

Reviewed and utilized in forming the Auditor's Opinion:

Director-Auditor: Sh.N. Shirinova

ACCOUNTING POLICY AND EXPLANATORY NOTES

Related to the Financial Statements prepared for the period covered by the audit (01.01.2024 – 31.12.2024) for “Western Caspian University” based on the accounting policies applied, selected, or implemented

1. General Information about the University

Main Entity: “Western Caspian University”

“Western Caspian University” (the University) was established by Decision No. 44 of the Cabinet of Ministers of the Republic of Azerbaijan dated March 4, 1995.

The University was registered by the Legal Entity State Registration Department of the Main Department of National Revenues under the State Tax Service of the Ministry of Economy of the Republic of Azerbaijan, and Certificate No. 1700370951 was issued accordingly.

The most recent amendment to the University's founding registration documents was made on April 4, 2023, and it was re-registered with the Legal Entity State Registration Department of the Main Department of National Revenues under the State Tax Service of the Ministry of Economy of the Republic of Azerbaijan. An extract No. 2201020024216500 from the State Register of Legal Entities was issued.

According to its Charter, the University is a leading private higher education institution engaged in the preparation of specialists at all levels of higher education, the implementation of higher, secondary specialized, and continuing education programs, and the conduct of fundamental and applied scientific research across various disciplines.

The University’s legal representative is Rashad Baghirov, and the chief accountant is Saida Rahimova.

As stated in the founding and registration documents, the University’s registered legal address is: **27 Istiglaliyyat Street, Sabail District, Baku City.**

Subsidiary Entity:

The University has subsidiary entities; however, none of them have engaged in any financial or economic activity for many years, including during the reporting period of 2024.

2. Summary of Significant Accounting Principles

The principal accounting policies adopted in the preparation of the financial statements are outlined below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Accounting

The University maintains its accounting system in accordance with the legislation of the Republic of Azerbaijan.

The financial statements for the year ended December 31, 2024, have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the IFRS Interpretations Committee (IFRIC).

Although the University has not yet applied any new or revised standards and interpretations that are expected to come into effect as of December 31, 2024, the management does not rule out the possibility that such amendments may be required prior to the finalization of the financial statements.

Basis of Presentation

The financial statements have been prepared on a historical cost basis, except where otherwise stated in the accounting policies (e.g., certain financial instruments measured at fair value).

Functional and Presentation Currency

The functional currency of the University, and the currency in which these financial statements are presented, is the national currency of the Republic of Azerbaijan — the Azerbaijani Manat (AZN).

Financial Instruments – Key Valuation Methods

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Determination and Measurement of Financial Instruments

Fair value is best confirmed by the price at which an asset or liability could be bought or sold in an active market. An active market is one in which transactions for assets and liabilities occur with sufficient frequency and volume to provide ongoing pricing information.

The fair value of financial instruments traded in active markets is measured as the product of the quoted market price for individual assets or liabilities and the quantity of those assets or liabilities held by the entity.

This applies even when the normal daily trading volume in the market is insufficient to absorb the quantity held by the entity, and placing orders to sell positions in a single transaction might affect the market price.

For financial instruments for which market price information is not available, fair value is determined using discounted cash flow models, data from similar transactions conducted under market conditions, or models based on the current value of the investee companies.

The results of fair value measurements are analyzed according to the levels of the fair value hierarchy as follows:

- (i) **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) **Level 2** inputs include valuation techniques using directly or indirectly observable significant inputs (e.g., prices or rates derived from market data);
- (iii) **Level 3** inputs are used when observable market data is not available, requiring the use of unobservable inputs that are significant to the measurement.

Transfers between levels of the fair value hierarchy are considered to occur at the end of the reporting period.

Transaction Costs

Transaction costs reflect incremental costs directly attributable to the acquisition, issuance, or disposal of a financial instrument. These are costs 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 sales agents), consultants, brokers, and dealers; payments made to regulatory authorities and stock exchanges; and transfer taxes and duties related to the transfer of ownership.

Transaction costs do not include premiums or discounts related to debt obligations, financing costs, or internal administrative or holding costs.

Amortized Cost (AC)

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus cumulative amortization of any difference between the initial amount and the maturity amount, and minus any provision for expected credit losses for financial assets.

Initial Recognition of Financial Instruments

All financial instruments are initially recognized at fair value, including transaction costs. At initial recognition, fair value is best confirmed by the transaction price. Any profit or loss at initial recognition is only recognized if there is a difference between the fair value and the transaction price.

The transaction price is validated either by observable current market transactions for the same financial instrument or by a valuation model that uses only observable market data as inputs.

Following initial recognition, a provision for expected credit losses is recognized for financial assets measured at amortized cost, which may result in the recognition of a loss immediately after initial recognition.

All other purchases and sales of financial assets intended to be settled within the timeframe established by regulation or convention in the marketplace (“regular way” purchases and sales) are recognized on the trade date, i.e., the date the University commits to purchasing or selling the asset.

Other purchases are recognized when the University becomes a party to the contractual provisions of the financial instrument.

Classification and Subsequent Measurement of Financial Assets

The University classifies and measures its financial assets at amortized cost.

The classification and subsequent measurement of debt financial assets depend on:

- (i) the University's business model for managing the financial asset portfolio, and
- (ii) the contractual cash flow characteristics of the financial asset.

Business Model

The business model reflects the method the University uses to manage its portfolio to generate cash flows and determines whether the objective of the University is:

- (i) to hold assets solely for the collection of contractual cash flows (“held to collect”), or
- (ii) to hold assets both for the collection of contractual cash flows and for sale (“held to collect and sell”).

Where neither (i) nor (ii) applies, financial assets are categorized under “other” business models.

Characteristics of Cash Flows

When the business model is to hold financial assets to collect contractual cash flows or to collect such flows and sell the financial assets, the University assesses whether the cash flows are solely payments of principal and interest (SPPI assessment).

Reclassification of Financial Assets

Reclassification of financial instruments occurs only when the University changes its business model for managing those assets. Such reclassification is applied prospectively from the beginning of the first reporting period following the change. During the current and comparative

reporting periods, the University has not changed its business model and has not reclassified any financial assets.

Impairment of Financial Assets

The University estimates expected credit losses on debt instruments measured at amortized cost based on forecasts.

Expected losses are assessed at each reporting date, and a provision for impairment is recognized.

Debt instruments measured at amortized cost are presented in the statement of financial position net of the provision for expected credit losses.

Write-off of Financial Assets

A financial asset is written off when the University has exhausted all practical recovery efforts and determines that there is no reasonable expectation of recovery.

Write-off reflects derecognition. Even if legal enforcement activities continue, a financial asset may be written off if there is no reasonable expectation of recovery of the amounts due under the contract.

Derecognition of Financial Assets

The University derecognizes a financial asset when:

- (a) the contractual rights to the cash flows expire or
- (b) the asset is transferred and the University has transferred substantially all the risks and rewards of ownership, or has not retained nor transferred substantially all risks and rewards but has relinquished control of the asset.

If the counterparty is not able to sell the asset in its entirety to an unrelated third party without restrictions, the University retains control.

Measurement Categories of Financial Liabilities

Financial liabilities are subsequently measured at amortized cost.

Derecognition of a financial liability occurs when the obligation is discharged, cancelled, or expires in accordance with the contract.

Key Accounting Judgements

Foreign Currency Translation

The University's functional currency is the currency of the primary economic environment in which it operates. Both the functional and presentation currency is the Azerbaijani Manat (AZN). Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate set by the Central Bank of the Republic of

Azerbaijan (CBAR) at the reporting date.

Exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognized in profit or loss for the year (except for losses on revaluation of foreign currency positions).

Non-monetary items measured at historical cost are not retranslated at the year-end exchange rate.

Non-monetary items denominated in foreign currency and measured at fair value (including equity instruments) are translated using the exchange rates at the date fair value was determined. The effect of exchange rate fluctuations on the fair value of equity instruments is included in the gain or loss arising from fair value changes.

Offsetting

Financial assets and liabilities are offset and reported net in the financial position statement when there is a legally enforceable right to offset and an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such a right must not be contingent on future events and must be legally enforceable under all of the following conditions:

- (i) in the normal course of business,
- (ii) in the event of default,
- (iii) in the event of insolvency or bankruptcy.

Employee Benefits and Provisions

Wages, contributions to the State Social Protection Fund of the Republic of Azerbaijan, annual paid leave and sick leave, bonuses, and non-monetary benefits are recognized when services are rendered by employees.

The University has no legal or constructive obligations to provide post-employment benefits other than those required by local legislation.

Leases and Contracts Where the University is a Lessee

When a contract containing a lease component becomes effective or is modified, the University allocates the consideration to each lease component based on its standalone price.

However, for property leases, the University has opted not to separate non-lease components and instead accounts for the lease and non-lease components as a single lease component.

The University recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which includes any lease payments made at or before the lease commencement date (less any lease incentives), initial direct costs incurred, and costs for dismantling or restoring the underlying asset or its location.

The right-of-use asset is subsequently amortized on a straight-line basis from the commencement date to the end of the lease term, unless ownership is transferred to the University or the asset is expected to be purchased by the University.

In such cases, amortization is based on the asset's useful life.

The useful life of the asset is determined in line with the policy for property, plant, and equipment.

The right-of-use asset is also reduced for impairment losses (if any) and adjusted for remeasurement of the lease liability.

The lease liability is initially measured at the present value of unpaid lease payments, discounted using the interest rate implicit in the lease, or, if that cannot be readily determined, the University's incremental borrowing rate.

Generally, the University uses its incremental borrowing rate as the discount rate.

Bad Debts and Impairment of Receivables at Year-End

At the end of the reporting period, the University assessed the impairment or "bad debt" status of receivables that were no longer collectible from customers after a significant lapse of time.

After all necessary recovery actions and legal steps had been exhausted, management issued instructions for the formal write-off of such debts using funds accumulated in the relevant provision accounts over the years.

The University considered factors such as the customer's financial hardship, insolvency, and significant financial loss.

However, as of year-end, certain legal procedures were not fully completed in line with regulatory requirements, and related actions are ongoing.

Impairment of Non-Financial Assets

During the reporting period, University management reviewed operations and circumstances that might affect the carrying value of non-financial assets.

It was determined that there were no indications or signs of impairment.

In addition, the potential for impairment of other non-financial assets was evaluated, and no adverse conditions were identified.

While estimating the recoverable amount of non-financial assets for the reporting year, management also considered current performance, expectations for the future, and projected increases in operating turnover.

4. Analysis by Nature of Income

Sources of Revenue

During the 2024 reporting period, the University operated through the delivery of various types of educational programs. Based on concluded agreements, it generated revenue from its core educational activities and other services rendered.

The transactions in this area were accounted for in the relevant account plans of the University's accounting system, included in its reports, and reflected in the "Profit Tax Declaration" and its annexed reporting forms in accordance with the requirements of national standards.

As of the end of the audit-covered reporting periods, the balances and revenues related to these areas were as follows:

in AZN (Azerbaijani Manat):

Indicators	2024
Revenue from provision of services	11,101,463.74
Revenue from sale of goods	0
Revenue from disposal of fixed assets	0
Revenue from rental of movable and immovable assets	0
Other income	0
TOTAL	11,101,463.74

5. Cash and Cash Equivalents and Restrictions on Their Use

Cash and Cash Equivalents

Cash and cash equivalents include deposits that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. These include interbank deposits with an original maturity of less than three months. Funds with a usage restriction period of more than three months at the time of deposit are not classified as cash and cash equivalents.

Measurement of Cash Flows

Cash and cash equivalents are recorded at amortized cost due to the following reasons: They are held to collect contractual cash flows, and these cash flows are solely payments related to the provision of services, delivery of goods, or rent payments.

Cash and cash equivalents are reported at amortized cost.

The balances, turnovers, and other relevant information regarding the University's cash and cash equivalents as of the beginning and end of the reporting year were properly recorded in both the University's accounting system and reports in accordance with applicable legislation.

Additionally, the movement and balances of these funds are also reflected in accounting and reporting forms prepared in compliance with internationally accepted standards. Balances existed for this item at both the beginning and end of the reporting year.

Cash, cash equivalents, and any restrictions on their use as of the specified dates were as follows (in AZN):

Cash and Cash Equivalents

The balances, movements, and other related information regarding the University's cash and cash equivalents as of the beginning and end of the reporting year have been accounted for in accordance with the form and procedures required by legislation, both in the University's accounting records and in its financial statements.

At the same time, the movement and remaining balances of these funds are also reflected in the accounting and reporting formats prepared in compliance with international standards.

The following cash and cash equivalent balances and restrictions on their use as of the specified dates were as follows (in AZN):

No.	Description	Balance as of 31.12.2024 (AZN)
1	Cash on hand	0
2	Special-purpose bank accounts	12,439,910
3	Settlement account	0
4	VAT deposit	670
	Total	12,440,580

Workforce and Salaries

The average number of University employees during the audited 2024 reporting year fluctuated compared to the previous year. There were both terminations and new hires due to various reasons.

It should be noted that, in accordance with the requirements of the Labor Code of the Republic of Azerbaijan and other normative legal acts, employment contracts regulating labor relations with employees, as well as agreements with materially responsible persons, were duly executed.

Salary payments, travel expenses, vacation payments, and final settlements were properly calculated. Social insurance contributions and other allocations to the relevant funds were made accordingly, and all payments for the audit period were made through bank transfers.

During the 2024 reporting year, the University's employees received the following payments under the category of personnel expenses (in AZN):

No.	Description	Amount (AZN)
1	Salaries and equivalent payments to employees	2,612,411.24
1.1	– Foreign employees	0
1.2	– Local employees	2,612,411.24
2	Social insurance contributions for employees	584,928
3	Business travel (per diem and expenses) paid to employees	194,475.55

All transactions related to the aforementioned areas were recorded using the applicable accounting chart of accounts and properly reflected in the relevant sections of the University's annual financial reports.

3. Lease Operations

The University determines its incremental borrowing rate based on the interest rates of various external financing sources and adjusts this rate depending on the lease terms and the type of leased asset.

The lease payments considered in the valuation of lease liabilities include:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments measured using the index or rate in effect at the lease commencement date;
- Amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price under a purchase option, if the University is reasonably certain to exercise that option;
- Lease payments for renewal periods if the University is reasonably certain to exercise an extension option;
- Penalties for early termination of the lease, unless it is reasonably certain that the University will not terminate the lease early.

As of the end of the reporting year, the situation with respect to lease payments was as follows (in AZN):

Description	2024 (AZN)
Lease payments to individuals	1,913,849.32
Lease payments to legal entities	0
Total	1,913,849.32

8. Trade and Other Receivables

During the audited period, the University carried out various procurement and sales (trade) transactions. The turnover of receivables resulting from operations related to the University's core activities reflects the total monetary value of all trade transactions that, over a period of time, have either increased ownership/property rights or decreased the sources of asset formation.

Transactions carried out and outstanding balances at year-end, including trade receivables, have been properly recorded in the University's accounting and reporting documents.

As of the end of the reporting year, the University's receivables from customers that could not be collected were as follows (in AZN):

Indicators	01.01.2024	Inflow	Outflow	31.12.2024
Short-term receivables from customers	44,438.62	11,101,463.74	11,145,902.36	0
Foreign receivables	0	0	0	0
TOTAL	44,438.62	11,101,463.74	11,145,902.36	0

9. Tax Receivables and Overpayments

During the reporting year and previous years, certain overpayments were made to the tax authorities in connection with transactions carried out by the University. These overpayments were applied toward settling new tax obligations in accordance with the relevant provisions of the Tax Code. As of the end of the reporting year, there were no outstanding overpayments.

Additionally, it should be noted that the University's overpayments or receivables from the state budget in relation to taxes arose from advance payments made based on verbal or official requests from tax authority representatives.

All movements and balances under this category during the reporting period have been reflected in the University's tax records and duly recorded in accordance with the relevant accounting plan and financial report items.

10. Inventory

The inventories procured during the reporting period were fully utilized within the same period. Therefore, no closing balances for inventories were reported as of the end of the year.

The balances, turnover, and other information regarding the University's inventories as of the beginning and end of the reporting year have been duly accounted for in accordance with legal requirements, both in the University's accounting system and its financial statements.

Furthermore, the movement and status of such assets are also presented in accounting and reporting formats prepared in compliance with international standards.

As of the end of the reporting year, the status of inventories was as follows (in AZN):

Indicators	01.01.2024	Inflow	Outflow	31.12.2024
Finished goods	0	0	0	0
Merchandise	0	0	0	0
Other supplies	2,049.35	96,501.25	97,812.65	737.95
TOTAL	2,049.35	96,501.25	97,812.65	737.95

11. Trade and Other Payables

During the reporting year and in previous periods, overpayments arose in the accounts of contractual counterparties due to transactions carried out by the University.

The turnovers and balances related to this area were duly accounted for in accordance with the relevant legislative provisions, and the overpayments or liabilities arising from completed works were used to settle part of newly arising obligations.

As of the end of the 2024 reporting year, there were no outstanding trade payables to the aforementioned organizations.

Additionally, it should be noted that this area is directly related to the core activities of the University, and the relations are continuously updated with new turnovers and balances emerging on an ongoing basis.

12. Property, Plant and Equipment

During the 2024 reporting period covered by the audit, all transactions related to property, plant, and equipment on the University's balance sheet, as well as the opening and closing balances, were recorded in accordance with the accounting and reporting system requirements.

The situation as of the end of the year is as follows (in AZN):

Description	Buildings	Equipment	Vehicles	Other	IT Equipment	Total
Opening balance (01.01.2024)	275,280.00	310,935.28	33,189.50	193,606.17	219,030.85	1,032,041.80
Additions during 2024	3,173,206.40	44,756.15	0.00	48,609.17	4,738.88	3,271,311.24
Disposals during 2024	241,393.05	71,138.29	8,297.38	48,443.20	55,942.43	425,214.35
Closing balance (31.12.2024)	3,207,093.35	284,553.14	24,892.12	193,772.78	167,827.30	3,878,138.69

13. Intangible Assets

During the 2024 reporting period covered by the audit, all transactions and balances related to intangible assets on the University's balance sheet were recorded in accordance with the required accounting and reporting standards. The status as of year-end is presented below (in AZN):

Description	Amount
Balance as of 01 January 2024 (indefinite useful life)	435,274.86
Additions during 2024	10,710.00
Disposals during 2024	44,598.47
Balance as of 31 December 2024	401,386.39

14. Analysis of Expenses by Nature and Cost Directions

Expenses related to income-generating activities of the University were properly recorded in accordance with applicable legislation, the national chart of accounts, and both national and international accounting standards.

They were also subject to control by tax authorities in accordance with the Tax Code. As of 31 December 2024, expenses for completed works, services rendered, and other operational directions are detailed below (in AZN):

Expense Category	Amount (AZN)
Salaries	2,612,411.24
Social insurance	584,928.00
Business travel	194,475.55
Raw materials	195,243.98
Electricity	35,566.31
Gas	24,146.15
Fuel	28,569.78
Water	5,300.24
Communication	50,638.59
Repairs	15,973.36
Rent	1,913,849.32
Banking services	52,392.14
Other expenses	547,101.64
Depreciation	472,013.84
Insurance	8,892.62
Miscellaneous	131,941.67
Total	6,873,631.43

15. Capital and Reserves

Charter Capital — is the amount specified in the founding documents of the entity registered with the state. The charter capital determines the minimum amount of the entity's assets securing the interests of its creditors. Both ordinary shares and non-redeemable preferred shares with discretionary dividends are classified as equity. Expenses directly related to the issuance of new shares are recorded as a deduction in equity.

During the 2024 reporting period, there was no change in the volume of the University's charter capital, which remained at AZN 373,173.00 according to the approved Charter.

Reserves

If provided in the entity's Charter, a "Reserve Capital (Fund)" may be established. Legislation does not require limited liability Universities to create a Reserve Capital (Fund). However, the "Reserve Capital" can be included in the University Charter by decision of the founders' meeting. Such decision specifies the volume of the Reserve Capital (Fund), annual contributions thereto, and the rules for its use.

Moreover, legislation may require establishment of a "Reserve Capital (Fund)" in certain cases. In such instances, the Charter must include provisions on the amount, formation, and use of this Reserve Capital (Fund) at the time of incorporation.

For example, commercial banks are required to create a "Reserve Fund" compulsorily during the year or after approval of the annual financial statements by the general meeting of founders (shareholders), through allocations from profits according to established norms.

In a shareholder University, the reserve capital (fund) is created in accordance with applicable legislation and is intended to cover losses, redeem bonds of shareholders, and pledge shares if other funds are unavailable.

Annual allocations to the reserve fund may not be less than 5% of net profit until the fund reaches the amount specified in the Charter. Organizations not mandated by law to create a reserve fund may establish one from net profit.

During the audit period, due to various reasons including obligations arising from legal or core operational matters, reserves have been created based on the University's financial results for the reporting year (profit allocations) and from various sources (such as revaluation). Movements and balances of these reserves have been duly recorded in the relevant accounts of the accounting system.

16. Profit or Loss

Section 80 of the Chart of Accounts covers the summarization of total profit (loss) information to be presented in the profit and loss statement. Total profit is determined by deducting expenses from total revenues noted in sections 6 and 7 of the Chart of Accounts. At the end of the reporting period, account 801 "Total Profit (Loss)" is closed without balance against account 341 "Net Profit (Loss) for the Reporting Period."

The University ended the year 2024 with a profit, after deducting exemptions, allowances, and previous years' losses, with the remaining amount subject to taxation. The situation for the audit-covered reporting year is as follows (in AZN):

Indicator	2024
Profit or Loss	4,227,832.31
Profit Exemptions and Allowances	4,227,832.31
Previous Years' Losses	0
Taxable Profit	0
Net Profit	4,227,832.31

17. Profit Tax

Profit tax in the current financial statements has been calculated in accordance with the requirements of the legislation of the Republic of Azerbaijan in force and effective as of the reporting date.

According to the Tax Code of the Republic of Azerbaijan, the profit tax rate applicable to the University is 20%.

Current profit tax represents the amount payable to or receivable from tax authorities in connection with taxable profit or loss for the current and prior periods. Taxable profit or loss is calculated based on estimates if confirmed after the submission of relevant tax returns. Taxes other than profit tax are recorded as administrative and other operating expenses.

During the 2024 reporting year, as a higher education institution, the University was exempt from VAT and profit tax. Therefore, no payments were made to the state budget in this regard.

18. Distribution of Capital Among Owners (Dividends)

Dividends are amounts distributed among shareholders from the net profit proportionate to their respective participation shares.

Declared dividends are not shown in the profit and loss statement according to National Accounting Standard No. 1, but are disclosed in the statement of changes in equity.

Dividends are recorded in equity upon declaration and approval. Dividends declared after the reporting period but before the financial statements' approval are disclosed in the "subsequent events" note.

Dividends and other payments from profits are made based on the financial statements prepared in accordance with local legislation.

Under Azerbaijani law, the current year's net profit serves as the basis for distribution.

Despite the University generating profit, dividends were not paid from net profit during the year; instead, the expenses were directed toward development of the teaching staff and students, participation in conferences, training, and other events.

19. Financial Risk Management

Financial risk factors

Price fluctuations of purchased and sold goods, other raw materials, exchange rates, and interest rates carry risk characteristics.

Management holds overall responsibility for organizing and supervising the University's risk management system. The risk management policy is designed to identify, analyze, and establish appropriate limits and control mechanisms. The policy and systems are regularly reviewed to reflect changes in market conditions and University operations.

The University fosters a disciplined and constructive control environment through training, management standards, and procedures, ensuring all employees understand their duties and responsibilities.

20. Potential Liabilities, Commitments, and Operational Risks

Operating environment

Certain characteristics typical of emerging markets are observed in the Azerbaijani economy.

The current and future growth and sustainability of the economy largely depend on the effectiveness of fiscal and monetary policies, crude oil prices, and the stability of the Azerbaijani manat.

Given the complexity of forecasting future effects of current economic conditions and policies, management's current economic forecasts and estimates may differ from actual results.

The financial and operational results of the University in 2024 were inevitably linked to the economic situation in Azerbaijan and abroad, including the countries with which the University conducts transactions with physical and legal entities.

During the last reporting year, the University's core operations improved. Certain risks arose, and some obligations were not fully met. Management monitors ongoing economic processes and takes preventive measures to ensure the University's sustainability and development in the near future.

Insurance

The insurance sector in Azerbaijan is in a relatively early stage of development. Many forms of insurance widely accepted internationally are still unavailable locally.

The University has not yet arranged full insurance coverage for business interruption of its fixed assets or third-party liability arising from environmental damage on University-owned premises. Until adequate insurance coverage is obtained, there is a risk that loss or destruction of certain assets may negatively impact the University's operations and financial position.

21. Changes and Litigation

During the 2024 reporting year covered by the audit, no changes occurred that could affect the proper formation of the Auditor's Opinion (Independent Auditor's Report).

Accordingly, for the period (01.01.2024 – 31.12.2024), the accounting policies applied, selected, and adopted at Western Caspian University, as well as the Accounting Policies and Explanatory Notes related to the prepared Financial Statements, were compiled by us based on actual financial and accounting conditions and are confirmed as accurate by our signatures:

Head: R. Bagirov

Chief Accountant: S. Rahimova

15 April 2025