“AZERBAIJAN CASPIAN SHIPPING” CJSC

Consolidated Financial Statements and
Independent Auditor’s Report
for the year ended 31 December 2024

“AZERBAIJAN CASPIAN SHIPPING” CJSC

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

Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the consolidated financial position of "Azerbaijan Caspian Shipping" Closed Joint-Stock Company and its subsidiaries (the "Group") as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income for the year then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and of material accounting policy information and notes to the consolidated financial statements in compliance with IFRS Accounting Standards.

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

- Properly selecting and applying material accounting policy information;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated 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 local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2024 were authorised for issue by Supervisory Board on 5 January 2025.

On behalf of Management:

Mr. Rauf Valiyev	Mr. Jalal Farajli
Chairman	Deputy Chairman
Baku, the Republic of Azerbaijan	Baku, the Republic of Azerbaijan
5 January 2025	5 January 2025

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of "Azerbaijan Caspian Shipping" Closed Joint-Stock Company

Opinion

We have audited the consolidated financial statements of "Azerbaijan Caspian Shipping" Closed Joint-Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs").
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition	
For the year ended 31 December 2024, the Group reported total revenue of AZN 445,403 (2023: AZN 524,195) generated from multiple services and contracts across different revenue streams (Note 19). Revenue recognition is complex due to the volume and variety of transactions, with different processes for each revenue stream. We focused on this area because of the significance of the amounts involved and the judgments required in applying accounting policies based on customer behavior, volatile market conditions, varying contract terms and the nature of services. Furthermore, the scale of operations and the diversity of revenue streams necessitate robust internal controls, multiple IT systems, and active management oversight to ensure correct revenue recognition. These factors introduce inherent complexity and risk into the revenue recognition process.	Our audit procedures around revenue recognition included the following: • performing walkthrough of business processes and perform risk assessment with the purpose of understanding IT systems and applications, authorization of transactions, and their processing in the recognition of revenue; • assessing the design, implementation and operating effectiveness of management's key controls over revenue recognition; • inspecting bills of lading and other supporting documentation for transportation revenue transactions on a sample basis; • performing analytical procedures on transportation revenue by developing expectations using operational inputs (such as size and weight measurements of cargo transported) and comparing such expectations with recorded revenue; • performing analytical procedures on trend and correlation of transportation revenue with non-financial parameters; • testing tariffs by ensuring they are duly approved and comparing them to the average market prices in respective regions; • reconciling number of trips with duly approved vessel journals; and • assessing the adequacy of disclosures provided by management in the consolidated financial statements.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of vessels, property, plant and equipment	
The Group performs impairment testing for its cash-generating units ("CGUs") whenever indicators of impairment are identified. Management makes significant judgements and estimates in relation to management's assessment of the recoverability of the carrying amount vessels, property, plant and equipment, including the definition of CGUs, identification of CGUs with indicators of impairment and, where relevant, the estimate of the fair values less costs to sell and the values in use. The Group has identified four relevant CGUs for its fleet according to mode of deployment in revenue generation. The recoverable amount was determined as fair value less cost to sell for Liquid Cargo, Dry Cargo and Ferries, and as value in use for Technological Fleet. Considering the generally long-lived nature of the assets, management made significant assumptions in estimating future cash flows based on their long-term overlook for freight rates, volumes, terminal rates used for determination of terminal value, capital and operating expenses, as well as the discount rates. Independent appraiser was engaged by management to determine fair values of vessels as at 31 December 2024. The fair values were determined based on the market comparable approach that reflects recent transaction prices for similar assets, adjusted for the bargain discount, cost to sell and expected major repair costs. We focused on this area because the carrying amounts of the assets are significant, and management is required to exercise considerable judgment and make significant estimates due to the inherent complexity in CGU determination, allocation of corporate assets to CGUs, and estimating the fair value less cost to sell and the value in use.	Our audit procedures included the following: • obtaining an understanding of the business processes, including testing of relevant controls; • assessing the appropriateness of the defined CGUs within the businesses and examining the methodology used by management for the allocation of corporate assets to CGUs; • evaluating the appropriateness of the methodology used by management in determining recoverable amounts; • performing sensitivity analysis on the key assumptions in the value in use model and considering whether there were indicators of management bias; • comparing key assumptions such as freight rates, volumes, and growth rates to historical performance and external market data in the value in use model; • developing independent expectations for key inflow and outflow elements in the value in use model and comparing to those applied by management; • testing the mathematical accuracy of the impairment model prepared by management; • involving our internal valuation specialists to critically assess the discount rates by challenging the key inputs against the independent sources from market data, and evaluating the methodology applied for determination of discount rates; • evaluating the independence, competence and objectivity of the independent appraiser engaged by the Group for valuation of vessels; • on a selection basis, verifying technical data such as deadweight, repair plan, age, and type of the vessels used by appraisers for the valuation; and • evaluating appropriateness of the disclosures made in the consolidated financial statements with respect to the impairment of vessels, property, plant and equipment.

Emphasis of matter – Restatement of corresponding figures

We draw attention to Note 5 to the consolidated financial statements, which describes the restatement of corresponding figures for the year ended 31 December 2023. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 15 May 2024.

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Group's 2024 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Group's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we will perform, we will conclude that there is a material misstatement of this other information, we are required to report that fact.

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 as issued by the IASB, 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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;
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

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

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

Jamal Hasanov
Engagement Partner

DELOITTE & TOUCHE
MƏHDUD MƏSULİYYƏTLİ AUDİTOR CƏMİYYƏTİ
AZERBAIJAN

5 January 2026

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

(in thousands of Azerbaijani Manats)

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	19	445,403	524,195
Cost of sales	20	(365,184)	(375,113)
Gross profit		**80,219**	**149,082**
General and administrative expenses	20	(56,818)	(60,921)
Social expenses	20	(5,198)	(9,506)
Other operating income	25	36,757	50,490
Other operating expenses	20	(80,320)	(67,259)
Gain on disposal of vessels, property, plant and equipment		13,711	74
Expected credit losses (“ECL”) [1]	7	(7,088)	(1,050)
Foreign exchange loss		(1,596)	(2,351)
Foreign exchange gain		1,907	663
Operating (loss)/profit		**(18,426)**	**59,222**
Finance costs	27	(17,626)	(9,621)
Finance income	24	33,198	-
Share of result of joint ventures	26	18,208	6,761
Profit before income tax		**15,354**	**56,362**
Income tax expense	23	(859)	(12,677)
Profit for the year		**14,495**	**43,685**
Total comprehensive income for the year		**14,495**	**43,685**

[1] 2024 ECL excludes AZN 1,662 ECL recovery of Azneft PU recognised though equity and includes AZN 1,211 recovery of previously written-off bad debt.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(in thousands of Azerbaijani Manats)

	Notes	31 December 2024	31 December 2023 *(Restated*)*
ASSETS			
Non-current assets			
Vessels, property, plant and equipment	15	1,230,206	965,287
Investments in joint ventures	26	208,263	190,055
Investments in bonds	16	37,531	-
Long-term portion of trade and other receivables	7	59,505	104,504
Prepayments	9	52,690	33,911
Intangible assets		4,601	5,004
Total non-current assets		**1,592,796**	**1,298,761**
Current assets			
Cash and cash equivalents	6	8,486	278,314
Restricted cash	6	1,775	259
Investments in bonds	16	9,168	-
Trade and other receivables	7	141,810	93,766
Taxes receivable	8	14,091	9,543
Corporate income tax receivable		5,282	5,221
Prepayments	9	9,441	8,000
Inventories	10	43,754	43,588
Total current assets		**233,807**	**438,691**
Total assets		**1,826,603**	**1,737,452**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	440,051	440,051
Additional paid-in capital	17	375,260	361,100
Retained earnings	18	451,797	630,411
Total equity		**1,267,108**	**1,431,562**
Non-current liabilities			
Deferred tax liabilities	23	32,919	32,190
Loans and borrowings	13	404,815	169,490
Provisions	12	5,414	4,905
Total non-current liabilities		**443,148**	**206,585**
Current liabilities			
Trade and other payables	11	36,857	27,934
Other taxes payable	22	39,691	44,931
Loans and borrowings	13	12,456	7,848
Contract liabilities	14	23,248	17,616
Provisions	12	4,095	976
Total current liabilities		**116,347**	**99,305**
Total liabilities		**559,495**	**305,890**
Total equity and liabilities		**1,826,603**	**1,737,452**

* The comparative information has been restated as disclosed in Note 5.

The accompanying notes are an integral part of these consolidated financial statements.

"AZERBAIJAN CASPIAN SHIPPING" CJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(in thousands of Azerbaijani Manats)

	Notes	Share capital	Additional paid-in capital	Retained earnings	Total equity
Balance at 1 January 2023		**440,051**	**129,100**	**604,539**	**1,173,690**
Profit for the year		-	-	43,685	**43,685**
Total comprehensive income for the year		-	-	**43,685**	**43,685**
Increase in additional paid-in capital	17	-	232,000	-	**232,000**
Effect of modification of trade receivables from the entity under common control	7		-	(17,813)	**(17,813)**
Balance at 31 December 2023 - As restated*		**440,051**	**361,100**	**630,411**	**1,431,562**
Profit for the year		-	-	14,495	**14,495**
Total comprehensive income for the year		**-**	**-**	**14,495**	**14,495**
Increase in additional paid-in capital	17	-	14,160	-	**14,160**
Effect of modification of trade receivables from the entity under common control	7	-	-	97	**97**
Impairment loss on prepayment to the entity under common control	18	-	-	(68,000)	**(68,000)**
Fair value loss on initial recognition of bonds of the entity under common control	3	-	-	(55,583)	**(55,583)**
ECL on bonds of the entity under common control	3	-	-	(69,623)	**(69,623)**
Balance at 31 December 2024		**440,051**	**375,260**	**451,797**	**1,267,108**

* The comparative information has been restated as discussed in Note 5.

The accompanying notes are an integral part of these consolidated financial statements.

“AZERBAIJAN CASPIAN SHIPPING” CJSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(in thousands of Azerbaijani Manats)

	Notes	Year ended 31 December 2024	Year ended 31 December 2023 *(Restated*)*
OPERATING ACTIVITIES:			
Profit before income tax		15,354	56,362
Adjustments for:			
Depreciation of vessels, property, plant and equipment[1]	15	92,799	87,275
Amortisation of intangible assets		1,070	899
ECL[2]	7	7,088	1,050
Reversal of allowance for inventories	10	(189)	(2,087)
Foreign exchange differences		(311)	781
Gain on disposal of vessels, property, plant and equipment	15	(13,711)	(74)
Bargain purchase gain	26	-	(13,294)
Gain on termination of lease		-	(1,238)
Finance costs	27	17,626	9,621
Finance income	24	(33,198)	-
Share of result in joint ventures	26	(18,208)	(6,761)
Write-off of trade and other receivables		-	885
Operating cash flows before working capital changes		**68,320**	**133,419**
Change in trade and other receivables		5,501	10,233
Change in inventories		(6,898)	(5,089)
Change in prepayments		(1,441)	(1,442)
Change in taxes receivable		(4,548)	644
Change in restricted cash		(1,516)	147
Change in trade and other payables		7,748	(8,956)
Change in provisions		3,038	99
Change in contract liabilities		5,632	953
Change in taxes payable		(1,465)	6,923
Cash generated by operating activities		**74,371**	**136,931**
Income taxes paid		(3,990)	(26,480)
Interest paid		(14,759)	(5,410)
Net cash generated by operating activities		**55,622**	**105,041**
INVESTING ACTIVITIES:			
Vessels, property, plant and equipment purchases and advances		(354,634)	(86,956)
Investments in bonds	3	(158,000)	-
Purchase of intangible assets		(585)	(1,005)
Advance paid for acquisition of participatory interests	18	(68,000)	-
Investments in joint ventures	26	-	(170,000)
Bank deposit placement		(39,950)	-
Bank deposit withdrawal		39,950	-
Interest received from bank deposits	24	3,291	-
Net cash used in investing activities		**(577,928)**	**(257,961)**
FINANCING ACTIVITIES:			
Principal payments on loans and borrowings	27	(4,234)	(4,235)
Proceeds from loans and borrowings	27	244,085	170,000
Increase in additional paid-in capital	17	14,160	232,000
Other payments		(255)	-
Net cash generated by financing activities		**253,756**	**397,765**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)
(in thousands of Azerbaijani Manats)

	Notes	Year ended 31 December 2024	Year ended 31 December 2023 *(Restated*)*
Net (decrease)/increase in cash and cash equivalents		**(268,550)**	**244,845**
Net foreign exchange difference		(1,278)	(884)
Cash and cash equivalents at the beginning of the year	6	278,314	34,353
Cash and cash equivalents at the end of the year		**8,486**	**278,314**

[1] Includes AZN 984 depreciation capitalised as part of vessel overhauls during 2024 (2023: AZN 732).
[2] 2024 ECL excludes AZN 1,662 ECL recovery of Azneft PU recognised though equity and includes AZN 1,211 recovery of previously written-off bad debt.

The following non-cash transactions were not included in the consolidated statement of cash flows for the year ended 31 December 2024 and 31 December 2023:

(a) Capitalisation of AZN 6,921 inventories to vessels, property, plant and equipment (2023: 3,829 AZN);
(b) Offset of AZN 3,929 corporate income tax receivable with other taxes payable (2023: nil).

* The comparative information has been restated as disclosed in Note 5.

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Azerbaijani Manats)

1. THE GROUP AND ITS OPERATIONS

Nature of activities

"Azerbaijan Caspian Shipping" Closed Joint Stock Company (the "Company") was established through the merger of the Azerbaijan State Caspian Sea Shipping Company ("ASCSC") and the Caspian Sea Oil Fleet ("CSOF") of the State Oil Company of the Azerbaijan Republic ("SOCAR"), in accordance with the Presidential Decree No. 6, dated 22 October 2013 *On Establishment of "Azerbaijan Caspian Shipping" Closed Joint-Stock Company* and Decree No. 213, dated 10 January 2014, *On Organization of Activity of "Azerbaijan Caspian Shipping" Closed Joint-Stock Company*. The two companies were merged to support ongoing structural reforms in the economy, increase domestic and international maritime transportation, enhance the competitiveness and transit potential of Azerbaijan, and achieve synergies through the centralized management of state-owned shipping companies.

The Company and its subsidiaries are collectively referred to as "the Group" in these consolidated financial statements. The consolidated financial statements of the Group include the following:

	% equity interest	
	2024	**2023**
Azerbaijan Caspian Shipping CJSC	100	100
Azerbaijan State Marine Academy	100	100
Caspian Sea Transport Project Research and Scientific Investigation Institute	100	100
Azerbaijan Marine College	100	100
Danizchi Housing Cooperative	96	96
ASCO Logistics LLC	-	100
ASCO Turkey Ship Management Inc.	100	100
Yacht Club LLC	100	100
ASCO Security	-	100
Caspian Shipping Ltd LLC	-	100
Caspian Sea Engineering Bureau LLC	51	51
ASCO Transportation LLC	100	100
Danizchi Repair-Construction LLC	100	100
ASCO Ship Management AFEZCO	100	-
SA Maritime AFEZCO	50	50

The Group consists of the offshore support and merchant fleets, two shipyards, production support businesses providing logistics services, maritime education, as well as repair, construction, installation and design works, with approximately 7,757 of full-time employees (2023: 7,809). The Group is 100% owned by the Government of the Republic of Azerbaijan (the "Government").

In order to improve the performance of state enterprises operating in the fields of transport and communications, including enhancing their economic efficiency and increasing contributions to the state budget, the Azerbaijan Communication and Transportation Holding public legal entity ("AZCON" or "Holding") was established pursuant to the Decree of the President of the Republic of Azerbaijan *On the Establishment of the Azerbaijan Communication and Transportation Holding and the Resolution of Certain Related Issues*, dated 7 November 2024. Management and oversight of the Group were assigned to the Holding.

Caspian Shipping Ltd LLC, a subsidiary of the Group registered in the Russian Federation that was dormant for an extended period was liquidated on 16 July 2024 based on management's decision.

In May 2023, two new entities - SA Maritime AFEZCO and ASCO Ship Management AFEZCO were established and registered in the Alat Free Economic Zone (AFEZ).

SA Maritime AFEZCO is a joint venture between the Group and SOCAR, with each party holding a 50% ownership interest. The Group invested USD 100,000 as its contribution to the charter capital of the joint venture. The company was established to engage in commercial activities abroad and, during 2023–2024, acquired four Aframax vessels intended for operations outside the Caspian basin.

SA Maritime AFEZCO operates under the regulatory framework of the AFEZ. AFEZ is a special economic zone in Azerbaijan established in accordance with the legislation of the Republic of Azerbaijan, offering a range of free zone incentives. Entities registered in AFEZ are exempt from all taxes, except for social security contributions, personal income tax on employee salaries, and customs duties.

ASCO Logistics LLC and ASCO Security LLC were incorporated into ASCO Transportation LLC pursuant to the decision of the Supervisory Board of the Group dated 30 November 2023.

The registered address of the Group is Neftchilar Avenue 2, Baku, Azerbaijan.

Segment information

Operating segment is component that engage in business activities that may earn revenue or incur expenses, whose operating results are regularly reviewed by management of the Group and for which discrete financial information is available. The Group treats its business within a single segment and management evaluates performance of its business based on profit after tax reported in the IFRS consolidated financial statements. The Group has two customers each of which individually comprises more than 10% of the total revenue generated during the year ended 31 December 2024 (2023: 1 customer).

Geographical information

Azerbaijan Caspian Shipping CJSC plays a connecting role in the Transport Corridor Europe-Caucasus-Asia (TRACECA), provides marine transportation of goods and passengers, as well as offshore support services for oil and gas operations. Another trade route relevant to the Company's operations is "Baku-Tbilisi-Qars New Railroad" Project, which is a new corridor that connects Azerbaijan, Georgian and Turkish railways. This project effectively opens a new rail-only corridor from the Caspian Sea to Europe via Türkiye. Management believes that increasing trade between Türkiye and Central Asia provides significant opportunities to capture trade flows, particularly raw materials imported into Türkiye from Central Asia and finished goods exported by Türkiye. Management treats services rendered in the Caspian Sea and Black Sea regions as a single integrated set of services that directly depend on each other. Therefore, management prefer to analyse financial information as a whole regardless of any regional division.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and comply with all issued and effective IFRS Accounting Standards at the time of preparing these consolidated financial statements.

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories*.

The same accounting policies, presentation and methods of computation have been followed for the year ended 31 December 2024 as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2023. The material accounting policies adopted are set out below.

Going concern

Management has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, the Group has adopted the going concern basis of accounting in preparing the consolidated financial statements.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the Group made up to 31 December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
  rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Investments in joint ventures

A joint venture ("JV") is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired within "other operating income".

If there is objective evidence that the Group's net investment in a joint venture is impaired, the requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. If the recoverable amount is lower than the carrying value of investment in a joint venture, the difference is recognised within "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The financial statements of a joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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 after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in 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.

Foreign currency translation

The functional currency of the Company and its subsidiaries is the national currency of the Republic of Azerbaijan, the Azerbaijani Manat ("AZN"), as the majority of the Group's revenues, costs, inventory purchases, and trade liabilities are priced, incurred, payable, or otherwise measured in AZN.

The operations in the Group entities of which currency differ from the functional currency of the Group and not already measured in the Group's functional currency are translated by following the below steps:

- Monetary assets and liabilities not already measured in the functional currency of respective Group entity are translated into the functional currency at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign exchange gains and losses resulting from the re-measurement into the functional currencies of respective Group's entities are recognized in the consolidated statement of profit or loss or other comprehensive income.

The relevant exchange rates are as follows:

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

Financial instruments − key measurement terms

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Depending on their classification financial instruments are carried at fair value, or amortized cost as described below.

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
- In 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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 recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method "EIR" is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
The Group always recognises lifetime expected credit losses for trade receivables. The credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, credit ratings and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(*ii*) *Definition of default*

If historical experience indicates that financial assets, for which information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full, the Group considers this as an event of default for internal risk management purposes.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Recoveries resulting from the Group's enforcement activities will result in impairment gains and recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the EIR method, with interest expense recognised on an effective yield basis. The Group's financial liabilities include trade and other payables, loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. A receivable represents the Group's right to an amount of consideration that is unconditional.

Cash and cash equivalents

Cash and cash equivalents primarily comprise of bank balances.

Restricted cash

Restricted cash is presented separately from cash and cash equivalents. Restricted balances represent amount available on VAT deposit account and are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flow.

Investments in bonds

Investments in bonds are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Trade payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and borrowings

All loans are initially recognised at fair value of the proceeds received net of issue costs associated with the loan. Loans and borrowings are carried at amortised cost using the effective interest rate method.

Interest costs on loans to finance the construction of vessels, property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Vessels, property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Vessels

Vessels undergo major inspections and overhauls of specific components identified during the inspections ("class repairs"), which are performed approximately every five years. The costs of class repairs are capitalised as part of the carrying amount of the vessel when incurred.

For fully depreciated vessels, capitalised class repair costs are depreciated on a straight-line basis over the period until the next scheduled class repair. For other vessels, class repair costs are depreciated over the remaining useful life of the vessel, as it is not probable that the same components will require another overhaul before the next inspection.

Significant renovation and other overhaul expenses over vessels arising at a later date are included in each asset's book value. They can be recognised as a separate asset only if it is likely that the future economic benefits associated with the item will be beneficial to the Group and if the acquisition cost of the asset can be reliably determined. Ordinary repair and maintenance expenses are recognised as expenses for the reporting period during which they were incurred.

Vessels are depreciated over their estimated useful lives. The estimated useful lives and the residual values of assets are revised at each end of the reporting period and, when necessary, adjusted to reflect changes that have taken place in the expected future economic benefits.

Depreciation

Vessels, property, plant and equipment related to shipping industry are depreciated using a straight-line depreciation method. Assets under construction are not depreciated.

The estimated useful lives of the Group's vessels, property, plant and equipment are as follows:

Buildings and constructions	15 to 30 years
Machinery and equipment	3 to 25 years
Vessels and port facilities	3 to 30 years
Vehicles, furniture and other	3 to 10 years

The expected useful lives of vessels, property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of assets is determined as nil considering that the Group expects to use assets until the end of its physical life and their scrap value is not significant. The assets' residual values are reviewed, and adjusted if appropriate, at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Cost is calculated using the weighted average method. Cost comprises direct purchase costs of materials for vessels repair and maintenance and other costs that have been incurred in bringing the inventories to their present location and condition.

Prepayments

Prepayments are carried at cost less impairment losses. 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. Prepayment 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. If there is an indication that the assets, goods or services relating to the prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

Dividends

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of the Republic of Azerbaijan, a distribution is authorised when it is approved by the shareholder. A corresponding amount is recognised directly in equity.

Distribution to the Government

Distribution to the Government represent cash distributions or financing which the Group may be required to make to the state budget, various government agencies and projects administered by the Government based on the particular decisions of the Government. Such distributions are recorded as a reduction of equity. Distributions in the form of transfers of non-monetary assets are recognised at the carrying value of transferred assets.

Value-added tax

The tax authorities permit the settlement of sales and purchases value-added tax ("VAT") on a net basis.

VAT payable

VAT payable represents VAT related to sales net of VAT on purchases which have been settled at the reporting date. VAT related to sales is payable to tax authorities recognised upon receipt of payment. VAT related to sales which have not been settled at the consolidated statement of financial position date is also included in VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT where applicable. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

VAT recoverable

VAT recoverable relates to purchases which have not been settled at the reporting date. VAT recoverable is reclaimable against VAT on sales upon payment for the purchases.

Operating taxes

Azerbaijan also has various other taxes (such as property tax, social tax and withholding tax), which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition

The Group's revenue is mainly generated through sales of offshore services (primarily time-charter contracts) and transportation of cargo and passengers (primarily voyage charter contracts). Revenue is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Rent income is comprised of income generated from bareboat and time-charter contracts.

Revenue from voyage charters

Revenue from voyage charters is earned for the carriage of cargo on behalf of the charterer, in the spot market and on contracts of affreightment, from one or more locations of cargo loading to one or more locations of cargo discharge in return for payment of an agreed-upon freight rate per ton of cargo. Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. If these conditions are breached the Group is compensated for the additional time incurred in the form of demurrage revenue. Demurrage is a variable consideration which is recognised, from the time it becomes probable, over the remaining time of the voyage. In applying its revenue recognition method, management believes that satisfaction of a performance obligation for a voyage charter begins when the vessel arrives at the loading port and ends at the time the discharge of cargo is completed at the discharge port (load to discharge, which is when the contract with the customer expires).

The Group uses the output method for measuring the progress towards satisfaction of a performance obligation, i.e. voyage revenue is recognised pro-rata based on time elapsed from loading to the expected date of completion of the discharge.

Revenue from time charters

Revenue from time charters comprises a lease component and a service component. The revenue allocated to the lease component is accounted for as leases and recognized on a straight line basis over the rental periods of such charters as service is performed, to the extend the lease payments are fixed. Variable lease payments are recognized when the variability is removed. The time charter revenue is allocated to the service component based on the relative fair value of the component, which is estimated with a reference to a cost plus methodology and reflects crew costs, technical maintenance and insurance of a vessel with operating expenses escalation and fees for ad hoc additional services. The service component in a time charter represents a single performance obligation where the charterer simultaneously receives and consumes the benefits over the time charter period.

Other revenues

Other revenue from non-core operating activities, such as agency services and tuition fees, is recognised in the period in which the services are rendered.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs, by transferring goods or services to a customer, before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due, whichever is earlier. Contract liabilities are recognised as revenue when the Group performs under the contract.

Related parties

Related parties are disclosed in accordance with IAS 24 *Related Party Disclosures*.

Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be carried out on the same terms, conditions and amounts as transactions between unrelated parties.

Current and deferred tax

The income tax charge comprises current tax and deferred tax and is recognised in profit or loss, except to the extent that it relates to items recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Current income taxes have been provided for in the consolidated financial statements in accordance with the applicable legislation enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits, and unused tax losses to the extent that it is probable that taxable profit will be available against which they can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

Wages, salaries, contributions to the Social Protection Fund of the Republic of Azerbaijan, paid annual leave and sick leave, bonuses, obligations for disability benefits and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. In accordance with the legislation of the Republic of Azerbaijan, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the State Social Protection Fund of the Republic of Azerbaijan. This expense is charged to profit or loss in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the fund. The Group does not have any pension arrangements separate from the state pension system of the Republic of Azerbaijan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Expenses

Expenses are presented by function in the consolidated statement of profit or loss and other comprehensive income. Categorization of the nature of expenses is based on operational functions of the Group's entities and subsidiaries and disclosed in the notes to the consolidated financial statements.

Certain operational expenses incurred during time charter activities are borne by the Group on behalf of time charterers. Such amounts are presented as reimbursable expenses in the consolidated financial statements and mainly comprise fuel and lubricants, consumables, port charges, agency fees, and repairs. When these charges are recovered from the time charterers, the Group recognises the related income as "sales of other goods and services rendered" within "other operating income".

Other operating expenses

Operating expenses incurred during periods when vessels are idle (time spent in port awaiting assignment, scheduled or unscheduled maintenance or repair, or any other periods when the vessel is temporarily out of operation), including crew costs, maintenance, insurance, port charges, and other directly attributable costs, are recognized in profit or loss as "other operating expenses". These costs are expensed as incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief decision-makers. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss.
- Its assets are 10 per cent or more of the combined assets of all operating segments.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements, that management has made in the process of applying the Group's accounting policies which have the most significant effect on the amounts recognised in the consolidated financial statements as well as the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Taxation

Significant judgment is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. No such liabilities were recognised as of 31 December 2024 and 2023. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

Recognition of deferred tax assets

The net deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits whose realisation is probable in the future, management makes judgments and applies estimation based on expectations of future income that are believed to be reasonable under the circumstances. During 2024, the Group recognised a deferred tax asset of AZN 14,881, as disclosed in Note 23 to these consolidated financial statements (2023: nil).

Allowance for impaired or obsolete inventory

The determination of the allowance for impaired or obsolete inventory requires the Group to exercise significant judgement and make estimates regarding the condition, usability, and future demand for inventory items.

Management assesses inventories at each reporting date to identify items that are obsolete, damaged, or slow-moving. In making this assessment, the Group considers factors such as historical usage patterns, forecasted repair plans, product life cycles, technological changes, and market trends. The allowance amount is estimated both individually and on an aggregate basis, using percentage thresholds applied to obsolete or slow-moving inventories depending on the level of damage and frequency of use. These estimates are inherently uncertain and may differ from actual results. Changes in market conditions, technological developments, vessel deployment, and maintenance schedules could result in revisions to the allowance for inventory impairment in future periods.

Fair value estimation at initial recognition and subsequent impairment of bonds

On 12 March 2024, the Group acquired bonds issued by an entity under common control for AZN 158,000 in accordance with the order of Cabinet of Ministers of the Republic of Azerbaijan. At initial recognition bonds were recognized at fair value and the difference between the fair value and carrying amount of AZN 55,583 was recognized directly in equity, as the transaction was with an entity under common control and executed under government directive.

The market yield used to determine the fair value was estimated at 17.01%, based on an assumed credit rating of CCC+, derived from the issuer's financial ratios and liquidity. If the discount rate used in the calculation had been 1% higher/lower than management's estimate, the fair value of the bonds would have been AZN 2,926 lower/AZN 3,044 higher, respectively.

As of the reporting date, management assessed whether there had been a significant increase in the credit-risk since initial recognition. Considering delay in contractual payments and continued deterioration in the issuer's financial performance, the bonds were assessed to be credit-impaired and transferred to Stage 3. As a result, the ECL was determined using a probability of default of 100% and a loss given default as per issuer's assessed credit rating from Moody's annual default study. An impairment loss of AZN 69,623 was recognized through equity, consistent with the initial recognition treatment of the bond as a common control transaction.

Impairment of vessels, property, plant and equipment

The Group determines whether its vessels, property, plant and equipment are impaired when there are indicators of impairment as defined in IAS 36. Considering negative changes in the business environment, cessation of several large oil and gas projects and fixed nature of primary direct expenses management performed impairment test for its vessels, property, plant and equipment.

Judgement is applied in determining cash-generating units (CGUs) and in selecting the methodologies and assumptions used in impairment testing. The Group has identified four CGUs for its fleet of vessels based on their mode of deployment in revenue generation.

Impairment testing of vessels was performed by management by comparing the carrying amounts of the CGUs with their recoverable amounts, determined as the higher of fair value less costs to sell and value in use. The recoverable amount was determined as fair value less costs to sell for the Liquid Cargo, Dry Cargo, and Ferry fleets, and as value in use for the Technological Fleet.

Value in use

The value in use calculation for Technological Fleet was based on the following key assumptions:

- Cash flows were projected over a five-year period through to 2029.
- Sales from offshore support services for 2025 were determined based on the approved 2025 budget. For vessels under long-term contracts, projected sales for 2025 were calculated using the contractual daily rate multiplied by the projected number of utilization days, adjusted for planned downtime due to repairs. Sales for the period 2026–2029 were estimated by applying the forecasted inflation rate of Azerbaijan to the 2025 sales figures.

- For the remaining vessels, sales were projected for each of the five forecast years by in-house project management. The number of chartered days was estimated based on an analysis of future market demand, communication with major oil and gas companies, and expected upcoming projects in the region during the forecast period. Freight rates were determined using historical rates for similar vessels, adjusted for inflation and anticipated price changes, including any vessel modifications.
- Direct costs, such as crew staff costs and fuel, were derived from the approved 2025 budget. Certain shared costs attributable to all CGUs were allocated to each CGU based on the proportion of sales generated by each respective CGU.
- Budgeted direct costs (such as staff costs of crew members etc., excluding fuel) were forecasted based on projected operational days, multiplied by price estimates adjusted for expected inflation. Fuel costs were projected based on historical consumption per operational day multiplied by projected fuel prices derived from market forecasts for oil.
- Indirect costs (e.g., administrative staff cost) were calculated using the three-year historical average, adjusted for expected inflation.
- Capital repair costs were estimated based on historical data, adjusted for predicted operational days, planned maintenance schedules developed by engineering teams, and expected inflation.
- The pre-tax nominal discount rate used in the value in use calculation was based on a Weighted Average Cost of Capital (WACC) of 18.3% as of 31 December 2024.
- A growing annuity formula was used to calculate the terminal value, reflecting the long-term nature of the business. The terminal period was set at 20 years, with a terminal growth rate of 3.5%, aligned with the average long-term inflation rate of the Azerbaijani manat.

Under the stated assumptions above, the recoverable amount was in excess of the carrying amount of Technological Fleet CGU by AZN 18,538. Management conducted a sensitivity analysis of the results of the model to changes in the discount rate, staff costs and sales assuming all other variables remain constant. 1 per cent decrease in estimated sales would result in AZN 9,875 impairment. 1 per cent increase in estimated staff cost would result in an AZN 9,142 impairment. According to management's estimations, the potential (within reasonable expectations) deviation of actual sales and staff costs from the assumptions used in the test will not result in a material deviation from the recoverable amount.

Management believes that the discount rate appropriately reflects all risks and uncertainties pertaining to the maritime transportation industry in the market as of the reporting date. If the estimated discount rate used in the calculation had been 1 percentage points higher or lower than management's estimate, the headroom would have been AZN 17,660 lower or AZN 19,613 higher, respectively.

Fair value less cost to sell

An independent appraiser with appropriate qualifications and recent experience in the fair value measurement of vessels was engaged by management to determine the market values of vessels under the Liquid Cargo, Dry Cargo, and Ferry CGUs as of 31 December 2024. The valuation was performed in accordance with International Valuation Standards and was based on recent market transactions on arm's length terms for similar vessels.

Fair value was determined using the market comparable approach, which reflects recent transaction prices for vessels of similar type of vessels commonly used by market participants adjusted for the bargaining discount on asking prices and expected major repair costs in the year following the sale. Some vessels, due to their age and condition at the end of 2024, were valued at their estimated scrap value.

The cost of disposal was determined to be 1%, primarily comprising broker commissions and marketing costs typical for commercial vessels.

Under the stated assumptions above, the fair value less cost to sell of each CGU is in excess of carrying amounts of Liquid Cargo, Dry Cargo, and Ferry CGUs by AZN 3,509, AZN 2,353 and AZN 54,233, respectively.

Fair value less cost to sell was most sensitive to the market price of similar vessels, broker commission fees, and repair costs. All other inputs being equal, the sensitivities to fair value less cost to sell of all three CGU’s were assessed as follows:

- An increase/decrease of 1 per cent in the market price of vessels will result in an increase/decrease of AZN 2,465/2,363 in fair value less cost to sell;
- An increase/decrease of 1 per cent in broker commission fees will result in a decrease/increase of AZN 6,664/5,933 in fair value less cost to sell;
- An increase/decrease of 1 per cent in repair costs will result in a decrease/increase of AZN 196/357 in fair value less cost to sell.

According to management’s estimates, potential deviations (within reasonable expectations) of actual market prices, broker commission fees, and repair costs from the assumptions used in the appraiser’s model will not result in a material change in the fair value less cost of disposal of the vessels.

Useful lives of vessels, property, plant and equipment

Vessels are depreciated using the straight-line method over their estimated useful lives, which reflect management’s expectations of the period over which the assets will be used in operations, typically ranging from 20 to 30 years.

Vessels undergo major inspections and overhauls (“dry-dockings” or “class repairs”) approximately every five years. The related costs are capitalised as part of the carrying amount of the vessel when incurred. Significant judgement was applied in assessing whether these capitalised costs represent a separate component of the vessel. Management determined that these costs are not a separate component, as it is not probable that the same parts will require another overhaul before the next scheduled inspection. Accordingly, for vessels that are not fully depreciated, these costs are depreciated over the remaining useful life of the vessel. For fully depreciated vessels, class repair costs are depreciated on a straight-line basis over the period until the next scheduled inspection.

The determination of useful lives of vessels and class repair costs require judgement and are reviewed periodically. Changes in these estimates could have a material effect on depreciation expense and the carrying amount of vessels in future periods.

Provision for expected credit losses

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due, taking into account Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of any additional allowances for doubtful accounts that may be required. This may have a negative impact on the financial results if additional losses occur that were not anticipated in prior periods. The information about the ECLs on the Group's trade receivables is disclosed in Note 7.

4. ADOPTION OF NEW OR REVISED IFRS ACCOUNTING STANDARDS

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had material impact on the disclosures or the amounts reported in these consolidated financial statements.

Amendments to IAS 1	*Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*
Amendments to IAS 7	*Statement of Cash Flows*
Amendments to IFRS 7	*Financial Instruments: Disclosures titled Supplier Finance Arrangements*
Amendments to IAS 1	*Presentation of Financial Statements – Non-current Liabilities with Covenants*
Amendments to IFRS 16	*Leases – Lease Liability in a Sale and Leaseback*

(in thousands of Azerbaijani Manats)

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Standards	***Effective date***
Amendments to IAS 21 - *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*	*1 January 2025*
Amendments to IFRS 9 – *Financial Instruments and IFRS 7 – Financial Instruments: Disclosures*	*1 January 2026*
IFRS 19 - *Subsidiaries without Public Accountability: Disclosures*	*1 January 2027*
Amendments to IFRS 10 – *Consolidated Financial Statements and IAS 28 – Investment in Associates and Joint Ventures*	*Effective date has been removed temporarily by the IASB.*
Amendments to IFRS 16 - *Lease Liability in a Sale and Leaseback*	*1 January 2026*
IFRS 18 – *Presentation and Disclosure in Financial Statements*	*1 January 2027*
Annual Improvements to IFRS Accounting Standards – *Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*	*1 January 2026*

Management does not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

5. RESTATEMENTS AND RECLASSIFICATIONS

Restatements

Correction of errors affected statement of consolidated financial position

During 2024, management discovered that in the determination of modification adjustment for Azneft PU receivables as of modification date (31 December 2023), scheduled monthly payments were erroneously escalated by inflation. As a consequence, trade receivables, retained earnings and deferred tax liabilities have been overstated by AZN 6,087, AZN 1,217 and AZN 4,870, respectively. The balances have been corrected by restating each of the affected consolidated financial statement line item for prior periods.

In 2023, management did not reflect the impact of the modification to the aging disclosure of trade receivables from customers and the related ECL allowance, as the receivables from Azneft PU were presented based on the original credit terms. Respective disclosure was corrected in the Note 7 of these consolidated financial statements.

Incorrect recognition of interest paid in the consolidated statement of cash flows

During 2024, management identified that interest paid of AZN 5,100 relating to bonds was erroneously presented under financing activities in prior year consolidated cash flow statement. As a result, net cash generated by operating activities was overstated by AZN 5,100, while net cash generated by financing activities was understated by the same amount.

Management restated consolidated statement of cash flows to correct affected financial statement line items. These adjustments have no impact on the total cash and cash equivalents at the end of the period.

(in thousands of Azerbaijani Manats)

Reclassifications

Certain other comparatives for the year ended 31 December 2023 have been reclassified in order to conform to the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.

Financial statement line item	As previously reported	Reclassifications	Adjustments	As restated
Long-term portion of trade and other receivables	110,591	-	(6,087)	104,504
Total non-current assets	**1,304,848**	**-**	**(6,087)**	**1,298,761**
Trade and other payables	28,910	(976)	-	27,934
Provisions	-	976	-	976
Total current liabilities	**99,305**	**-**	**-**	**99,305**
Deferred tax liabilities	33,407	-	(1,217)	32,190
Total non-current liabilities	**207,802**	**-**	**(1,217)**	**206,585**
Retained earnings	635,281	-	(4,870)	630,411
Total equity	**1,436,432**	**-**	**(4,870)**	**1,431,562**

The effect of the reclassifications made to the disclosure Note 20 for the year ended 31 December 2023 is as follows:

Disclosure note item	As previously reported	Reclassifications	As restated
Raw materials and consumables used	66,264	2,087	68,351
Other	22,360	(2,087)	20,273
Total cost of sales, social, general, administrative and other operating expenses	**513,849**	**-**	**513,849**

The effect of the adjustments made to the consolidated statement of cash flows for the year ended 31 December 2023 is as follows:

Financial statement line item	As previously reported	Adjustments	As restated
Interest paid	(310)	(5,100)	(5,410)
Net cash flows from operating activities	**110,141**	**(5,100)**	**105,041**
Repayment of interest on bonds	(5,100)	5,100	-
Net cash flow from financing activities	**392,665**	**5,100**	**397,765**
Net increase in cash and cash equivalents	**244,845**	**-**	**244,845**
Cash and cash equivalents at the end of the year	**278,314**	**-**	**278,314**

(in thousands of Azerbaijani Manats)

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash comprised the following as at:

	31 December 2024	31 December 2023
AZN denominated bank balances	4,474	3,847
USD denominated bank balances	3,653	274,119
Other currencies	359	348
Total cash and cash equivalents	**8,486**	**278,314**
VAT deposit account, AZN	1,775	259
Total cash and cash equivalents and restricted cash	**10,261**	**278,573**

Effective 1 January 2008 the state tax authorities introduced VAT deposit accounts and enforced payments of input and output VAT via these accounts. In order to comply with new tax regulation, the Group opened a VAT deposit account. In accordance with this regulation, the balance on VAT deposit account may only be withdrawn with a 45 days notice to the tax authorities.

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprised the following as at:

	31 December 2024	31 December 2023 *(Restated*)*
Trade receivables	160,493	104,238
Long-term trade receivables[1]	59,505	106,078
Less: ECL[2]	(18,683)	(12,046)
Total trade and other receivables	**201,315**	**198,270**

[1]Long-term trade receivables of comparative period were adjusted by AZN 6,087 to reflect the correction of prior period error as stated in Note 5.
[2]AZN 4,519 ECL allowance was presented within "long-term trade receivables" in prior year consolidated financial statements was correctly recognised in "less: ECL" in current year's comparative figures.

Trade receivables are mainly represented by amounts due from customers for shipping, transportation of cargoes and other services provided by the Group.

Trade and other receivables of AZN 45,140 (2023: AZN 70,352) are denominated in foreign currencies, mainly in USD and EUR.

Following the decision of the Group's Supervisory Board on 25 December 2023, the Group and Azneft PU agreed to amend the collection schedule for AZN 194,636 trade receivables from Azneft PU as of 31 December 2023. Under the revised schedule, the total receivable amount was agreed to be collected over the period from 2024 to 2026. As both entities are under common control, a modification loss of AZN 16,179 was recognized through equity in 2023.

(in thousands of Azerbaijani Manats)

As of 31 December 2024, following further discussions with Azneft PU's management, the remaining receivable balance of AZN 153,402 was further modified by increasing the monthly payment amounts and shortening the overall payment period. As a result, a modification loss of AZN 12,323 was recognized through equity in 2024. Considering that this modification occurred before the agreed maturity of the initial payment schedule, an early unwinding of AZN 10,782 on the remaining balance as of the modification date was recognized in equity as part of the modification transaction. As of the reporting date receivables were assessed for impairment and AZN 1,662 recovery was recognised through equity. AZN 16,002 unwinding of the discount on receivables from Azneft PU for 2024 was recognized through profit or loss (Note 24).

As of 31 December 2024 and 2023, the present value of collections expected to be received beyond each respective year is classified as long-term trade receivables in the Group's consolidated statement of financial position.

The expected loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables from customers:

31 December 2024	**Not past due**	**<30**	**31-60**	**61-90**	**91-120**	**>120**	**Total**
Expected credit loss rate	0.50%	13.71%	19.71%	26.45%	34.81%	81.79%	**8.49%**
Gross carrying amount of trade receivables	191,538	3,551	2,593	2,178	678	19,460	**219,998**
Less: ECL	(956)	(487)	(511)	(576)	(236)	(15,917)	**(18,683)**
							201,315

31 December 2023[1]	**Not past due**	**<30**	**31-60**	**61-90**	**91-120**	**>120**	**Total**
Expected credit loss rate	1.05%	8.41%	11.97%	13.32%	18.80%	55.24%	**5.73%**
Gross carrying amount of trade receivables	184,097	5,213	2,131	811	1,802	16,262	**210,316**
Less: ECL	(1,924)	(438)	(255)	(108)	(339)	(8,982)	**(12,046)**
							198,270

[1]Azneft PU aging was corrected as stated in Note 5.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2024	**2023**
Balance as at 1 January	**12,046**	**15,402**
Amount recovered	(1,062)	(2,680)
Net remeasurement of loss allowance	3,924	(9,092)
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	3,775	8,416
Balance as at 31 December	**18,683**	**12,046**

(in thousands of Azerbaijani Manats)

8. TAXES RECEIVABLE

Taxes receivable is recoverable by means of an offset against future tax liabilities or as a direct cash refund from the tax authorities.

Taxes receivable comprised the followings as at:

	31 December 2024	31 December 2023
VAT recoverable	12,752	8,647
Receivable from state budget	1,339	896
Total taxes receivable	**14,091**	**9,543**

Receivable from state budget is related to prepayments made for taxes throughout the year. VAT recoverable is related to payables for purchases outstanding at reporting period and to be claimed upon settlement of respective payable and prepayment on construction of social housing to be claimed after delivery of associated services and apartments, respectively.

9. PREPAYMENTS

Prepayments comprised the following as at:

	31 December 2024	31 December 2023
Long-term prepayments for construction of vessels	52,690	33,911
Short-term prepayments for trade and services	9,441	8,000
Total prepayments	**62,131**	**41,911**

Short-term prepayments as at 31 December 2024 and 2023 are primarily represented by prepayments made to suppliers for raw materials, spare parts and repair and maintenance services for vessels.

10. INVENTORIES

Inventories comprised the followings as at:

	31 December 2024	31 December 2023
Raw materials and spare parts	24,397	25,605
Fuel	8,112	6,901
Other	13,858	13,884
Less: allowance for inventories	(2,613)	(2,802)
Total inventories	**43,754**	**43,588**

None of the inventories have been pledged as security for loans as of 31 December 2024 and 2023.

(in thousands of Azerbaijani Manats)

Other inventories primarily consist of AZN 13,372 (2023: AZN 13,372) social buildings constructed with the purpose of sale to the Group's employees. The construction of these buildings was partially financed by the Group as part of a social program, and the Group's portion of the costs was recognised as an expense in prior years' consolidated statements of profit or loss and other comprehensive income when incurred.

The remaining portion of the construction cost was financed by the employees. As of 31 December 2024, employees paid advances of AZN 15,835 for the apartments, which were recognised as a contract liability (2023: AZN 15,835). Revenue will be recognised in profit or loss upon transfer of control of the respective apartments to the employees.

11. TRADE AND OTHER PAYABLES

Trade payables as at 31 December 2024 and 2023 represent amounts mainly due to suppliers for raw materials, spare parts and equipment and repair and maintenance services for vessels.

	31 December 2024	31 December 2023 *(Restated*)*
Trade payables	25,970	14,645
Payable to employees[1]	10,887	13,289
Total trade and other payables	**36,857**	**27,934**

[1] Current portion of disability benefit provision of AZN 976 presented within "Trade and other payables" in the prior year's consolidated financial statements is presented within "Provisions" in order to conform to the presentation for the current year.

Trade and other payables of AZN 5,462 (2023: AZN 5,174) are denominated in foreign currencies, mainly in USD and EUR.

12. PROVISIONS

	31 December 2024	31 December 2023 *(Restated*)*
Disability benefits	6,626	5,881
Legal claims	2,883	-
Total provision	**9,509**	**5,881**
Of which:		
Current	4,095	976
Non-current	5,414	4,905

The Group has an obligation to compensate its employees for the damage caused to their health during their employment, as well as to compensate the families of the employees who passed away while carrying out their duties. The Group calculated the present value of the injury payments to employees using a discount rate of 9.54% and 10.3% as at 31 December 2024 and 2023, respectively. For the purpose of calculation of the lifetime payments to injured employees, the Group estimated a life expectancy as 71 and 76 for men and women, respectively.

(in thousands of Azerbaijani Manats)

The Group is currently involved in a legal claim filed by an individual who asserts ownership rights over property and certain equipment that were allegedly dismantled during the development of the Group's current property. The claimant is seeking compensation of AZN 2,883 for this. The matter remains at an early stage of legal proceedings.

A provision has been recognized for management's best estimate of the amount required to settle the claim. The estimate reflects the current stage of the proceedings and the inherent uncertainty associated with such disputes. As the case is at an early stage, there is significant uncertainty regarding the eventual outcome, timing, and amount of any potential settlement. Due to the uncertainty of timing, management has classified the provision as current. The provision will be reviewed regularly and adjusted as necessary to reflect new information or developments in the proceedings.

	Disability benefit[1]	Legal claims	Total
Carrying amount at 1 January 2024	**5,881**	**-**	**5,881**
Utilisation	(1,337)	-	(1,337)
Unwinding of present value discount	590	-	590
Additions	1,314	2,883	4,197
Effect of change in discount rate	178	-	178
Carrying amount at 31 December 2024	**6,626**	**2,883**	**9,509**

[1] Current and non-current portions of disability benefit provision of AZN 976 and AZN 4,905, respectively, presented within "Trade and other payables" and "Other liabilities" in the prior year's consolidated financial statements have been reclassified to "Provisions" to conform with the current year's presentation.

13. LOANS AND BORROWINGS

Loans and borrowings comprised the following as at:

	31 December 2024	31 December 2023
Loans and borrowings	411,609	173,724
Accrued interest on loans and borrowings	5,662	3,614
Total loans and borrowings	**417,271**	**177,338**
Loans and borrowings, non-current portion	404,815	169,490
Loans and borrowings, current portion	12,456	7,848
Total loans and borrowings	**417,271**	**177,338**

Loans and borrowings are presented as per lender, interest rate and currency in the below table:

		Interest	31 December 2024		31 December 2023	
	Currency	rate	Rate, %	Amount	Rate, %	Amount
Bank A	USD	Fixed	6.9%	78,200	3.65%	4,448
Bank B	USD	Fixed	6%	47,189	-	-
Bank C	EUR	Fixed	4.9%	32,422	-	-
Bonds issued to public	USD	Fixed	6%	259,460	6%	172,890
Total loans and borrowings				**417,271**		**177,338**

(in thousands of Azerbaijani Manats)

In February 2024, the Group has issued bonds of USD 50,000 (2023: USD 100,000) with a maturity of 5 years (2023: 5 years), which were publicly available and traded on local stock exchanges. The nominal value of bonds was equal to USD 1 with a fixed coupon rate of 6% which is paid semi-annually to bondholders.

Interest expense on loans and borrowings of AZN 17,036 was recognised within finance costs for the year ended 31 December 2024 (2023: AZN 8,759).

The maturity profile of loans and borrowings is as follows:

	31 December 2024	31 December 2023
Up to one year	12,456	7,848
Total current portion of loans and borrowings	**12,456**	**7,848**
Due from one year to five years	343,215	169,490
Due over five years	61,600	-
Total long-term portion of loans and borrowings	**404,815**	**169,490**
Total loans and borrowings	**417,271**	**177,338**

The collateral profile of loans and borrowings is as follows:

	31 December 2024	31 December 2023
Unsecured bonds	259,460	172,890
Unsecured loans	79,611	4,448
Secured with vessels	78,200	-
Total loans and borrowings	**417,271**	**177,338**

Covenants

Loan from Bank B

The Group has an unsecured bank loan with a carrying amount of AZN 47,189 as at 31 December 2024 (2023: AZN nil). This loan is repayable in tranches monthly starting from October 2025. The loan contains a covenant stating that at the end of reporting date the Group's financial debt (liabilities with interest payments) to EBITDA ratio cannot exceed 3.5 by the end of 2025 and exceed 3 in each year until the loan maturity date of June 2034, otherwise the loan will be repayable on demand. The covenant is tested annually on 31 December each year. The Group has complied with this covenant in 2024.

Loan from Bank C

The Group has a secured loan from a foreign financial institution with a carrying amount of AZN 32,422 as at 31 December 2024 (2023: nil). This loan is repayable quarterly in tranches within 7 years from the issue date, with the next and first tranche due in April 2025. The loan contains quarterly financial covenants relating to the debt to service coverage (minimum of 1.3 times), debt to EBITDA (maximum of 3 times) and debt to equity (maximum of 1 time) ratios.

(in thousands of Azerbaijani Manats)

The Group breached covenants related to debt to service and debt to EBITDA ratios as of 31 December 2024. The breach resulted the loan to be repayable on demand. However, the lender issued a waiver letter dated 30 December 2024, confirming that it would not require repayment of the loan within the next 12 months. Accordingly, the loan is classified as a non-current liability as at the reporting date.

The Group expects to comply with the quarterly covenants within 12 months after the reporting date.

14. CONTRACT LIABILITIES

	31 December 2024	31 December 2023
Amounts received in advance for:		
Construction of social buildings	15,835	15,835
Maritime services	5,140	1,781
Agency services	2,273	-
Total contract liabilities	**23,248**	**17,616**

Contract liability of AZN 15,835 relates to the advances received from employees in prior years for the construction of social buildings that will be recognised as revenue upon transfer of control of the respective apartments to the employees (Note 10).

The contract liabilities for maritime and agency services primarily relate to the advance consideration received from customers for freight transportation, agency and offshore support services to be provided over several months following the receipt of payment. Accordingly, the entire amount of the contract liability outstanding at the beginning of the period was recognized as revenue during the current reporting period. The full amount of contract liability outstanding as of the end of the reporting period represents advances collected within the same period.

(in thousands of Azerbaijani Manats)

15. VESSELS, PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of vessels, property, plant and equipment were as follows:

	Buildings and constructions	Machinery and equipment	Vessels and port facilities	Vehicles, furniture and other	Construction in progress	Total
Cost						
Balance at 1 January 2023	**146,560**	**33,679**	**1,641,370**	**37,244**	**128,169**	**1,987,022**
Additions	1,508	2,280	72	2,176	82,335	**88,371**
Disposals	(1,521)	(258)	-	(399)	-	**(2,178)**
Transfers	119	2	46,008	1	(46,130)	-
Balance at 31 December 2023	**146,666**	**35,703**	**1,687,450**	**39,022**	**164,374**	**2,073,215**
Additions	284	808	237,408	1,377	119,676	**359,553**
Disposals	-	(1,201)	(29,932)	(811)	(1,552)	**(33,496)**
Transfers	491	-	108,811	-	(109,302)	-
Balance at 31 December 2024	**147,441**	**35,310**	**2,003,737**	**39,588**	**173,196**	**2,399,272**
Accumulated depreciation						
Balance at 1 January 2023	**(41,923)**	**(26,981)**	**(927,697)**	**(26,157)**	**-**	**(1,022,758)**
Depreciation charge for the year	(5,823)	(2,744)	(76,128)	(2,580)	-	**(87,275)**
Disposals	1,569	241	-	295	-	**2,105**
Balance at 31 December 2023	**(46,177)**	**(29,484)**	**(1,003,825)**	**(28,442)**	**-**	**(1,107,928)**
Depreciation charge for the year	(5,468)	(1,906)	(82,921)	(2,504)	-	**(92,799)**
Disposals	-	1,184	29,705	772	-	**31,661**
Balance at 31 December 2024	**(51,645)**	**(30,206)**	**(1,057,041)**	**(30,174)**	**-**	**(1,169,066)**
Net book value						
At 31 December 2024	**95,796**	**5,104**	**946,696**	**9,414**	**173,196**	**1,230,206**
At 31 December 2023	**100,489**	**6,219**	**683,625**	**10,580**	**164,374**	**965,287**
At 1 January 2023	**104,637**	**6,698**	**713,673**	**11,087**	**128,169**	**964,264**

(in thousands of Azerbaijani Manats)

During 2024, the Group purchased two general cargo vessels and one crude oil tanker for AZN 237,388.

Transfers from construction in progress to vessels and port facilities primarily comprised major repairs completed during the reporting period.

During 2024, the Group sold a yacht to a third party, and the resulting gain of AZN 13,698 was recognized in profit or loss.

The Group’s vessels, property, plant and equipment are tested for impairment at each reporting date whenever indicators of impairment are identified for individual assets or their related cash-generating units (CGUs). The Group has identified four CGUs within its fleet of vessels- Liquid Cargo, Dry Cargo, Ferry, and Technological Fleet- based on the manner in which these assets are deployed to generate revenues.

During the year, impairment indicators were identified for all CGUs due to adverse changes in the business environment and the cessation of several major oil and gas projects. The recoverable amount was determined using fair value less cost to sell for the Liquid Cargo, Dry Cargo, and Ferry CGUs, and value in use for the Technological Fleet CGU. No impairment losses were recognized as a result of the impairment testing. The critical judgements applied and key estimates used are disclosed in Note 3.

As at 31 December 2024 vessels, property, plant and equipment with a carrying amount of AZN 171,247 (2023: nil) were pledged as collateral on loans and borrowings obtained by the Group.

16. INVESTMENTS IN BONDS

	31 December 2024	31 December 2023
Bonds	116,322	-
Less: ECL	(69,623)	-
Net Bonds	**46,699**	**-**

The following table shows the movement in lifetime ECL that has been recognised for bonds in accordance with IFRS 9:

	2024	2023
Balance as at 1 January	**-**	-
Net remeasurement of loss allowance	(69,623)	-
Balance as at 31 December	**(69,623)**	**-**

(in thousands of Azerbaijani Manats)

On 12 March 2024, the Group acquired bonds issued by an entity under common control for AZN 158,000 in accordance with the order of Cabinet of Ministers of the Republic of Azerbaijan. At initial recognition bonds were recognized at fair value and the difference between the fair value and carrying amount of AZN 55,583 was recognized directly in equity, as the transaction was with a common control entity and executed under government directive.

At the end of the reporting period the bonds were assessed to be credit impaired and transferred to Stage 3. An impairment loss of AZN 69,623 was recognized through equity, consistent with the initial recognition treatment of the bond as a common control transaction (Note 3). AZN 13,905 unwinding of the discount on bonds for 2024 was recognized through profit or loss (Note 24).

17. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share capital

As at 31 December 2024 and 2023 the Company had authorized and issued 440,050,998 shares at par 1 Azerbaijani Manat to the Government of the Republic of Azerbaijan, which is the sole and ultimate shareholder of the Group.

Additional paid-in capital

The Government contributed AZN 14,160 in 2024 to finance the construction of vessels (2023: AZN 232,000 for the acquisition of a participation interest and bonds from an entity under common control).

18. RETAINED EARNINGS

Balance at 1 January 2023	**604,539**
Profit for the year	43,685
Effect of modification of trade receivables from the entity under common control (Note 7)	(17,813)
Balance at 1 January 2024 – As restated	**630,411**
Profit for the year	14,495
Effect of modification of trade receivables from the entity under common control (Note 7)	97
Impairment loss on prepayment to the entity under common control	(68,000)
Fair value loss on initial recognition of bonds of the entity under common control (Note 16)	(55,583)
ECL on bonds of the entity under common control (Note 16)	(69,623)
Balance at 31 December 2024	**451,797**

Impairment loss on prepayment to the entity under common control

During 2024 the Group made an advance payment of AZN 68,000 for the acquisition of 40,000,000 participatory interest (representing 8.95 per cent of ownership) in an entity under common control with a nominal amount of USD 1, in accordance with Government directive.

Although the purchase agreement was approved and signed by both parties in September 2024, the acquisition was not registered with the State Registry of the Republic of Azerbaijan, and the entity's charters were not updated to reflect the transaction.

(in thousands of Azerbaijani Manats)

Consequently, under local regulations, the acquisition did not give participatory or voting rights to the Company and the transaction was treated as a prepayment for the acquisition of participatory interest rather than investment by management.

As of the reporting date, management assessed the advance payment for impairment. Given the investee's negative financial performance, including recurring losses for the year and a net liability position, management recognised an impairment loss for the full amount. This impairment was recorded through equity, as the transaction was with an entity under common control and executed under Government directive.

19. ANALYSIS OF REVENUE BY CATEGORIES

	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	398,080	424,234
Rent income	47,323	99,961
Total	**445,403**	**524,195**

For the year ended 31 December 2024 and 2023 revenue comprised the following:

	Year ended 31 December 2024	Year ended 31 December 2023
Freight and passenger transportation	221,605	239,766
Offshore support services	166,135	177,734
Agency services	3,025	611
Tuition fees	2,397	2,063
Other	4,918	4,060
Total	**398,080**	**424,234**

(in thousands of Azerbaijani Manats)

20. ANALYSIS OF EXPENSES BY NATURE

For the year ended 31 December 2024 and 31 December 2023 cost of sales, social, general and administrative expenses and other operating expenses comprised the followings:

	Year ended 31 December 2024	Year ended 31 December 2023*
Wages, salaries and social security costs	197,163	193,976
Depreciation of vessels, property, plant and equipment, leased assets	91,865	86,543
Raw materials and consumables used	73,188	68,351
Port charges	23,203	24,930
Repairs and maintenance expenses	20,243	34,292
Daily travelling expenses of the crew of marine transports	17,051	13,455
Food expenses	15,392	16,027
Reimbursable expenses	14,166	13,467
Transportation expenses	7,986	8,516
ECL	7,088	1,050
Taxes other than on income	7,010	6,357
Insurance expenses	6,259	5,902
Utilities expenses	4,299	4,514
Vessels registration costs	2,967	4,106
Legal claims	2,883	-
Agency and brokerage costs	2,805	2,949
Security expenses	2,759	2,493
Amortisation of intangible assets	1,070	899
Business trip expenses	595	773
Rent expenses	125	2,883
Provision of social housing	-	4,063
Change in allowance for inventories	(189)	(2,087)
Other	16,680	20,390
Total cost of sales, social, general, administrative and other operating expenses	**514,608**	**513,849**

*Certain reclassifications were made to comparative information to conform with current year presentation as detailed in Note 5.

The total fees for audit of the Group's consolidated financial statements and non-financial audit services by the auditor for the year ended 31 December 2024 amounted to AZN 425.

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Key management compensation

Key management of the Group includes the Chairman of the Group and eight Deputies. All of the Group's key management are appointed by the President of the Azerbaijan Republic. Key management individuals are entitled to salaries and benefits of the Group in accordance with the approved payroll matrix. During 2024, compensation of key management personnel including social taxes totalled AZN 639 (2023: AZN 874).

(in thousands of Azerbaijani Manats)

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below.

At 31 December 2024 and 2023 the outstanding balances with related parties were as follows:

		31 December 2024		31 December 2023	
	Notes	**Related party transactions**	**Total per category**	**Related party transactions**	**Total per category**
Trade and other receivables	7		219,998		210,316
- government and entities under common control		*199,169*		*191,241*	
ECL	7		(18,683)		(12,046)
- government and entities under common control		*(5,479)*		*(2,503)*	
Short-term prepayments	9		9,441		8,000
- government and entities under common control		*754*		*773*	
Long-term prepayments	9		52,690		33,911
- government and entities under common control		*49,538*		*33,223*	
Cash and cash equivalents and restricted cash	6		10,261		278,573
- government and entities under common control		*8,217*		*277,141*	
Loans and borrowings	13		(417,271)		(177,338)
- government and entities under common control		*(197,200)*		*(89,448)*	
Trade and other payables	11		(36,857)		(27,934)
- government and entities under common control		*(7,862)*		*(5,815)*	

The transactions with related parties for the year ended 31 December 2024 and 2023 were as follows:

		Year ended 31 December 2024		Year ended 31 December 2023	
	Notes	**Related party transactions**	**Total per category**	**Related party transactions**	**Total per category**
Revenue			445,403		524,195
- government and entities under common control		*226,557*		*250,991*	
Finance income			33,198		-
- government and entities under common control		*27,667*		-	
Other operating income			36,757		50,490
- government and entities under common control		*7,215*		*4,301*	
Port charges			(23,203)		(24,930)
- government and entities under common control		*(7,119)*		*(8,332)*	
Utilities expenses			(4,299)		(4,514)
- government and entities under common control		*(2,162)*		*(2,791)*	
Finance cost			(17,626)		(9,621)
- government and entities under common control		*(7,882)*		*(259)*	
Repairs and maintenance expenses			(20,243)		(34,292)
- government and entities under common control		*(1,420)*		*(3,498)*	
Other expenses			(466,863)		(450,113)
- government and entities under common control		*(10,598)*		*(13,146)*	

(in thousands of Azerbaijani Manats)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided for any related party receivables or payables.

22. OTHER TAXES PAYABLE

Taxes payable comprise the following at:

	31 December 2024	31 December 2023
Accrued VAT	31,210	34,734
Social security contributions	6,487	4,251
VAT payable	49	423
Tax penalties and charges	-	298
Other	1,945	5,225
Total other taxes payable	**39,691**	**44,931**

From 1 January 2020, for VAT recognition purposes sale of goods, works and services is recognized upon receipt of payments from customers according to the Tax Code of the Republic of Azerbaijan. Accrued VAT relates to receivables for sold goods, works, services outstanding at the reporting period.

23. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES

Income tax expense comprises the following:

	Year ended 31 December 2024	Year ended 31 December 2023
Current income tax expense	154	10,157
Deferred tax charge	705	2,520
Total income tax expense	**859**	**12,677**

The reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2024	Year ended 31 December 2023
Profit before tax	**15,354**	**56,362**
Theoretical tax charge at statutory rate of 20 per cent	3,071	11,272
Tax effect of expenses that are not deductible in determining taxable profit	6,229	6,955
Tax effect of income not taxable in determining taxable profit	(5,916)	(4,209)
Other	(2,525)	(1,341)
Total income tax expense	**859**	**12,677**

(in thousands of Azerbaijani Manats)

At the reporting date, the Group has unused tax losses of AZN 47,382 available for offset against future profits. Additionally, AZN 27,024 depreciation charge related to the reporting period was not recognized against taxable profit and was accumulated as a reserve in statutory books, as permitted by the applicable local tax code. A deferred tax asset has been recognised for unused tax losses and depreciation charge accumulated as a reserve and offsetted against deferred tax liability in full amount.

Non-deductible expenses primarily comprise social and employee-related costs, as well as 60% of the depreciation charge of assets financed by the Government, in accordance with the Tax Code of the Republic of Azerbaijan. Non-taxable income consists of share of profit from investment in joint venture (joint venture is free from corporate income taxes due to registration in AFEZ as detailed in Note 1) and finance income on bonds acquired.

Differences between IFRS and applicable local tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below:

	1 January 2024	Recognised in profit and loss	Recognised in equity	31 December 2024
Tax effect of deductible/(taxable) temporary differences				
Vessels, property, plant and equipment	44,015	14,311	-	58,326
Inventories	(722)	200	-	(522)
Trade and other receivables	(8,401)	1,615	24	(6,762)
Trade and other payables	(1,615)	(322)	-	(1,937)
Prepayments	(13)	(199)	-	(212)
Loans and borrowings	102	130	-	232
Provisions	(1,176)	(149)	-	(1,325)
Statutory loss carried forward	-	(14,881)	-	(14,881)
Deferred tax liabilities	**32,190**	**705**	**24**	**32,919**

	1 January 2023	Recognised in profit and loss	Recognised in equity	31 December 2023 – as restated
Tax effect of deductible/(taxable) temporary differences				
Right-of-use assets	1,831	(1,831)	-	-
Vessels, property, plant and equipment	41,300	2,715	-	44,015
Inventories	(995)	273	-	(722)
Trade and other receivables	(3,185)	(763)	(4,453)	(8,401)
Lease liabilities	(2,078)	2,078	-	-
Trade and other payables	(1,571)	(44)	-	(1,615)
Prepayments	(13)	-	-	(13)
Loans and borrowings	-	102	-	102
Provisions	(1,166)	(10)	-	(1,176)
Deferred tax liabilities	**34,123**	**2,520**	**(4,453)**	**32,190**

24. FINANCE INCOME

	Year ended 31 December 2024	Year ended 31 December 2023
Unwinding of discount on long-term receivables	16,002	-
Unwinding of discount on bonds	13,905	-
Interest income on deposits	3,291	-
Total finance income	**33,198**	**-**

(in thousands of Azerbaijani Manats)

AZN 16,002 and AZN 13,905 representing the unwinding of discount on long-term receivables and bonds, respectively, were recognized within finance income for 2024 (Notes 7 and 16).

25. OTHER OPERATING INCOME

Other operating income comprised of the following:

	Year ended 31 December 2024	Year ended 31 December 2023
Sales of other goods and services rendered	16,140	14,908
Income from alliance agreement	7,680	10,443
Repair services	3,895	5,158
Crew rental	3,759	232
Bridge and port services	3,181	3,205
Bargain purchase gain	-	13,294
Other	2,102	3,250
Total other operating income from contracts	**36,757**	**50,490**

The Group has an alliance agreement under which it provides qualified local workforce and access to its dry docks, repair workshops, and other facilities to the counterparty. Income from this arrangement is recognized when the services are provided.

AZN 13,294 bargain purchase gain arose upon the initial recognition of the joint venture in 2023 (Note 26).

26. INVESTMENTS IN JOINT VENTURES

As stated in Note 1, SA Maritime AFEZCO is joint venture owned by the Group and SOCAR, each party holding 50% control over the company. The table below summarises movements in the carrying amount of the Group's investment in joint venture:

	2024	2023
Carrying amount at 1 January	**190,055**	-
Additions to investment in joint venture	-	170,000
Bargain purchase gain	-	13,294
Share of after-tax results of joint venture	18,208	6,761
Carrying amount at 31 December	**208,263**	**190,055**

Upon establishment of SA Maritime AFEZCO in 2023, capital contribution in the form of an asset was made. The Group recognised 50% of excess of the fair value of net assets of SA Maritime AFEZCO over their cost as bargain purchase gain under other operating income.

(in thousands of Azerbaijani Manats)

Summarised statement of financial position of SA MARITIME AFEZCO:

	31 December 2024	31 December 2023
Current assets	13,822	79,240
Including cash and cash equivalents	11,516	67,046
Non-current assets	414,942	301,490
Current liabilities	(12,238)	(620)
Net assets	**416,526**	**380,110**
Proportion of the Group's ownership	50%	50%
Interest in the net assets	**208,263**	**190,055**
Dividends received	-	-
Group's carrying amount of the investment	**208,263**	**190,055**

Summarised statement of profit or loss of SA MARITIME AFEZCO:

	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	74,902	28,279
Cost of sales	(39,089)	(15,335)
Gross profit	**35,813**	**12,944**
General and administrative expenses	(1,348)	(278)
Other operating income	3,012	885
Social expenses	(5)	–
Other operating expenses	(463)	(34)
Foreign exchange (loss)/gains, net	(46)	5
Operating profit	**36,963**	**13,522**
Finance cost	(547)	-
Income tax expense	-	-
Profit for the year	**36,416**	**13,522**
Total comprehensive income for the year	**36,416**	**13,522**
Group's share of profit for the year	**18,208**	**6,761**

27. RISK MANAGEMENT

Financial risk factors

The Group's management that has the appropriate skills, experience and supervision oversees management of risks and monitors the Group's overall position on a regular basis. This process of risk management is critical to the Group and key individuals within the Group are accountable for the risk exposures relating to their responsibilities.

The Group's principal financial liabilities comprise trade payables, loans and borrowings. Cash and cash equivalents, restricted cash, investments in bonds and trade and other receivables represent the Group's principal financial assets. Both principal financial liabilities and financial assets arise directly from the Group's operations.

In the ordinary course of business, the Group is exposed to credit, liquidity and market risks. Market risk arises from fluctuating prices on commodities purchased and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on degree of price volatility, such fluctuations in market prices may create volatility in the Group's financial position. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. To effectively manage the variety of exposures that may impact financial results, the Group's overriding strategy is to maintain a strong financial position. Based on structured formal management procedures, management of the Group identifies and evaluates financial risks with reference to the current market position.

Market risk

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

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various exposures in the normal course of business, primarily with respect to USD. Foreign exchange risk arises primarily from future commercial transactions, recognised assets and liabilities when assets and liabilities are denominated in a currency other than the functional currency.

The majority of the Group's payables and receivables from foreign vendors and customers are denominated in USD. There has been no significant devaluation of AZN against USD and other major currencies during the year ended 31 December 2024 and 2023.

(in thousands of Azerbaijani Manats)

The book values of the Group's monetary assets and liabilities in foreign currency as at the reporting date have been provided below:

31 December 2024	**AZN**	**USD**	**EUR**	**Other**	**Total**
Cash and cash equivalents	4,474	3,653	129	230	8,486
Trade and other receivables	156,175	44,887	42	211	201,315
Investments in bonds	-	46,699	-	-	46,699
Total financial assets	**160,649**	**95,239**	**171**	**441**	**256,500**
Loans and borrowings	-	(384,849)	(32,422)	-	(417,271)
Trade and other payables	(20,508)	(4,227)	(1,066)	(169)	(25,970)
Total financial liability	**(20,508)**	**(389,076)**	**(33,488)**	**(169)**	**(443,241)**
Open position		**(293,837)**	**(33,317)**	**272**	**(326,882)**

31 December 2023	**AZN**	**USD**	**EUR**	**Other**	**Total**
Cash and cash equivalents	3,847	274,119	(128)	476	278,314
Trade and other receivables	127,918	70,274	78	-	198,270
Total financial assets	**131,765**	**344,393**	**(50)**	**476**	**476,584**
Loans and borrowings	(4,448)	(172,890)	-	-	(177,338)
Trade and other payables	(9,471)	(4,187)	(935)	(52)	(14,645)
Total financial liability	**(13,919)**	**(177,077)**	**(935)**	**(52)**	**(191,983)**
Open position		**167,316**	**(985)**	**424**	**166,755**

A weakening of the AZN against the following currencies at year end would have decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2024	**USD**	**EUR**	**Other**	**Total**
10% weakening of AZN	(29,384)	(3,332)	27	(32,689)

31 December 2023	**USD**	**EUR**	**Other**	**Total**
10% weakening of AZN	16,732	(99)	42	16,675

(ii) *Interest rate risk*

The Group is subject to interest rate risk on financial liabilities and assets with variable interest rates. To mitigate this risk, the Group's management performs periodic analysis of the current interest rate environment and depending on that analysis management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In case where the change in the current market fixed or variable interest rates is considered significant management may consider refinancing a particular debt on more favourable interest rate terms.

(in thousands of Azerbaijani Manats)

Changes in interest rates impact primarily debt by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new debts management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable over the expected period until maturity. As at 31 December 2024 and 2023 the Group's interest-bearing liabilities are not significantly affected by fluctuating interest rate.

Credit risk and concentration of credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if counterparty defaults on its contractual obligations.

The Group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments in bonds and trade receivables.

The Group places its cash with reputable financial institutions in the Azerbaijan Republic. The Group's cash is mainly placed with the International Bank of Azerbaijan ("IBA"), which is controlled by the Azerbaijani Government. At 31 December 2024, the balance of cash and cash equivalents comprised AZN 5,318 held with IBA (2023: AZN 277,034), AZN 1,183 held with Kapital Bank (2023: AZN 1,154), and AZN 1,826 held with Pasha Bank (2023: AZN 172). The Group continually monitors the status of the banks where its accounts are maintained.

The Group's maximum exposure to credit risk is represented by carrying amounts of financial assets on the consolidated statement of financial position and is presented by class of assets as shown in the table below:

	31 December 2024	31 December 2023
Cash and cash equivalents (Note 6)	8,486	278,314
Trade and other receivables, net (Note 7)	201,315	198,270
Investments in bonds (Note 16)	46,699	-
Total maximum exposure to credit risk	**256,500**	**476,584**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis on financial assets is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customers. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in above table.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are approved annually by management.

(in thousands of Azerbaijani Manats)

In assessing the credit quality of financial assets the Group considers the nature of counterparty, historical information about counterparty, default rates and any other available information which can be used to assess credit quality.

Trade receivables consist mainly of receivables from offshore and transportation services rendered to top customers operating on the local market in oil and gas industry. The Group’s credit risk arising from its trade receivables is further mitigated by continuous monitoring of the creditworthiness of customers. Approximately 80% of the Group’s trade and other receivables as at 31 December 2024 (2023: 80%) are due from Azneft PU.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. In managing liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows. Prudent liquidity risk management includes maintaining sufficient working capital and the ability to close out market positions. Management monitors rolling forecasts of the Group’s liquidity reserve on the basis of expected cash flows.

All of the Group’s financial liabilities represent non-derivative financial instruments. The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying values, as the impact of discounting is not significant.

The maturity analysis of financial liabilities as at 31 December 2024 and 31 December 2023 was as follows:

	31 December 2024			
	Within one year	**1 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	25,970	-	-	**25,970**
Loans and borrowings	32,433	414,683	67,724	**514,840**
Total financial liabilities	**58,403**	**414,683**	**67,724**	**540,810**

	31 December 2023			
	Within one year	**1 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	14,645	-	-	**14,645**
Loans and borrowings	14,553	205,700	-	**220,253**
Total financial liabilities	**29,198**	**205,700**	**-**	**234,898**

(in thousands of Azerbaijani Manats)

Fair value of financial instruments

The fair value of the financial assets and liabilities is included at the amount 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 estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements.

31 December 2024	Carrying amounts	Fair values
Cash and cash equivalents (Note 6)	8,486	8,486
Trade and other receivables (Note 7)	201,315	201,315
Investments in bonds	46,699	51,670
Total financial assets	**256,500**	**261,471**
Trade and other payables (Note 11)	25,970	25,970
Loans and borrowings (Note 13)	417,271	417,864
Total financial liabilities	**443,241**	**443,834**

31 December 2023	Carrying amounts	Fair values
Cash and cash equivalents (Note 6)	278,314	278,314
Trade and other receivables (Note 7)	198,270	198,270
Total financial assets	**476,584**	**476,584**
Trade and other payables (Note 11)	14,645	14,645
Loans and borrowings (Note 13)	177,338	179,272
Total financial liabilities	**191,983**	**193,917**

The following methods and assumptions were used to estimate the fair values:

(i) Short-term financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;

(ii) Long-term fixed-rate receivables/loans are evaluated by the Group using Level 3 inputs based on parameters such as interest rates, specific country risk factors, individual creditworthiness of customers and the risk characteristics of the financed project.

Capital management

The primary objective of the Group's capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain shareholders and creditor confidence to support its business activities.

(in thousands of Azerbaijani Manats)

The Group is 100% owned by the Government and periodically receives funds in the form of the Government investments for purchase of new vessels.

The Group considers total capital under management to be as follows:

	Notes	31 December 2024	31 December 2023
Loans and borrowings	13	417,271	177,338
Less: cash and cash equivalents	6	(8,486)	(278,314)
Net debt		**408,785**	**(100,976)**
Equity		1,267,108	1,431,562
Capital and net debt		**1,675,893**	**1,330,586**
Gearing ratio		**24%**	**-8%**

Changes in liabilities arising from financing activities

	1 January 2024	Cash flows	Finance costs[1]	Foreign exchange movement	Other	31 December 2024
Loans and borrowings	177,338	225,092	17,036	(1,711)	(484)	417,271
Total liabilities from financing activities	**177,338**	**225,092**	**17,036**	**(1,711)**	**(484)**	**417,271**

	1 January 2023	Cash flows	Finance costs[1]	Foreign exchange movement	Other	31 December 2023
Loans and borrowings	19,125	160,355	9,032	-	(11,174)	177,338
Total liabilities from financing activities	**19,125**	**160,355**	**9,032**	**-**	**(11,174)**	**177,338**

[1] Excludes AZN 590 related to unwinding of discount of disability provisions (2023: AZN 589).

28. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Operating environment

The Group's operations are primarily conducted in the Caspian Sea region. In addition, during 2024 approximately 14% of dry cargo transportation and 27% of liquid cargo transportation were carried out in the Black Sea region.

As an emerging market, at the present time the Republic of Azerbaijan does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Emerging markets such as Azerbaijan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Azerbaijan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future stability of the Azerbaijan economy is heavily influenced by reforms and developments and the effectiveness of economic, financial, and monetary measures undertaken by the government as well as crude oil prices and stability of Azerbaijani Manat.

During 2024 and 2023, the CBAR continued to maintain stability of the Azerbaijani manat, which was kept flat at 1.7000 for 1 USD throughout the period. During 2024, the CBAR continued to tighten its monetary policy, and, as a result, refinancing rate reached 7.25% as at 31 December 2024 (2023: 8%).

Due to the ongoing conflict between the Russian Federation and Ukraine, the US, UK, EU and other countries announced numerous sanctions on certain Russian officials, businessmen and companies, which are targeted to have a negative impact on the Russian economy. Because of existing interdependencies between Russian and other CIS economies, these developments may result in reduced access of the regional businesses to international capital and export markets, weakening of the Russian Ruble and other CIS regional currencies, decline in capitals markets and other negative economic consequences.

The Group's management is monitoring economic developments in the current environment and taking precautionary measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

While Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the period when they become known and estimable.

Capital commitments

Authorised future commitments for the acquisition of vessels, property, plant and equipment by the Group for which contracts were signed until 31 December 2024 amounted AZN 282,487 (2023: AZN 185,889).

Legal proceedings

On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Tax legislation

Azerbaijan tax, currency and customs legislation is subject to varying interpretations, and changes, which may occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained and potential tax liabilities of the Group will not exceed the amounts recorded in these consolidated financial statements.

Environmental matters

The enforcement of environmental regulation in the Azerbaijan Republic is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damages.

The Group is subject to numerous national and local environmental laws and regulations concerning its products, operations and other activities. These laws and regulations may require the Group to take future action to remediate the effects on the environment of the Group's operations. Such contingencies may exist for various waste disposal sites. In addition, the Group may have obligations relating to prior asset sales or closed facilities. The ultimate requirement for remediation and its cost is inherently difficult to estimate. While the amounts of future costs could be significant and could be material to the Group's results of operations in the period in which they are recognised, it is not practical to estimate the amounts involved. The Group does not expect these costs to have a material effect on the Group's financial position or liquidity.

29. EVENTS AFTER THE REPORTING DATE

Contribution from Government

In accordance with the Presidential Decree No. 445 dated 10 January 2025, in June 2025 the Government contributed AZN 17,500 to the Company as additional paid-in capital to support investment activities.

Sanctions

During 2025, two vessels directly owned by the Company and three vessels jointly owned through the Company's joint venture, SA Maritime AFZECO, were sanctioned by the European Union, the United Kingdom and Canada in connection with the alleged transportation of Russian crude oil. Management has initiated legal analysis and is preparing an appeal to demonstrate that the Company and its joint venture were not in violation of relevant sanctions.

As of the date of issuance of these consolidated financial statements, the outcome and timing of these appeals remain uncertain. The impact of sanctions on future operations and financial position of the Group might be significant. Management continues to closely monitor the situation and will take appropriate actions as developments arise.

Loans and borrowings

On 29 December 2025, the Group obtained USD denominated loan secured with Group's assets AZN 35,000 from International Bank of Azerbaijan with an interest rate of 7.25 per cent and a maturity of 7 years.