# "A-Group Insurance Company" OJSC

## International Financial Reporting standards
## Financial Statements
*for the Year ended 31 December 2021*

## *and Independent Auditor's Report*

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## Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2021

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31 December 2021, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRSs;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Company's management the financial statements for the year ended 31 December 2021 were authorised for issue on 13 September 2022 by:

Azerbaijan Republic Open Joint-Stock Company A GROUP SIĞORTA ŞİRKƏTİ Açıq Səhmdar Cəmiyyəti Azərbaycan Respublikası

Abas Miskarli
Chairman of the Board

Natavan Imamguliyeva
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# Independent auditor's report

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

## Opinion

We have audited the accompanying financial statements of "A-Group Insurance Company" Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA" Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 23 to the financial statements which describes significant concentration of business.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control system that is relevant for the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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 charge with governance with a statement that we have to 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 were applicable, related safeguards.

BDO Azerbaijan LLC

"BDO Azərbaycan" MMC Azərbaycan Respublikası BDO The Republic of Azerbaijan "BDO Azerbaijan" LLC

Baku, Azerbaijan

13 September 2022

BDO

| | Notes | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and banks accounts | 6 | 10,197,627 | 15,137,027 |
| Deposits with banks | 7 | 6,667,086 | 5,770,665 |
| Reinsurance assets | 8 | 2,040,628 | 1,975,725 |
| Receivables | 9 | 1,904,018 | 1,794,179 |
| Deferred acquisition costs | 10 | 472,484 | 280,335 |
| Property and equipment | 11 | 404,462 | 401,718 |
| Intangible assets | 12 | 210,000 | - |
| Investment property | 13 | 2,393,840 | 2,393,840 |
| Right-of-use assets | 14 | 346,966 | 35,488 |
| Income tax assets | | 530,443 | - |
| Deferred tax assets | 15 | 158,063 | 15,329 |
| Other assets | 16 | 509,839 | 145,285 |
| **TOTAL ASSETS** | | **25,835,456** | **27,949,591** |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Provision for unearned premiums | 17 | 10,836,935 | 10,769,649 |
| Provision for claims | 18 | 3,047,583 | 1,930,206 |
| Lease liabilities | 14 | 357,327 | 45,210 |
| Payables | 19 | 667,115 | 1,210,731 |
| Deferred commission income | 20 | 92,512 | 79,469 |
| Income tax payable | | - | 410,187 |
| Taxes payable other than income tax | | 56,935 | 115,006 |
| Other liabilities | 21 | 253,660 | 339,673 |
| **Total liabilities** | | **15,312,067** | 14,900,131 |
| **Equity** | | | |
| Share capital | 22 | 10,005,250 | 10,005,250 |
| Revaluation reserve | 22 | 49,946 | 55,856 |
| Retained earnings | | 468,193 | 2,988,354 |
| **Total equity** | | **10,523,389** | **13,049,460** |
| **TOTAL LIABILITIES AND EQUITY** | | **25,835,456** | **27,949,591** |

Azerbaijan Republic Open Joint-Stock Company GROUP SIGORTA ŞIRKƏTI Azərbaycan Respublikası Səhmdar Cəmiyyəti

Abas Miskarli
Chairman of the Board

Natavan Imamguliyeva
Chief Accountant

| | Notes | For the year ended 31 December 2021 | For the year ended 31 December2020 |
|---|---|---|---|
| Gross written premiums | | 17,972,482 | 16,661,728 |
| Premiums ceded to reinsurers | | (2,640,756) | (2,084,438) |
| **Net written premiums** | | **15,331,726** | **14,577,290** |
| Changes in provision for unearned premiums, net of reinsurance | | 209,060 | (276,782) |
| **Premiums earned, net of reinsurance** | 23 | **15,540,786** | **14,300,508** |
| Claims paid | 23 | (11,740,434) | (8,475,790) |
| Claims ceded to reinsurers | 23 | 715,334 | 317,834 |
| Change in provision for claims, net of reinsurance | 23 | (1,326,685) | (395,608) |
| Net acquisition gains | 24 | (594,810) | (477,969) |
| **Insurance activity results** | | **2,594,191** | **5,268,975** |
| Operating expenses | 25 | (2,552,932) | (2,103,823) |
| Interest income, net | 26 | 83,455 | 139,467 |
| Foreign exchange gain/(loss) | | (162,989) | 96,998 |
| Other income | 27 | 170,500 | 105,972 |
| Gain from revaluation of investment property | | - | 397,603 |
| Provision for impairment loss on financial assets | | - | (46,360) |
| **Profit before income tax** | | **132,225** | **3,858,832** |
| Income tax expenses | 15 | 68,665 | (745,749) |
| **Net Profit for the year** | | **200,890** | **3,113,083** |
| Other comprehensive income/(loss) | | - | - |
| **Other comprehensive loss for the year, net of tax** | | - | - |
| **Total comprehensive income/(loss), net of tax** | | **200,890** | **3,113,083** |
| Earnings per share (basic and diluted) | 22 | **25.92** | **401.69** |

Abas Miskarli
Chairman of the Board

Natavar Imamguliyeva
Chief Accountant

*The notes set out on pages 10 to 43 are an integral part of these financial statements*

| | Share capital | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|
| **1 January 2020** | **10,005,250** | **61,766** | **1,429,361** | **11,496,377** |
| Net profit for the year | - | - | 3,113,083 | **3,113,083** |
| Other comprehensive loss for the year, net of tax | - | (5,910) | 5,910 | **-** |
| Dividends declared | - | - | (1,560,000) | **(1,560,000)** |
| **31 December 2020** | **10,005,250** | **55,856** | **2,988,354** | **13,049,460** |
| Net profit for the year | - | - | 200,890 | **200,890** |
| Other comprehensive loss for the year, net of tax | - | (5,910) | 5,910 | **-** |
| Dividends declared | - | - | (2,726,961) | **(2,726,961)** |
| **31 December 2022** | **10,005,250** | **49,946** | **468,193** | **10,523,389** |

Abas Miskarli
Chairman of the Board

Natavan Imamguliyeva
Chief Accountant

“A-Group Insurance Company” OJSC
Statement of cash flows for the year ended 31 December 2021
*In Azerbaijani manats, unless otherwise indicated*

| | Notes | For the year ended 31 December 2021 | For the year ended 31 December 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Premiums received | | 17,580,337 | 15,678,721 |
| Premiums paid | | (2,342,956) | (555,865) |
| Claims paid | | (11,544,206) | (8,663,726) |
| Reinsurance benefits received | | 44,347 | 237,717 |
| Operating expenses paid | | (2,726,584) | (1,871,565) |
| Commission paid | | (964,569) | (601,350) |
| Interest received | | 104,250 | 184,500 |
| Income tax paid | | (1,116,454) | (230,010) |
| Other income received | | 252 | 58,879 |
| **Net cash inflow/(outflow) from operating activities** | | **(965,583)** | **4,237,301** |
| **Cash flows from investing activities** | | | |
| Investment in deposit with banks | 7 | (890,000) | 3,040,000 |
| Acquisition of property and equipment | 11 | (122,278) | (46,680) |
| Acquisition of intangible assets | | (210,000) | - |
| **Net cash (outflow)/inflow from investing activities** | | **(1,222,278)** | **2,993,320** |
| **Cash flows from financing activities** | | | |
| Dividends paid | 19 | (2,726,961) | (1,560,000) |
| Lease payment received | | 138,400 | 96,300 |
| **Net cash outflow from financing activities** | | **(2,588,561)** | **(1,463,700)** |
| Effect of foreign exchange difference on cash and cash equivalents | | (162,978) | 186,130 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(4,939,400)** | **5,953,051** |
| Change in impairment provision | | - | (6,527) |
| Cash and cash equivalents as of 1 January | 6 | 15,137,027 | 9,190,503 |
| **Cash and cash equivalents as of 31 December** | 6 | **10,197,627** | **15,137,027** |

Azerbaijan Republic Open Joint-Stock Company
A GROUP SIĞORTA ŞİRKƏTİ
Açıq Səhmdar Cəmiyyəti Azərbaycan Respublikası

**Abas Miskarli**
**Chairman of the Board**

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**Chief Accountant**

*The notes set out on pages 10 to 43 are an integral part of these financial statements*