azizov
Chief Accountant

September 19, 2025
Baku, the Republic of Azerbaijan



The notes on pages 9-56 form an integral part of these consolidated financial statements.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 *(in Azerbaijani Manats, unless otherwise indicated)*

1. GROUP INFORMATION

“Prior Leasing” OJSC (the “Company”) was incorporated and domiciled in the Republic of Azerbaijan. The Company was set up in accordance with regulations of the Republic of Azerbaijan and registered by the Ministry of Taxes of the Republic of Azerbaijan on July 8, 2014.

The ownership of the Company was as follows as at December 31, 2024 and 2023:

Shareholder	December 31, 2024 %	December 31, 2023 %
Ms. Afag Majidova	99.8	99.8
Mr. Ilkin Isgenderov	0.2	0.2
Total	100.00	100.00

The Company established a subsidiary “Prior Credit Non-Banking Credit Organization” CJSC (the Subsidiary) on May 4, 2020. The Company together with the Subsidiary will be referred to as the Group hereinafter.

Principal activity of the Group. The principal business activities of the Group are trading of and providing finance leases for agricultural equipment to farmers and provision of business and consumer loans. “Agency for Agro Credit and Development” provides loans to the Group and grants to the farmers under state agricultural development programs.

Registered address and place of business: The Company’s registered address is Narimanov District, Ziya Bunyadov 1965, Chinar Park Office Building 1, Baku, AZ1075, the Republic of Azerbaijan.

Subsidiaries and structural changes in the Group

Information about the Subsidiary included in the consolidation as at and for the year ended December 31, 2024 is as follows:

Name of the Company	Nature of business	Group’s equity interest
“Prior Credit Non-Banking Credit Organization” CJSC	Leasing and credit operations	100%

The Subsidiary was incorporated in the Republic of Azerbaijan on May 4, 2020. The paid-in capital of the Subsidiary constitutes the amount of AZN 2,100,000 comprised of 2,100 shares with a par value of AZN 1,000 each fully owned by the Company. The main activities of the subsidiary include issuance of secured and unsecured loans, purchase and sale of debt obligations and leasing operations.

Operating environment of the Group

The Group’s operations are conducted in the Republic of Azerbaijan. The Group is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

The disruption of the global supply chains, conflict between the Russian Federation and Ukraine as well as rising consumer demand for goods led to significant inflationary pressures on the global economy in 2022, including soaring commodity prices. The price of Brent crude oil averaged USD 80 per barrel in 2024, slightly down from USD 83 per barrel in 2023. Global markets adjusted to new trade dynamics, with crude oil from Russia finding destinations outside the EU, and global crude oil demand fell short of expectations.

The depreciation of Azerbaijani manat in 2015-2016 has led to significant uncertainties in the business environment, therefore, the government took all required actions to keep the exchange rate stable over the past 8 years. As a result, continuous fluctuation in global oil prices did not affect the local currency and therefore did not increase the uncertainty in the business environment.

The economy of Azerbaijan expanded 4.1% year-on-year in the January-December period of 2024, accelerating from a 1.1% growth in the same period last year. The non-oil and gas sector increased by 6.2%, while the oil and gas sector rose slightly by 0.3%.

The sustainability of the cease-fire arrangement over the Karabakh region also improves the business environment as there are number of government-led projects to attract investment and develop the territories released from occupation.

GDP reached AZN 126.3 billion (USD 74.3 billion) in 2024 with 4.1% growth compared to 2023. During 2024, the foreign trade turnover of the Republic of Azerbaijan reached about USD 47.6 billion of which export amounted to USD 26.6 billion and import amounted to USD 21.1 billion according to the statistics of the State Customs Committee.

International credit rating agencies regularly evaluate the credit rating of the Republic of Azerbaijan. “Fitch” and “S&P” evaluated the rating of the Republic of Azerbaijan as “BBB-”. “Moody’s Investors Service” set a “Ba1” credit rating for the country.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The Management is unable to predict, all developments in the economic environment which would have an impact on the Group’s operations and consequently what effect, if any, they could have on the preliminary financial statements of the Group.

2. BASIS OF PREPARATION

Statement of compliance

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

Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an investee to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

When necessary, adjustments are made to the financial statements of the branch and subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full-on consolidation.

Business combinations and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 “Financial Instruments: Recognition and Measurement”, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Common control business combinations

IFRS 3, “Business Combinations” does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The management used the “predecessor value method” for accounting of such transactions as this provides the most relevant and reliable information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. A predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values. The difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue its operations for the foreseeable future.

The management views the Group as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations of the Republic of Azerbaijan.

Accordingly, assets and liabilities are recorded on the basis that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the Group's ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern.

Management's assessment of the going concern assumption involves making a judgment, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months.

All other current assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Functional currency

The functional currency of the Group is Azerbaijani Manat (“AZN”), as being the national currency of the Republic of Azerbaijan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The AZN is also the presentation currency for the purposes of these consolidated financial statements.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements and are applied consistently by the Group.

Financial instruments

Financial assets and financial liabilities are recognized in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

The Group's majority of financial assets were classified as financial assets measured subsequently at amortized cost. The Group's financial liabilities were classified as financial liabilities measured subsequently at amortized cost. The Group does not choose to classify any financial liabilities as measured at fair value through profit or loss.

Impairment of financial assets

The Group applies the expected credit loss model to financial assets measured at amortized cost or at fair value through other comprehensive income.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset (except trade receivables, where the simplified approach is elected) is measured at an amount equal to 12-month expected credit losses. For trade and other receivables, whether they contain a significant financing component or not, measurements based on lifetime expected credit losses are applied.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

The Group utilizes an internal model to assess expected credit losses. The model was developed in accordance with IFRS 9 and designed to assess the credit risk exposure of counterparties taking into account the characteristics of financial assets by assigning a scoring system to counterparties. The assigned score is returning PD (Probability of Default) on an individual basis. Move of the asset from one score band to a lower score band is considered a significant increase in credit risk among other criteria.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of financial liability.

De-recognition of financial liabilities

The Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e., when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost.

Trade receivables

Receivables are carried at amortized cost using the effective interest method. An allowance for expected losses is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Loans to customers

‘Loans to customers’ caption in the year end statement of financial position includes loans to customers measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Sales-type lease accounting

A lease is classified as a sales-type lease by the lessor when the fair value of the leased property at the start of a lease varies from its carrying amount and there is a transfer of ownership to the lessee by the end of the lease term. If the lessor has classified a lease as a sales-type lease, it accounts for the transaction as though the lessor is selling the property.

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e., the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease term payments, and unguaranteed residual value (gross investment in lease) less the unearned finance lease income. The difference between the gross investment and its present value is recorded as unearned finance lease income. Income from leasing operations includes the amortization of unearned finance lease income. Initial direct costs are included in the initial measurement of the lease receivables.

Inventories

Inventories are valued at a lower cost and net realizable value. Cost of inventory is determined on an average basis and includes expenditure incurred in acquiring agricultural machines, equipment, materials costs and other costs incurred in bringing them to existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit and loss accounts when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit and loss accounts.

Collateral

The Group obtains collateral in respect of customer liabilities during lending. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Operating taxes

Azerbaijan also has various other taxes, which are assessed on the Group’s activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

At each reporting date, the Group assesses whether there is any indication of impairment of property, plant and equipment. If such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. Where the carrying amount of property, plant and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as an impairment loss to the consolidated statement of profit or loss.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and recorded as gain/(loss) in the consolidated statement of profit or loss.

Repairs and maintenance are charged to the consolidated statement of profit or loss when the expense is incurred.

Property, plant and equipment are generally depreciated on the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Right of use asset	over the lease term
Furniture and fixtures	20%
Leasehold property	20%
Computers and communication equipment	25%
Vehicles	25%
Other fixed assets	20%
Intangible assets	10%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortized cost using the effective interest method.

Borrowings

Borrowings are carried at amortized cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Lease liabilities

The Group as lessee

Lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Control is considered to exist if a customer has the right to obtain substantially all economic benefits from the use of an unidentified asset and the right to direct the use of that asset.

At lease commencement the Group recognizes a right of use an asset and lease liability for all leases except for short-term and low-valued items.

The right of use an asset is initially measured at cost and measured subsequently at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at present value of future lease payments. Subsequently, lease liabilities are adjusted for interest and lease payments.

Advances received

Advances received from customers refer to an item that will initially be recorded as a liability, but is expected to become an asset over time and/or through the normal operations of the business. Advances received from customers are initially recorded at the fair value of consideration received plus any directly attributable transaction costs, and subsequently are carried at amortized cost.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Final dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared, whereas interim dividends are recognized in the period in which the dividends are paid.

Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 “Events after the Reporting Date” (“IAS 10”) and disclosed accordingly.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Income and expense recognition

Interest income and expense are recorded for debt instruments measured at amortized cost or at FVOCI on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example, fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate leasing and loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting leasing shortly after origination. The Group does not designate leasing commitments as financial liabilities at FVTPL.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

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

Unearned income is recognized in earnings over the term of the lease. The lessor uses the interest method to recognize that amount of unearned income that produces a constant rate of return over the lease term.

Other income and expense items

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of leasing and loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion.

Employee benefits

Wages, salaries, contributions to the pension funds and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and food) are accrued in the year in which the associated services are rendered by the employees of the Group.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate effective on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

The Group used the following official exchange rates at December 31, 2024 and 2023, in the preparation of these consolidated financial statements:

	December 31, 2024	December 31, 2023
USD/AZN	1.7000	1.7000
EUR/AZN	1.7724	1.8766

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and disclosure of contingent liabilities during the reporting period.

As a result of the uncertainties inherent in business activities, many items in the financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest information available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The most significant estimates are given below. Actual results could differ from those estimates. During the next financial year, the Group makes estimates and judgments relating to the amount recognized in carrying value of assets and liabilities and financial statements.

Judgments

In the process of applying the Group’s accounting policies, the management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

Measurement of ECL allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL (See note 8, 10, 11).

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Useful lives of property, plant and equipment and intangible assets

The Group assesses the remaining useful lives of items of property, plant and equipment and intangible assets at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and intangible assets on depreciation recognized in profit and loss accounts.

Provision for slow-moving and obsolete inventories

Provision for slow-moving and obsolete inventories are accrued based on the Group’s assessment of inventory items. Write-down of inventories becomes necessary if they are damaged, obsolete or their selling price decreased. Inventory write-down occurs based on assessment of obsolescence and usefulness of the inventories by the management of the Group at the year end. As at December 31, 2024 and 2023, the Group recognized AZN 151,332 and AZN 221,472 provision for slow-moving and obsolete inventories, respectively (see Note 12).

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires to make judgements of right-of-use assets and lease liabilities. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise renewal options (or not to exercise termination options). Assessing whether a contract includes a lease also requires judgement. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

Deferred tax

The recognition of deferred tax assets and liabilities involves significant judgment regarding the timing and extent of taxable income generation in future periods. Management has evaluated the recoverability of deferred tax assets based on taxable profit projections, considering uncertainties surrounding future financial performance. Changes in tax laws, future tax rates, or the Group’s ability to generate sufficient taxable income could materially impact deferred tax balances.

Initial measurement of the lease payments included in the net investment in the lease

At the commencement date, the lease payments included in the measurement of the net investment in the leases comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- (a) fixed payments, less any lease incentives payable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) any residual value guarantees provided to the lessor by:
 - the lessee;
 - a party related to the lessee; or
 - a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Extinguishment of Liability

Management has exercised judgment in determining whether a liability has been extinguished under IFRS 9 “Financial Instruments”. A liability is considered extinguished when the obligation is discharged, canceled, or expires. In some cases, significant judgment is required to evaluate whether changes in the terms of a liability represent a substantial modification or a new financial liability. These judgments impact the timing and recognition of gains or losses in the financial statements.

Current taxes

Azerbaijani tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the Group may be controlled by the representatives of taxation authorities as applied to the transactions and activity of the Group. As a result, the Group may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for the year ended December 31, 2024.

The IASB has issued “**Lease Liability in a Sale and Leaseback**” (**Amendments to IFRS 16**) with **amendments** that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current – In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

In May 2023, IASB published “**Supplier Finance Arrangements**” (**Amendment to IAS 7 and IFRS 7**) – These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Unless otherwise disclosed, the new standards did not have a material effect on the financial statements of the Group.

6. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET ADOPTED

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following amendments, Standards and Interpretations were in issue but not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

In August 2023, IASB amended **IAS 21 “The Effects of Changes in Foreign Exchange Rates”** to clarify when a currency is exchangeable into another currency and how a Group estimates a spot rate when a currency lacks exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, with a normal administrative delay, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with the option for early adoption.

On May 30, 2024, the IASB issued amendments to **IFRS 9 “Financial Instruments”** and **IFRS 7 “Financial Instruments: Disclosures”** concerning the classification and measurement of financial instruments. Key changes include:

- Derecognition of financial liabilities: Allows liabilities settled via electronic transfer to be considered discharged prior to the settlement date under specified criteria.
- Classification of financial assets: Provides guidance on assessing contractual terms for basic lending arrangements, enhances the definition of non-recourse features, and clarifies characteristics of contractually linked instruments.
- Disclosures: Introduces new requirements for equity investments at fair value through OCI and for contingent terms affecting cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with retrospective application allowed and early adoption permitted.

On July 18, 2024, the IASB published “**Annual Improvements to IFRS Accounting Standards – Volume 11**”.

This publication includes the following amendments:

- IFRS 1: Clarifications on hedge accounting for first-time adopters.
- IFRS 7: Guidance on recognizing gains or losses on derecognition.
- IFRS 7: Improved disclosures for deferred differences between fair value and transaction price.
- IFRS 7: Enhancements to introduction and credit risk disclosures.
- IFRS 9: Clarifications on lessee derecognition of lease liabilities.
- IFRS 9: Additional guidance on transaction price determination.
- IFRS 10: Clarifications on the determination of a ‘de facto agent.’
- IAS 7: Improvements related to the cost method.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

On April 9, 2024, the IASB issued a new standard – **IFRS 18, “Presentation and Disclosure in Financial Statements”** – in response to investors’ concerns about the comparability and transparency of entities’ performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how ‘operating profit or loss’ is defined. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

In May 2024, the IASB published the new standard **IFRS 19 “Subsidiaries without Public Accountability: Disclosures”**, which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 when:

- it is a subsidiary;
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

On June 26, 2023, the International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards **IFRS S1 “General requirements for the disclosure of sustainability-related financial information”** and **IFRS S2 “Climate-related disclosures”**. The standards contain requirements for the disclosure of material information about an entity’s significant sustainability-related risks and opportunities that are necessary for investors to evaluate the entity.

IFRS S1 establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities. IFRS S1 prescribes how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.

IFRS S2 sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reporting.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

9. AMOUNT DUE FROM RELATED PARTIES

As at December 31, 2024, amount due from related parties was in the amount of AZN 2,000,000 which represents loans to related parties (December 31, 2023: nil).

10. LOANS TO CUSTOMERS

	December 31, 2024	% of total gross loans	December 31, 2023	% of total gross loans
Business loans	2,707,513	67%	1,849,350	59%
Consumer loans	1,323,467	33%	1,282,926	41%
Total loans to customers	4,030,980	100%	3,132,276	100%
Less: Allowance for expected credit loss	(359,752)		(285,301)	
Net loans to customers	3,671,228		2,846,975	

The following table shows loan balances per industry group of the customers as at December 31, 2024 and 2023:

	December 31, 2024	% of total gross loans	December 31, 2023	% of total gross loans
Agriculture	1,326,490	33%	1,045,617	33%
Consumer	1,323,467	33%	1,282,926	41%
Trade and services	871,347	22%	99,992	3%
Construction	158,097	4%	421,474	14%
Transportation	98,038	2%	-	-
Production	77,804	2%	86,043	3%
Other	175,737	4%	196,224	6%
Total loans to customers	4,030,980		3,132,276	
Less: expected credit loss allowance	(359,752)		(285,301)	
Loans to customers, net	3,671,228		2,846,975	

Credit quality of loans to customers

The following tables provide information on the credit quality of loans to customers as at December 31, 2024 and 2023:

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortized cost				
Not overdue	3,244,017	-	-	3,244,017
Overdue less than 30 days	483,349	-	-	483,349
Overdue 30-89 days	-	15,527	-	15,527
Overdue 90-179 days	-	-	40,984	40,984
Overdue 180-360 days	-	-	27,347	27,347
Overdue more than 360 days	-	-	219,756	219,756
Total loans to customers	3,727,366	15,527	288,087	4,030,980
Less: Allowance for expected credit loss	(112,999)	(7,875)	(238,878)	(359,752)
Carrying amount	3,614,367	7,652	49,209	3,671,228

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Loans to customers at amortized cost				
Not overdue	2,652,351	-	-	2,652,351
Overdue less than 30 days	188,845	-	-	188,845
Overdue 30-89 days	-	19,181	-	19,181
Overdue 90-179 days	-	-	15,526	15,526
Overdue 180-360 days	-	-	110,607	110,607
Overdue more than 360 days	-	-	145,766	145,766
Total loans to customers	2,841,196	19,181	271,899	3,132,276
Less: Allowance for expected credit loss	(85,046)	(5,891)	(194,364)	(285,301)
Carrying amount	2,756,150	13,290	77,535	2,846,975

The following tables provide information on the expected credit loss allowance as at December 31, 2024 and 2023:

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
January 1, 2024	85,046	5,891	194,364	285,301
New assets recognized	105,014	-	-	105,014
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(7,638)	7,638	-	-
Transfers to Stage 3	(18,937)	(8,279)	27,216	-
Other movement	(50,486)	2,625	17,298	(30,563)
December 31, 2024	112,999	7,875	238,878	359,752

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
January 1, 2023	67,794	36,968	182,345	287,107
New assets recognized	75,569	-	-	75,569
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(3,954)	3,954	-	-
Transfers to Stage 3	(2,789)	(279)	3,068	-
Other movement	(51,574)	(34,752)	8,951	(77,375)
December 31, 2024	85,046	5,891	194,364	285,301

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

Collateral held and other credit enhancements

The following tables provide information on collateral securing loans to customers, net of impairment, by types of collateral as at December 31, 2024:

	Gross carrying amount	Expected credit loss allowance	Carrying amount	Fair value of collateral held		
				Movable	Immovable	Total
Loans to individuals						
Business loans	2,707,513	(184,801)	2,522,712	1,288,100	1,275,372	2,563,472
Consumer loans	<u>1,323,467</u>	<u>(174,951)</u>	<u>1,148,516</u>	<u>-</u>	<u>610,000</u>	<u>610,000</u>
Total loans to customers	<u>4,030,980</u>	<u>(359,752)</u>	<u>3,671,228</u>	<u>1,288,100</u>	<u>1,885,372</u>	<u>3,173,472</u>

The following tables provide information on collateral securing loans to customers, net of impairment, by types of collateral as at December 31, 2023:

	Gross carrying amount	Allowance for expected credit loss	Carrying amount	Fair value of collateral held		
				Movable	Immovable	Total
Loans to individuals						
Business loans	1,849,350	(184,668)	1,664,682	1,265,839	1,280,721	2,546,560
Consumer loans	<u>1,282,926</u>	<u>(100,633)</u>	<u>1,182,293</u>	<u>-</u>	<u>530,000</u>	<u>530,000</u>
Total loans to customers	<u>3,132,276</u>	<u>(285,301)</u>	<u>2,846,975</u>	<u>1,265,839</u>	<u>1,810,721</u>	<u>3,076,560</u>

Significant credit exposures

As at December 31, 2024 and 2023, the Group had no customer whose loan balance exceeded 10% of equity.

Loan maturities

The maturity of the loan portfolio is presented in Note 26, which shows the remaining period from the reporting date to the contractual maturity of the loans.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

11. NET INVESTMENT IN THE LEASES

	December 31, 2024	December 31, 2023
Gross investment in the leases	41,868,684	37,709,318
Less - Unearned future finance income from leases	<u>(7,356,396)</u>	<u>(6,522,093)</u>
	34,512,288	31,187,225
Less: Expected credit loss allowance	<u>(820,994)</u>	<u>(672,331)</u>
Net investment in the leases	<u>33,691,294</u>	<u>30,514,894</u>

Included in the carrying amount of net investment in the leases AZN 3,049 (December 31, 2023: AZN 444,811) represents the lease portfolio of “NBC Leasing” LLC. As a result of liquidation of the latter, its portfolio was transferred by the State Agency for Agro Credit and Development to the Company according to the contract dated July 1, 2020.

Movements in the expected credit loss allowance for leasing operations for the year ended December 31, 2024 were as follows:

	Balance at January 1, 2024	Expected credit loss allowance charge	Balance at December 31, 2024
Net investment in the leases	<u>672,331</u>	<u>148,663</u>	<u>820,994</u>
Total	<u>672,331</u>	<u>148,663</u>	<u>820,994</u>

Movements in the expected credit loss allowance for leasing operations for the year ended December 31, 2023 were as follows:

	Balance at January 1, 2023	Expected credit loss allowance charge	Balance at December 31, 2023
Net investment in the leases	<u>653,633</u>	<u>18,698</u>	<u>672,331</u>
Total	<u>653,633</u>	<u>18,698</u>	<u>672,331</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Analysis by credit quality of leasing operations outstanding as at December 31, 2024 and 2023 was as follows:

	December 31, 2024	December 31, 2023
Stage 1 (12-month ECL)	39,554,204	35,973,781
Stage 2 (lifetime ECL):		
- 30 to 90 days overdue	620,650	409,644
Stage 3 (lifetime ECL):		
- over 90 days overdue	<u>1,693,830</u>	<u>1,325,893</u>
Gross investment in the leases	<u>41,868,684</u>	<u>37,709,318</u>
Less: Unearned future finance income from leases	(7,356,396)	(6,522,093)
Less: Expected credit loss allowance	<u>(820,994)</u>	<u>(672,331)</u>
Net investment in the leases	<u>33,691,294</u>	<u>30,514,894</u>

The following tables provide information on the principal balance as at December 31, 2024 and 2023:

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	
January 1, 2024	35,973,781	409,644	1,325,893	37,709,318
New assets recognized	20,267,165	-	-	20,267,165
Transfers to Stage 1	12,048	(5,202)	(6,846)	-
Transfers to Stage 2	(585,924)	585,823	101	-
Transfers to Stage 3	(520,096)	(86,137)	606,233	-
Other movement	<u>(15,592,770)</u>	<u>(283,478)</u>	<u>(231,551)</u>	<u>(16,107,799)</u>
December 31, 2024	<u>39,554,204</u>	<u>620,650</u>	<u>1,693,830</u>	<u>41,868,684</u>
Less: Unearned future finance income from leases	<u>(7,174,080)</u>	<u>(77,405)</u>	<u>(104,911)</u>	<u>(7,356,396)</u>
Net investment in the leases	<u>32,380,124</u>	<u>543,245</u>	<u>1,588,919</u>	<u>34,512,288</u>

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	
January 1, 2023	35,655,304	334,544	1,829,160	37,819,008
New assets recognized	14,221,096	-	-	14,221,096
Transfers to Stage 1	(199,348)	-	199,348	-
Transfers to Stage 2	379,204	(379,204)	-	-
Transfers to Stage 3	266,738	(43,590)	(223,148)	-
Other movement	<u>(14,349,213)</u>	<u>497,894</u>	<u>(479,467)</u>	<u>(14,330,786)</u>
December 31, 2023	<u>35,973,781</u>	<u>409,644</u>	<u>1,325,893</u>	<u>37,709,318</u>
Less: Unearned future finance income from leases	<u>(6,429,649)</u>	<u>(24,617)</u>	<u>(67,827)</u>	<u>(6,522,093)</u>
Net investment in the leases	<u>29,544,132</u>	<u>385,027</u>	<u>1,258,066</u>	<u>31,187,225</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

The following tables provide information on the expected credit loss allowance as at December 31, 2024 and 2023:

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
January 1, 2024	311,109	6,439	354,783	672,331
New assets recognized	-	-	-	-
Transfers to Stage 1	107	(46)	(61)	-
Transfers to Stage 2	(11,932)	11,939	(7)	-
Transfers to Stage 3	(231,419)	(4,739)	236,158	-
Other movement	265,466	(1,055)	(115,748)	148,663
December 31, 2024	333,331	12,538	475,125	820,994

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
January 1, 2023	287,256	2,645	363,732	653,633
New assets recognized	-	-	-	-
Transfers to Stage 1	1,690	-	(1,690)	-
Transfers to Stage 2	(6,439)	6,439	-	-
Transfers to Stage 3	(116,549)	(21,058)	137,607	-
Other movement	145,151	18,413	(144,866)	18,698
December 31, 2023	311,109	6,439	354,783	672,331

The analysis of net investment in the leases at December 31, 2024 is as follows:

	Not later than 1 year	Later than 1 year and not later than 5 years	Total
Gross investment in the leases	18,726,601	23,142,083	41,868,684
Less: Unearned future finance income from leases	(2,687,660)	(4,668,736)	(7,356,396)
Net investment in the leases before expected credit loss allowance	16,038,941	18,473,347	34,512,288

The analysis of net investment in the leases at December 31, 2023 is as follows:

	Not later than 1 year	Later than 1 year and not later than 5 years	Total
Gross investment in the leases	15,750,465	21,958,853	37,709,318
Less: Unearned future finance income from leases	(2,396,095)	(4,125,998)	(6,522,093)
Net investment in the leases before expected credit loss allowance	13,354,370	17,832,855	31,187,225

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

12. INVENTORIES

	December 31, 2024	December 31, 2023
Equipment held for leasing	31,564,520	39,197,442
Other inventories	62,435	62,435
Less: Provision for obsolescence of inventories	<u>(151,332)</u>	<u>(221,472)</u>
Total inventories	<u>31,475,623</u>	<u>39,038,405</u>

Movements in the provision for obsolescence of inventories are as follow:

	December 31, 2024	December 31, 2023
Provision for obsolescence of inventories at the beginning of the year	(221,472)	(383,146)
Recovery of provision for obsolescence of inventories	<u>70,140</u>	<u>161,674</u>
Provision for obsolescence of inventories at the end of the year	<u>(151,332)</u>	<u>(221,472)</u>

13. PREPAYMENTS

	December 31, 2024	December 31, 2023
Prepayments for insurance	1,571,755	1,177,254
Prepayments for inventories	848,109	2,181,454
Other prepayments	<u>16,360</u>	<u>26,132</u>
Total prepayments	<u>2,436,224</u>	<u>3,384,840</u>

"PRIOR LEASING" OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Right of use asset	Furniture and fixtures	Leasehold property	Computers and communication equipment	Vehicles	Other fixed assets	Intangible assets	Total
At initial cost								
January 1, 2023	338,284	382,372	126,082	278,686	60,500	30,762	106,095	1,322,781
Additions	854,025	108,154	26,162	19,468	-	19,877	20,926	1,048,612
Modification of lease liability	48,460	-	-	-	-	-	-	48,460
Termination of lease liability	(78,975)	-	-	-	-	-	-	(78,975)
December 31, 2023	1,161,794	490,526	152,244	298,154	60,500	50,639	127,021	2,340,878
Additions	37,106	43,060	21,685	26,670	51,172	71,887	30,000	281,580
Modification of lease liability	237,837	-	-	-	-	-	-	237,837
December 31, 2024	1,436,737	533,586	173,929	324,824	111,672	122,526	157,021	2,860,295
Accumulated depreciation and amortization								
January 1, 2023	(161,621)	(112,792)	(8,742)	(138,257)	(51,705)	(19,053)	(24,207)	(516,377)
Charge for the year	(351,745)	(75,401)	(11,354)	(74,113)	(1,700)	(19,169)	(11,232)	(544,714)
Termination of lease liability	48,757	-	-	-	-	-	-	48,757
December 31, 2023	(464,609)	(188,193)	(20,096)	(212,370)	(53,405)	(38,222)	(35,439)	(1,012,334)
Charge for the year	(377,409)	(83,915)	(11,642)	(52,862)	(19,373)	(19,106)	(15,219)	(579,526)
December 31, 2024	(842,018)	(272,108)	(31,738)	(265,232)	(72,778)	(57,328)	(50,658)	(1,591,860)
Net book value								
December 31, 2024	594,719	261,478	142,191	59,592	38,894	65,198	106,363	1,268,435
December 31, 2023	697,185	302,333	132,148	85,784	7,095	12,417	91,582	1,328,544

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

As at December 31, 2024 and 2023 property, plant and equipment were not pledged as collateral.

15. TRADE AND OTHER PAYABLES

	December 31, 2024	December 31, 2023
Payable for inventories	43,379,786	46,981,368
Payable for insurance	227,834	179,031
Payable for services	210,575	55,292
Payable for professional services	28,332	23,102
Other	81,579	8,303
	<u>43,928,106</u>	<u>47,247,096</u>
Total financial payables	43,928,106	47,247,096
Payable to employees	318,937	329,395
	<u>318,937</u>	<u>329,395</u>
Total trade and other payables	<u>44,247,043</u>	<u>47,576,491</u>

16. BORROWINGS

Lender	Effective interest rate	CCY	December 31, 2024	December 31, 2023
State Agency for Agro Credit and Development	2%	AZN	30,267,177	29,032,346
“Bank Respublika” OJSC	12%	AZN	2,911,000	511,000
			<u>33,178,177</u>	<u>29,543,346</u>
Total borrowings			<u>33,178,177</u>	<u>29,543,346</u>

Included in the carrying amount of borrowings AZN 16,330 (December 31, 2023: AZN 629,294) represent the borrowings from State Agency for Agro Credit and Development related to transfer of lease portfolio from “NBC Leasing” LLC, which is liquidated as at reporting date.

The geographical, currency and interest rate analyses of borrowings are disclosed in Note 26.

A reconciliation of the opening and closing amounts of borrowings with relevant cash and non-cash changes from financing activities for December 31, 2024 and 2023 were stated below:

	Amount
January 1, 2024	<u>29,543,346</u>
Cash flows	
Proceeds from borrowings	16,168,384
Repayment of principal	<u>(12,550,070)</u>
Non-cash changes	
Interest expense	619,874
Interest expense withheld from interest income attributable to the Group	<u>(603,357)</u>
December 31, 2024	<u>33,178,177</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

	Amount
January 1, 2023	<u>30,502,375</u>
Cash flows	
Proceeds from borrowings	13,317,672
Repayment of principal	<u>(14,327,424)</u>
Non-cash changes	
Interest expense	648,587
Interest expense withheld from interest income attributable to the Group	<u>(597,864)</u>
December 31, 2023	<u><u>29,543,346</u></u>

17. LEASE LIABILITIES

	December 31, 2024	December 31, 2023
Lease liabilities (current)	461,089	387,019
Lease liabilities (non-current)	<u>208,554</u>	<u>387,059</u>
Total lease liabilities	<u><u>669,643</u></u>	<u><u>774,078</u></u>

Future minimum lease payments as at December 31, 2024 and 2023 were as follows:

	December 31, 2024		
	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	490,020	256,949	746,969
Finance charges	<u>(28,931)</u>	<u>(48,395)</u>	<u>(77,326)</u>
Net present value as at December 31, 2024	<u><u>461,089</u></u>	<u><u>208,554</u></u>	<u><u>669,643</u></u>
	December 31, 2023		
	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	411,434	468,859	880,293
Finance charges	<u>(24,415)</u>	<u>(81,800)</u>	<u>(106,215)</u>
Net present value as at December 31, 2023	<u><u>387,019</u></u>	<u><u>387,059</u></u>	<u><u>774,078</u></u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

A reconciliation of the opening and closing amounts of financial liabilities with relevant cash and non-cash changes from financing activities for December 31, 2024 and 2023 were stated below:

	As at January 1, 2024	<i>Non-cash changes</i>	<i>Non-cash changes</i>	Effect of lease termination	Cash flow	Reclassifi- cation	As at December 31, 2024
		<i>Recognition of right use asset/ Modification</i>	<i>Interest expense</i>		<i>Principal and interest payments</i>		
Current portion	387,019	-	83,109	-	(83,109)	74,070	461,089
Non-current portion	387,059	273,893	-	-	(378,328)	(74,070)	208,554
	<u>774,078</u>	<u>273,893</u>	<u>83,109</u>	<u>-</u>	<u>(461,437)</u>	<u>-</u>	<u>669,643</u>
	As at January 1, 2023	<i>Non-cash changes</i>	<i>Non-cash changes</i>	Effect of lease termination	Cash flow	Reclassifi- cation	As at December 31, 2023
		<i>Recognition of right use asset/ Modification</i>	<i>Interest expense</i>		<i>Principal and interest payments</i>		
Current portion	125,759	-	94,529	-	(94,529)	261,260	387,019
Non-current portion	69,181	902,485	-	(33,832)	(289,515)	(261,260)	387,059
	<u>194,940</u>	<u>902,485</u>	<u>94,529</u>	<u>(33,832)</u>	<u>(384,044)</u>	<u>-</u>	<u>774,078</u>

18. ADVANCES RECEIVED

	December 31, 2024	December 31, 2023
Advances received for leasing operations	1,956,333	1,989,504
Total advances received	<u>1,956,333</u>	<u>1,989,504</u>

19. OTHER CURRENT LIABILITIES

	December 31, 2024	December 31, 2023
Payable to tax authorities	266,109	32,547
Other liabilities	32,630	10,897
Total other current liabilities	<u>298,739</u>	<u>43,444</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

20. AMOUNT DUE TO SHAREHOLDER

As at December 31, 2024, amount due to related party were in the amount of AZN 2,673,340, which represents borrowing contracts to shareholder (December 31, 2023: AZN 1,873,340).

21. INCOME TAXES

The Group measures and records its current income tax payable and its tax bases related to assets and liabilities in accordance with the statutory tax regulations of the Republic of Azerbaijan where the Group operates, which differs from IFRS Accounting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2023 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by taxation bases' differences for certain assets.

Tax legislation of the Republic of Azerbaijan in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result, the Group may be assessed additional taxes, penalties and interest which could be material for this consolidated financial information.

Relationships between tax expenses and accounting profit for the year ended December 31, 2024 and December 31, 2023 are explained as follows:

	December 31, 2024	December 31, 2023
Deductible temporary differences:		
Trade receivable	222,458	116,177
Loan to customer	344,804	294,350
Inventories	151,332	221,472
Net investment in the leases	820,994	672,331
Other current assets	-	11,367
Lease liability	669,643	774,078
Total deductible temporary differences	<u>2,209,231</u>	<u>2,089,775</u>
Taxable temporary differences:		
Property, plant, equipment and intangible assets	(571,559)	(674,025)
Prepayments	(1,571,755)	(1,177,254)
Trade and other payables	(262,007)	(942,567)
Other current liabilities	(4,446)	-
Total taxable temporary differences	<u>(2,409,767)</u>	<u>(2,793,846)</u>
Net taxable temporary differences	<u>(200,536)</u>	<u>(704,045)</u>
Net deferred tax liability at 20%	<u>(40,107)</u>	<u>(140,809)</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

	Year ended December 31, 2024	Year ended December 31, 2023
Profit before income tax	<u>1,475,126</u>	<u>1,274,680</u>
Statutory tax rate	20%	20%
Theoretical tax at the statutory tax rate	(295,025)	(254,936)
Tax effect of permanent differences	<u>(2,519)</u>	<u>-</u>
Income tax expense	<u>(297,544)</u>	<u>(254,936)</u>
Current income tax expense	(398,246)	(129,970)
Change in deferred tax liability balance	<u>100,702</u>	<u>(124,966)</u>
Income tax expense	<u>(297,544)</u>	<u>(254,936)</u>
Deferred tax liability		
Balance brought forward	<u>(140,809)</u>	<u>(15,843)</u>
Change in the deferred tax liability for the period credited/(charged) to profit and loss accounts	<u>100,702</u>	<u>(124,966)</u>
Balance carried forward	<u>(40,107)</u>	<u>(140,809)</u>

22. SHARE CAPITAL

The Group's issued share capital as at December 31, 2024 is AZN 5,000,000 (December 31, 2023: AZN 5,000,000).

As at December 31, 2024 all ordinary shares have a nominal value of AZN 1,000 per share (December 31, 2023: AZN 1,000 per share) and rank equally. Each share carries one vote.

During the year ended December 31, 2024, no dividend was declared and paid (December 31, 2023: 1,800,000).

23. REVENUE FROM TRADING ACTIVITIES

	Year ended December 31, 2024	Year ended December 31, 2023
Revenue from equipment sales	40,233,025	33,334,261
Revenue from insurance fee	575,715	578,648
Revenue from commissions	336,459	383,737
Revenue from GPS service	29,244	48,241
Revenue from registration fee	49,586	36,730
Other revenue	<u>306,259</u>	<u>137,307</u>
Total revenue from trading activities	<u>41,530,288</u>	<u>34,518,924</u>

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**
(in Azerbaijani Manats, unless otherwise indicated)

24. COST OF GOODS SOLD

	Year ended December 31, 2024	Year ended December 31, 2023
Cost of agricultural equipment	34,895,479	29,386,147
Cost of insurance	480,079	285,110
Cost of registration	37,583	33,535
Cost of GPS service	3,947	41,892
Other costs	64,044	49,059
Total cost of goods sold	<u>35,481,132</u>	<u>29,795,743</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Wages and salaries	3,891,758	3,256,037
Professional expenses	1,053,741	813,308
Depreciation and amortization	579,526	544,714
Transportation expense	512,009	380,803
Marketing expenses	197,608	156,694
Rent expense	121,040	80,219
Office supplies	109,527	89,647
Business trip expenses	104,107	74,786
Bank charges	98,030	65,433
Communication expense	92,225	69,261
Fuel expense	81,593	72,244
Utility expense	36,385	24,183
Repair and maintenance	25,596	43,373
Security service expenses	22,400	28,094
Other expenses	173,742	95,331
Total general and administrative expenses	<u>7,099,287</u>	<u>5,794,127</u>

Included in wage and salaries for the year ended December 31, 2024 are obligatory payments to the State Social Protection Fund of the Republic of Azerbaijan in the amount of AZN 507,003 (2023: AZN 423,402).

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

26. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the Group’s business and is an essential element of its operations. The main risks inherent to the Group’s operations are those related to:

- Credit risk;
- Liquidity risk;
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Exposure to credit risk arises as a result of the Group’s lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

Credit risk management

Credit risk is the single largest risk for the Group’s business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and credit conversion factors.

The Management of the Group is responsible for approving credit limits for individual lessee. Depending on the magnitude of credit risk, the decisions on transactions with individual clients are approved by the Management of the Group.

Leasing applications originated by the relevant client relationship managers are passed on to the relevant department for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the officers based on a structured analysis focusing on the customer’s business and financial performance. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by the Management Board of the Group.

Expected credit loss (ECL) measurement – definitions

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and determined by evaluating a range of possible outcomes.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

Discount Rate – a tool to discount an expected loss to the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For leasing and loans with fixed maturity, the lifetime period is equal to the remaining contractual period.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Low credit risk financial assets – assets that have an investment grade defined by external rating agencies or corresponding internal rating, debt instruments issued by the Republic of Azerbaijan and nominated in AZN, leases granted to companies and individual nominated in AZN with less than 30 days overdue. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Default and credit-impaired asset – a leasing is in default, meaning fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the Group consider to sell the borrower’s debt with significant losses;
- the Group has classified the borrower in the default rating class according to the master scale together with the fact that the Management recognized the borrower as credit-impaired one.

The Management decides on recognition of the borrower as credit-impaired one based on the unlikelihood-to-pay criteria listed below:

- the borrower is insolvent;
- it is becoming likely that the borrower will enter bankruptcy;
- other criteria reflecting difficulties with successful fulfilling of obligations by the borrower.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Significant increase in credit risk (SICR) – the SICR assessment is performed on an individual basis and on a portfolio basis. For leases issued to individuals accounted for at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Group’s Management.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

For leases to individuals:

- 30 days past due;
- Prolonged leasing overdue more than 10 days;
- Refinanced leasing or loan – a special type of leasing or loan when all leasing or loans of the borrower are refinanced into one;
- Inclusion of leasing or loan into a watch list zone by Management.

If there is evidence that the SICR criteria are no longer met and this has lasted at least for 6 months the instrument will be transferred back to Stage 1. If an exposure has been transferred to Stage 2 Based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL measurement – description of estimation techniques

General principle

ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether the credit risk of the borrower has increased significantly since initial recognition. This approach can be summarized in a three-stage model for ECL measurement:

- Stage 1: a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition; loss allowance is based on 12-month ECLs.
- Stage 2: if a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but not yet deemed to be credit-impaired; loss allowance is based on lifetime ECLs.
- Stage 3: if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3 and loss allowance is based on lifetime ECLs.

The different segments reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Management.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above).

The EADs are determined based on the expected payment profile, which varies by product type:

- for amortizing products and bullet repayment leasings, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- for revolving products, the EAD is predicted by taking the current drawn balance and adding a credit conversion factor that accounts for the expected drawdown of the remaining limit by the time of default.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if less than 12 months). This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for forward-looking information when appropriate.
- Lifetime PDs – the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 exposures. An assessment of a Lifetime PD is based on the latest available historic default data and adjusted for forward looking information when appropriate.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

To calculate Lifetime PD, the Group uses different statistical approaches depending on the segment and product type, such as the extrapolation of 12-month PDs based on migration matrixes and developing lifetime PD curves based on the historical default data. For lifetime PD calculations, the Group uses historical default data and the extrapolation of trends for longer periods during which default data was not available.

LGD represents the Group expectation of the extent of loss on a defaulted exposure. LGD varies by the product, stage and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics;
- individually defined LGD depending on different factors and scenarios.

Forward-looking information incorporated in the ECL models. The assessment of the SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical analyses and identified the key economic variables impacting credit risk and ECLs for each portfolio.

These economic variables and their associated impact on the PD vary by financial instrument. These economic variables, such as consumer price index changes, real GDP growth, USD exchange rate changes, oil price changes, have been tested by performing statistical regression analysis to understand the impact of changes in these variables has historically had on default rates.

Based on them the Group's Management makes the forecast of future macroeconomic conditions, which is considered by the management of the Group to define the next coming stage of economic cycle using not only statistical approach but also expert judgement of the management.

The assessment of SICR is performed using the Lifetime PD for retail borrowers and 12-month PD for other financial assets, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running the relevant ECL model.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the nonlinearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Validation – the Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such validation is performed at least once a year. The results of validation the ECL measurement methodology are communicated to the Group management and further steps for tuning models and assumptions are defined after discussions between authorized persons.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

Geographical concentration

The Management exercises control over the risk in the legislation and regulatory area and assesses its influence on the Group’s activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan.

The geographical concentration of the Group’s financial assets and liabilities as at December 31, 2024 is set out below:

	The Republic of Azerbaijan	OECD countries	Non-OECD countries	December 31, 2024 Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,436,599	-	-	1,436,599
Trade receivables	14,069,872	-	-	14,069,872
Amount due from shareholder	2,000,000	-	-	2,000,000
Loans to customers	3,671,228	-	-	3,671,228
Net investment in the leases	33,691,294	-	-	33,691,294
TOTAL FINANCIAL ASSETS	54,868,993	-	-	54,868,993
FINANCIAL LIABILITIES				
Trade and other payables	5,331,253	9,979,664	28,617,189	43,928,106
Borrowings	33,178,177	-	-	33,178,177
Lease liability	669,643	-	-	669,643
Amount due to shareholder	2,673,340	-	-	2,673,340
TOTAL FINANCIAL LIABILITIES	41,852,413	9,979,664	28,617,189	80,449,266
NET POSITION	13,016,580	(9,979,664)	(28,617,189)	(25,580,273)

The geographical concentration of the Group’s financial assets and liabilities as at December 31, 2023 is set out below:

	The Republic of Azerbaijan	OECD countries	Non-OECD countries	December 31, 2023
FINANCIAL ASSETS				
Cash and cash equivalents	2,333,304	-	-	2,333,304
Trade receivables	8,318,945	-	-	8,318,945
Loans to customers	2,846,975	-	-	2,846,975
Net investment in the leases	30,514,894	-	-	30,514,894
TOTAL FINANCIAL ASSETS	44,014,118	-	-	44,014,118
FINANCIAL LIABILITIES				
Trade and other payables	3,688,077	16,567,707	26,991,312	47,247,096
Borrowings	29,543,346	-	-	29,543,346
Lease liability	774,078	-	-	774,078
Amount due to shareholder	1,873,340	-	-	1,873,340
TOTAL FINANCIAL LIABILITIES	35,878,841	16,567,707	26,991,312	79,437,860
NET POSITION	8,135,277	(16,567,707)	(26,991,312)	(35,423,742)

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group performs daily monitoring of existing cash balances and monthly analysis of future expected cash flows on clients' and other financial operations, which is a part of assets/liabilities management process.

An analysis of the liquidity and interest rate risks is presented in the following table. The tables have been drawn up to detail:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	December 31, 2024 Total
FINANCIAL ASSETS					
Loans to customers	529,915	408,026	1,357,004	1,376,283	3,671,228
Net investment in the leases	2,444,010	3,183,948	9,684,307	18,379,029	33,691,294
Total interest-bearing financial assets	2,973,925	3,591,974	11,041,311	19,755,312	37,362,522
Cash and cash equivalents	1,436,599	-	-	-	1,436,599
Trade receivables	501,992	2,844,315	10,723,565	-	14,069,872
Amount due from shareholder	2,000,000	-	-	-	2,000,000
Total financial assets	6,912,516	6,436,289	21,764,876	19,755,312	54,868,993
FINANCIAL LIABILITIES					
Borrowings	1,199,658	2,329,353	8,899,838	20,749,328	33,178,177
Lease liability	40,450	79,765	340,874	208,554	669,643
Total interest-bearing financial liabilities	1,240,108	2,409,118	9,240,712	20,957,882	33,847,820
Trade and other payables	40,750,024	535,861	2,642,221	-	43,928,106
Amount due to shareholder	-	-	-	2,673,340	2,673,340
Total financial liabilities	41,990,132	2,944,979	11,882,933	23,631,222	80,449,266
Liquidity gap	(35,077,616)	3,491,310	9,881,943	(3,875,910)	(25,580,273)
Cumulative liquidity gap	(35,077,616)	(31,586,306)	(21,704,363)	(25,580,273)	

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	December 31, 2023 Total
FINANCIAL ASSETS					
Loans to customers	335,177	343,135	1,157,666	1,010,997	2,846,975
Net investment in the leases	2,848,299	2,039,990	7,834,341	17,792,264	30,514,894
Total interest-bearing financial assets	3,183,476	2,383,125	8,992,007	18,803,261	33,361,869
Cash and cash equivalents	2,333,304	-	-	-	2,333,304
Trade receivables	1,752,222	4,723,032	1,843,691	-	8,318,945
Total financial assets	7,269,002	7,106,157	10,835,698	18,803,261	44,014,118
FINANCIAL LIABILITIES					
Borrowings	1,512,086	1,993,265	8,222,008	17,815,987	29,543,346
Lease liability	35,976	71,971	279,072	387,059	774,078
Total interest-bearing financial liabilities	1,548,062	2,065,236	8,501,080	18,203,046	30,317,424
Trade and other payables	44,151,561	522,570	2,572,965	-	47,247,096
Amount due to shareholder	-	-	-	1,873,340	1,873,340
Total financial liabilities	45,699,623	2,587,806	11,074,045	20,076,386	79,437,860
Liquidity gap	(38,430,621)	4,518,351	(238,347)	(1,273,125)	(35,423,742)
Cumulative liquidity gap	(38,430,621)	(33,912,270)	(34,150,617)	(35,423,742)	

The management of the Group plans to cover its negative liquidity gap through future operational cash inflows.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the consolidated statement of financial position under the effective interest rate method.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total cash outflow	December 31, 2024 Total
FINANCIAL LIABILITIES						
Borrowings	1,229,545	2,376,114	9,135,693	21,342,506	34,083,858	33,178,177
Lease liability	40,835	81,670	365,006	256,949	744,460	669,643
Total interest-bearing financial liabilities	1,270,380	2,457,784	9,500,699	21,599,455	34,828,318	33,847,820
Trade and other payables	40,750,024	535,861	2,642,221	-	43,928,106	43,928,106
Amount due to shareholder	-	-	-	2,673,340	2,673,340	2,673,340
Total financial liabilities	42,020,404	2,993,645	12,142,920	24,272,795	81,429,764	80,449,266

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total cash outflow	December 31, 2023 Total
FINANCIAL LIABILITIES						
Borrowings	1,538,831	2,033,139	8,386,543	18,176,643	30,135,156	29,543,346
Lease liability	38,459	76,878	296,097	468,859	880,293	774,078
Total interest-bearing financial liabilities	1,577,290	2,110,017	8,682,640	18,645,502	31,015,449	30,317,424
Trade and other payables	44,151,561	522,570	2,572,965	-	47,247,096	47,247,096
Amount due to shareholder	-	-	-	1,873,340	1,873,340	1,873,340
Total financial liabilities	45,728,851	2,632,587	11,255,605	20,518,842	80,135,885	79,437,860

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. The Group measures risk by overseeing and analyzing current fluctuations and changes in the financial markets and the economy as a whole.

Interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

	As at December 31, 2024	
	Interest rate +1%	Interest rate -1%
Financial assets:		
Loans to customers	36,712	(36,712)
Net investment in the leases	336,913	(336,913)
	<u>336,913</u>	<u>(336,913)</u>
Financial liabilities:		
Borrowings	(331,782)	331,782
Lease liability	(6,696)	6,696
	<u>(6,696)</u>	<u>6,696</u>
Net impact on profit before income tax	35,147	35,147

	As at December 31, 2023	
	Interest rate +1%	Interest rate -1%
Financial assets:		
Loans to customers	28,470	(28,470)
Net investment in the leases	305,149	(305,149)
	<u>305,149</u>	<u>(305,149)</u>
Financial liabilities:		
Borrowings	(295,433)	295,433
Lease liability	(7,741)	7,741
	<u>(7,741)</u>	<u>7,741</u>
Net impact on profit before income tax	30,444	30,444

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	AZN	USD	EUR	December 31, 2024
FINANCIAL ASSETS				
Cash and cash equivalents	1,436,599	-	-	1,436,599
Trade receivables	14,069,872	-	-	14,069,872
Amount due from shareholder	2,000,000	-	-	2,000,000
Loans to customers	3,671,228	-	-	3,671,228
Net investment in the leases	33,691,294	-	-	33,691,294
	<u>54,868,993</u>	<u>-</u>	<u>-</u>	<u>54,868,993</u>
FINANCIAL LIABILITIES				
Trade and other payables	5,415,615	9,200,788	29,311,703	43,928,106
Borrowings	33,178,177	-	-	33,178,177
Lease liability	669,643	-	-	669,643
Amount due to shareholder	2,673,340	-	-	2,673,340
	<u>41,936,775</u>	<u>9,200,788</u>	<u>29,311,703</u>	<u>80,449,266</u>
TOTAL FINANCIAL LIABILITIES	41,936,775	9,200,788	29,311,703	80,449,266
OPEN CURRENCY POSITION	12,932,218	(9,200,788)	(29,311,703)	(25,580,273)

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

	AZN	USD	EUR	December 31, 2023
FINANCIAL ASSETS				
Cash and cash equivalents	2,324,899	425	7,980	2,333,304
Trade receivables	8,318,945	-	-	8,318,945
Loans to customers	2,846,975	-	-	2,846,975
Net investment in the leases	30,514,894	-	-	30,514,894
TOTAL FINANCIAL ASSETS	44,005,713	425	7,980	44,014,118
FINANCIAL LIABILITIES				
Trade and other payables	3,688,798	35,932,516	7,625,782	47,247,096
Borrowings	29,543,346	-	-	29,543,346
Lease liability	774,078	-	-	774,078
Amount due to shareholder	1,873,340	-	-	1,873,340
TOTAL FINANCIAL	35,879,562	35,932,516	7,625,782	79,437,860
OPEN CURRENCY POSITION	8,126,151	(35,932,091)	(7,617,802)	(35,423,742)

27. CONTINGENCIES AND COMMITMENTS

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation – 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 judgment of the Group’s business activities, was to be challenged by the tax authorities, the Group 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 differences on the provision and recovery of the provision for impairment losses on leasings to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. In the case of criminal investigation statute of limitation may be extended up to seven years based on the court decision.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

28. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Group and that have joint control over the Group;
- (b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Members of key management personnel of the Group or its parent;
- (d) Close members of the family of any individuals referred to in (a) or (c);
- (e) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which;
- (f) Significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) (in Azerbaijani Manats, unless otherwise indicated)

The details of the transactions between the Group and other related parties as of December 31, 2024 and December 31, 2023 are set out below:

	Notes	December 31, 2024		December 31, 2023	
		Related party balances	Total category as per consolidated financial statement caption	Related party balances	Total category as per consolidated financial statement caption
Trade receivables	8		14,069,872		8,318,945
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		9,933		19,640	
Amount due from related parties			2,000,000		-
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		2,000,000		-	
Loans to customers	10		3,671,228		2,846,975
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		5,090		37,319	
Net investment in the leases	11		33,691,294		30,514,894
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		1,819,623		-	
Prepayments	13		2,436,224		3,384,840
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		3,061		-	
Trade and other payables	15		44,247,043		47,576,491
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		111,774		137,847	
Advances received	18		1,956,333		1,989,504
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		463,000		-	
Amount due to shareholder	20		2,673,340		1,873,340
-shareholders and entities in which a substantial interest is owned by shareholders of the Group		2,673,430		1,873,340	

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Included in the statement of comprehensive income for the year ended December 31, 2024 and 2023 are the following amounts, which arose due to transactions with related parties:

	Notes	December 31, 2024		December 31, 2023	
		Related party balances	Total category as per consolidated financial statement caption	Related party balances	Total category as per consolidated financial statement caption
Revenue from trading activities	23		41,530,288		34,518,924
<i>-shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>		407,653		19,164	
Cost of goods sold	24		35,481,132		29,795,743
<i>-shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>		399,713		-	
Interest income on lease operations		-	2,523,381		2,457,248
<i>-shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>		142,066		-	
Compensation of key management staff			3,891,758		3,256,037
<i>Short-term employee benefits</i>		306,167		206,137	
General and administrative expenses	25		7,099,287		5,794,127
<i>-shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>		806,080		618,415	

Compensation paid to key management personnel for their services in full time executive management positions is made up of a contractual salary, performance bonus depending on financial performance of the Group and other compensation.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS Accounting Standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

"PRIOR LEASING" OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1:** quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Date of valuation	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2024	1,436,599	-	-	1,436,599
Trade receivables	December 31, 2024	-	-	14,069,872	14,069,872
Amount due from shareholder	December 31, 2024	-	-	2,000,000	2,000,000
Loans to customers	December 31, 2024	-	-	3,671,228	3,671,228
Net investment in the leases	December 31, 2024	-	-	33,691,294	33,691,294
Liabilities for which fair values are disclosed					
Trade and other payables	December 31, 2024	-	-	43,928,106	43,928,106
Borrowings	December 31, 2024	-	-	33,178,177	33,178,177
Amount due to shareholder	December 31, 2024	-	-	2,673,340	2,673,340

	Date of valuation	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2023	2,333,304	-	-	2,333,304
Receivables	December 31, 2023	-	-	8,318,945	8,318,945
Loans to customers	December 31, 2023	-	-	2,846,975	2,846,975
Net investment in the leases	December 31, 2023	-	-	30,514,894	30,514,894
Liabilities for which fair values are disclosed					
Trade and other payables	December 31, 2023	-	-	47,247,096	47,247,096
Borrowings	December 31, 2023	-	-	29,543,346	29,543,346
Amount due to shareholder	December 31, 2023	-	-	1,873,340	1,873,340

“PRIOR LEASING” OPEN JOINT STOCK COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued) *(in Azerbaijani Manats, unless otherwise indicated)*

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2024	Fair value 2024	Unrecognized gain/(loss) 2024
Financial assets			
Cash and cash equivalents	1,436,599	1,436,599	-
Receivables	14,069,872	14,069,872	-
Amount due from shareholder	2,000,000	2,000,000	-
Loans to customers	3,671,228	3,671,228	-
Net investment in the leases	33,691,294	33,691,294	-
Financial liabilities			
Trade and other payables	43,928,106	43,928,106	-
Borrowings	33,178,177	33,178,177	-
Amount due to shareholder	2,673,340	2,673,340	-
Total unrecognized change in unrealized fair value	-	-	-

	Carrying value 2023	Fair value 2023	Unrecognized gain/(loss) 2023
Financial assets			
Cash and cash equivalents	2,333,304	2,333,304	-
Receivables	8,318,945	8,318,945	-
Loans to customers	2,846,975	2,846,975	-
Net investment in the leases	30,514,894	30,514,894	-
Financial liabilities			
Trade and other payables	47,247,096	47,247,096	-
Borrowings	29,543,346	29,543,346	-
Amount due to shareholder	1,873,340	1,873,340	-
Total unrecognized change in unrealized fair value	-	-	-

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, without a specific maturity and variable rate financial instruments.

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.