

“A-Group Insurance Company” OJSC

International Financial Reporting standards
Financial Statements
for the Year ended 31 December 2021
and Independent Auditor's Report

Contents

Statement of Management’s Responsibilities for the Preparation and Approval of the Financial Statements	3
Independent Auditor’s Report	4
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in the Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	
1. Principal activities of the Company	10
2. Operating environment of the Company	10
3. Basis of presentation	11
4. Summary of significant accounting policies	14
5. Critical Accounting Estimates and Judgments.....	21
6. Cash and bank accounts	23
7. Deposits with banks	23
8. Reinsurance assets	23
9. Receivables	24
10. Deferred acquisition costs	24
11. Property and equipment	25
12. Intangible assets.....	26
13. Investment property	26
14. Right-of-use assets	27
15. Income tax	28
16. Other assets.....	28
17. Provision for unearned premiums	29
18. Provision for claims	29
19. Payables	29
20. Deferred commission income	29
21. Other liabilities.....	30
22. Share capital and revaluation reserve.....	31
23. Premiums and claims analysis	33
24. Net acquisition cost.....	33
25. Operating expenses	34
26. Interest income, net	34
27. Other income	34
28. Risk management.....	40
29. Capital management.....	40
30. Contingent liabilities.....	41
31. Fair value of financial instruments	42
32. Related party transactions.....	43
33. Subsequent events	43

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:


Abas Miskarli
Chairman of the Board




Natavan Imamgulyeva
Chief Accountant

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of "A-Group Insurance Company" Open Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 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
Baku, Azerbaijan

13 September 2022



“A-Group Insurance Company” OJSC
Statement of financial position as at 31 December 2021
In Azerbaijani manats, unless otherwise indicated

	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

Abas Miskarli
Chairman of the Board



Natavan Imamgulyeva
Chief Accountant

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

“A-Group Insurance Company” OJSC

Statement of profit and loss and other comprehensive income for the year ended 31 December 2021

In Azerbaijani manats, unless otherwise indicated

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
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




Natavan İmamguliyeva
Chief Accountant

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

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

	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 Imamgulyeva
Chief Accountant

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

"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

Abas Miskarli
Chairman of the Board

Natavan Mamguliyeva
Chief Accountant

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021
in Azerbaijani manats, unless otherwise indicated

1. Principal activities of the Company

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

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

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

The average number of the Company's employees in 2021 was 81 (2020: 57 employees).

2. Operating environment of the Company

General

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

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

The financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Company. However, currently, it is difficult to determine the effect of changes in the economic situation on the future performance and financial position of the Company.

During 2021 and 2020, the Company complied with all external capital requirements in accordance with rules set by the Central Bank of the Republic of Azerbaijan (“CBAR”).

Inflation

In 2021 inflation in Azerbaijan sharply increased. The official inflation indices for the last two years are given in the table below:

Year ended	Inflation for the period
31 December 2021	6.70%
31 December 2020	2.60%

Financial market transactions

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

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

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

As at 31 December 2021 and 31 December 2020 the closing rates of exchange, being official rates of the Central Bank of the Republic of Azerbaijan, used for translating foreign currency balances to Azerbaijani Manats were:

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

	USD	EUR
31 December 2021	1.700	1.9265
31 December 2020	1.700	2.0890

3. Basis of presentation

Statement of compliance

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

Functional and presentation currency

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

Going concern

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

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

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

Estimates and assumptions

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

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

New and amended IFRS standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - (“IBOR Reform - Stage 2”). The amendments provide temporary exemptions that apply to address the consequences for financial statements where the interbank offered rate (IBOR) is substituted alternative near-risk-free interest rate. The amendments provide for the following:

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

- practical simplification, according to which changes in the contract or changes in monetary flows directly required by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;
- changes required by the IBOR reform to the definition of hedging relationships are allowed and hedging documentation without terminating the hedging relationship;
- organizations are granted a temporary exemption from the requirement to comply relative to separately identifiable components in cases where an instrument with a risk-free rate is determined at the discretion of the organization as a risk component within hedging relationships.

These amendments did not have any impact on the Company's financial statements as there are no hedging transactions based on interest rates.

Amendment to IFRS 16 titled Covid-19 Related Rent Concessions - The amendment provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) There is no substantive change to other terms and conditions of the lease.

The new amendment applies to annual reporting periods beginning on or after 1 April 2021 after this date. The Company has not been granted any pandemic-related lease concessions COVID-19, but, if necessary, it plans to apply the practical expedient in within the allowable period.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments IFRS 9 Financial Instruments - Fee for the “10% test” to derecognize financial liabilities, IAS 8 - Definition of accounting estimates, and IAS 1 - Disclosure of Accounting Policies</i>

Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as note below:

IFRS 17 Insurance Contracts

The new Standard establishes principles for the recognition, measurement, presentation and disclosure of information related to insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a General Model, which is modified for insurance contracts with direct participation features and described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty. The model takes into account market interest rates and the impact of policyholders' options and guarantees.

IFRS 17 is effective for periods beginning on or after 1 January 2023 after that date, and comparative information is required. Early application, provided that the entity also applies IFRS 9 and IFRS 15 at the date first application.

The Company is currently assessing the impact of applying IFRS 17 on its financial statements.

The Company's management expects to apply a simplified approach (or premium distribution) for short-term contracts, which may apply to contracts with a maturity of 12 months or less, or for which such simplification would result in the liability being measured at the remaining coverage that will not differ significantly from the estimate obtained by applying the general model. The simplification will apply to the measurement of the liability for the remaining coverage that is not requires breaking down into the present value of future cashflows (Present value of future cashflows), risk adjustment and contract service margin, but rather will be based on premium received less premium earned and unamortized cash flows from acquisitions. Incurred loss liabilities will be measured in accordance with the general model, under which all losses incurred will be subject to discounting and risk adjustment.

The management of the Company also expects that the presentation of revenue from insurance contracts will no longer be include gross written premium or investment components. In addition, insurance revenue and expenses for insurance services will be presented net of reinsurance, and the result of reinsurance will be included in the cost of insurance services. Under IFRS 17, insurance liabilities are subject to discounting; writing off the discount on insurance liabilities will be part of the investment result, not the result of the insurance service.

The Company continues to evaluate the impact of applying both IFRS 17 and IFRS 9. The Company expects that the majority of its non-life insurance contracts issued and reinsurance contracts in effect at the date of transition, IFRS 17 will apply simplified approach and intends to apply the simplified approach to such contracts in accordance with IFRS 17. As of 31 December 2021, it was not possible to quantify the potential impact on the financial position or performance of the Group after the adoption of these standards

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current - The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales inventories, proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS - Disclosure information about accounting policies"

In February 2021, the IASB issued amendments to IAS 1 and Practice Note #2 on the application of IFRS "Making Materiality Judgments", which provide guidance and examples to help entities apply materiality judgments when disclosing information about accounting policy. The amendments should help organizations disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant statements" accounting policies to require disclosure of "material information" about accounting policies, and by adding guidance on how organizations should apply the concept materiality in making decisions on disclosure of information about accounting policies.

Amendments to IAS 1 apply for annual periods beginning 1 January 2023 or after that date, with the possibility of early application. Since the amendments to the Practice Recommendation # 2 on the application of IFRS provide non-mandatory guidance on the application of determining materiality to accounting policy information, mandatory effective date these amendments are missing.

The Company is currently evaluating the impact these amendments may have on disclosures information about the accounting policy of the Company.

4. Summary of significant accounting policies

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

Financial assets

The Company classifies its financial assets in the following categories:

- Bank accounts;
- Deposits with banks;
- Insurance and reinsurance receivables.

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

Initial recognition of financial instruments

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

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

Fair value measurement

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

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

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

Impairment of financial assets

The Company assesses on each closing date whether there is any objective evidence that the value of a financial asset item or company of items has been impaired. Impairment losses are recognised in the

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

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

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

Derecognition of financial assets

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

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

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

Insurance contracts - classification

The Company enters into contracts which have insurance or financial risk, or both.

Insurance contracts are contracts where one party (the insurer) accepts a substantial insurance risk from the other party (the insured), agreeing to make payment to the insured upon occurrence in the future of the agreed unforeseen event (insured event) which had an adverse effect on the reinsured.

Such contracts are also exposed to financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is risk other than financial risk. Insurance risk arises when at least one of the following is uncertain at the inception of the insurance contract:

- whether an insured event will occur;
- when it will occur; or
- how much the insurer will need to pay if it occurs.

The Company does not consider the following risks as insurance risks:

- financial risk;
- risk that did not exist before the conclusion of the contract and resulted from its signing;

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

"A-Group Insurance Company" OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

- risk of cancellation (prolongation) of the contract earlier than the issuer expected when determining the contract price;
- risk of unforeseen increase in administrative expenses related to the contract.

The Company classifies a contract as an insurance contract only if it cedes significant insurance risk.

Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Description of insurance products

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

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

Insurance premiums

Gross premiums written comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries, insurance premium taxes, levies and similar mandatory contributions. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period using the daily pro-rata method. Outward reinsurance premiums are recognised as an expense in accordance with the daily pro-rata method. The portion of outward reinsurance premiums not recognised as an expense is treated as a prepayment.

Policy cancellation

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

Provision for unearned premiums

The provision for unearned premiums is recognised on the same date and is subsequently recorded as income in proportion to the contract term. Provision for unearned premiums represents the portion of premiums written applicable to the unexpired term of the insurance contract as at the reporting date.

Claims

Claims incurred comprise claims settled during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not, and provisions for related external claims handling expenses.

Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in external claims handling expenses, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Anticipated reinsurance and subrogation recoveries are recognised separately as assets. Reinsurance and subrogation recoveries are assessed in a manner similar to the assessment of claims outstanding.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provisions for claims

Provisions for claims are the estimated liability to settle future claims and include the provision for claims reported but not paid (RBNP) and provision for claims incurred but not reported (IBNR). The estimated claims

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

"A-Group Insurance Company" OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

adjustment expenses are included in RBNP and IBNR. RBNP is set up based on the claims that were reported but are still outstanding at the reporting date. The estimate is made on the basis of the information obtained by the Company when the insured events are considered, including information obtained subsequent to the reporting date. IBNR is actuarially estimated by the Company by each class of insurance business based on historical payment patterns for prior claims. The methods applied to estimate the provisions are regularly reviewed. The resulting adjustments are recorded in the statement of comprehensive income as they arise. The claims provision is estimated on an undiscounted basis, as the period between the claim filing and its settlement is rather short.

Unexpired risk provision

Unexpired risk provision is made for any deficiencies arising when unearned premiums are insufficient to meet expected claims and expenses to be borne by the Company after the end of the financial year under insurance contracts in effect at the reporting date. Unexpired risk provision is based upon loss development historical patterns and future loss projections (including claims adjustment expenses), and the level of expenses required to cover the current portfolio. Expected losses are calculated having regard to events that have occurred prior to the reporting date. For the financial reporting purposes the provision for unexpired risk is written off against deferred acquisition costs.

Reinsurance

The Company cedes reinsurance in the normal course of business. Reinsurance does not extinguish the Company's liability to its customers.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsured assets comprise receivables from reinsurers on settled claims, including claims handling expenses, reinsurers' share of claims provision and deferred acquisition costs. Reinsurance payables are the Company's liabilities in respect of premiums payable for reinsurance.

The Company assesses its reinsurance assets for impairment on a regular basis using the same accounting policies adopted for financial assets held at amortised cost. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

Deferred commission income

Commission income represent commission associated with reinsurance business and is primarily related to the reinsurance of mandatory and voluntary insurance contracts. Commission income is deferred and amortised over the contract period of reinsured policy. Commission income is estimated by each class of insurance.

Deferred acquisition costs ("DAC")

Acquisition costs represent commission expenses associated with obtaining insurance business and vary with and are primarily related to the acquisition of new and renewal insurance contracts. Acquisition costs are deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs are estimated by each class of insurance. At the time of policy issue and each reporting date, DAC are subject to recoverability testing by class of insurance based on future assumptions.

Acquisition costs on reinsurance, claim settlement and general and administrative expenses include personnel subsistence expenses, taxes other than income tax, depreciation, communication services, which are allocated among respective expense items subject to responsibilities of the Company's officials and in proportion to actual time spent.

Financial liabilities

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

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

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

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

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Financial liabilities carried at amortised cost

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

Deposits with banks

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

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised when the related income is received and measured on initial recognition at the fair value of the consideration to be received. After initial recognition, insurance receivables are measured at amortized cost using the effective interest method. The carrying amount of insurance receivables is the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of insurance receivables is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable and the impairment loss is recognized in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets are met.

Property and equipment

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

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

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

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

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

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

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets of the Company are accounting software and license. Useful life used in the calculation of amortisation is 5 years.

Investment property

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

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

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

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

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

Lease

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

The Company as a lessor

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

The Company as a lessee

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

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

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

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

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

Share capital

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

Dividends

Dividends are recognised when declared at the General Meeting of Shareholders of the Company. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Contingent assets and liabilities

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

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

Taxation

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

Current income tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Provisions

General

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

Unused vacations

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

Income and expense recognition

Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

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

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

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

Employee benefits and social insurance contributions

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

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company's segmental reporting is based on types of insurance products.

The Company measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10 percent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 percent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set).

5. Critical Accounting Estimates and Judgments

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

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

Reserves for claims

Loss reserves are particularly dependent on the use of estimates and judgment regarding the development of loss expectations. Reserves are calculated for individual lines of business, taking into consideration a wide range of factors. This reserving process begins with actuaries gathering data, typically dividing reserving data into the smallest possible homogeneous segments, while maintaining sufficient volume to form the basis for stable projections.

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

"A-Group Insurance Company" OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Once data is collected, they derive patterns of loss payment and emergence of claims based on historical data organised into development triangles arrayed by accident year versus development year. Loss payment and reporting patterns are selected based on observed historical development factors and also on the judgment of the reserving actuary using an understanding of the underlying business, claims processes, data and systems as well as the market, economic, societal and legal environment. Expected loss ratios are then developed, which are derived from the analysis of historical observed loss ratios, adjusted for a range of factors such as loss development, claims inflation, changes in premium rates, changes in portfolio mix and change in policy terms and conditions.

Using the development patterns and expected loss ratios described above, local reserving actuaries produce estimates of ultimate loss and allocated loss adjustment expenses.

Later the Company regularly reviews the reserving processes, including the appropriateness and consistency of assumptions.

Fair value of financial instruments

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

Valuation of investment property and buildings

The Company obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

The lack of comparable market transactions has resulted in a greater level of professional judgement being relied upon in arriving at valuations. Changes in the underlying assumptions could have a significant impact on the fair values presented. Further information in relation to the valuation of investment property is disclosed in Note 13 and in relation to the valuation of land and buildings in Note 11.

Useful lives of property and equipment and intangible assets

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

Legal proceedings

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

Taxation

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

These tax liabilities are recognised when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

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

6. Cash and bank accounts

	31.12.2021	31.12.2020
Bank accounts, foreign currency	7,378,741	8,807,089
Bank account, AZN	3,245,909	6,743,937
Cash on hand	2,292	15,316
Allowance for impairment of bank accounts, foreign currency	(429,315)	(429,315)
Total cash and bank accounts	10,197,627	15,137,027

As at the end of 2021 allowance for impairment of bank account comprise the amount on accounts in Azeri banks, which license was cancelled by the decision of the Board of the Central Bank of Azerbaijan (CBA).

7. Deposits with banks

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

	31.12.2021	31.12.2020
Deposits with banks, foreign currency	700,000	1,000,000
Deposit with bank, AZN	5,950,000	4,760,000
Interest income receivable on deposits with banks	17,086	10,665
Total deposits with banks	6,667,086	5,770,665

8. Reinsurance assets

	31.12.2021	31.12.2020
Reinsurer's share in provision for unearned premiums	1,837,117	1,560,771
Reinsurer's share in provision for claims	203,511	414,954
Total reinsurance assets	2,040,628	1,975,725

9. Receivables

	31.12.2021	31.12.2020
Receivables from direct insurance business	1,490,657	1,872,131
Receivables from reinsurance business	413,361	-
Allowance for impairment	-	(77,952)
Total receivables	1,904,018	1,794,179

In the reporting period, the allowance for impairment of receivables was fully restored.

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Concentration of insurance receivables as at 31 December 2021 and 2020 was as follows:

	31.12.2021		31.12.2020	
	Receivables	%	Receivables	%
Receivables from direct insurance business				
Somitomo Corporation Europe Limited	291,180	20%	207,693	12%
Azərbaycan Respublikasının Mərkəzi Bankı	140,361	9%	272,012	15%
SOCAQ AQS	107,294	7%	55,010	3%
YapıKrediBank	91,145	6%	-	-
Qazaxıstan Respublikasının Azərbaycandakı Səfirliyi	68,764	5%	-	-
Holcim OJSC	54,559	4%	58,654	3%
SDL Nobel MMC	47,015	3%	1,893	0%
Marintel MMC	42,785	3%	34,833	2%
Azercell Telekom MMC	38,675	3%	101,253	6%
BP Exploration (Azerbaijan) Limited	22,267	1%	90,824	5%
Weus Holding LLC Azerbaijan branch	-	-	112,679	6%
Azərbaycan Koka-Kola Bottlers Ltd MMC	-	-	87,354	5%
Others	586,612	39%	771,974	43%
Total receivables	1,490,657		1,794,179	

10. Deferred acquisition costs

	For the year ended 31 December 2021	For the year ended 31 December 2021
Deferred acquisition cost as at 1 January	280,335	209,102
Change in deferred acquisition costs	192,149	71,233
Deferred acquisition costs as at 31 December	472,484	280,335

11. Property and equipment

Movements in property and equipment for the year ended 31 December 2021 were as follow:

	Buildings	Furniture & fixtures	Computers & equipment	Vehicles	Other	Total
Book value						
31 December 2020	494,048	146,499	158,856	464,226	12,030	1,275,659
Additions	-	-	16,343	105,935	-	122,278
31 December 2021	494,048	146,499	175,199	570,161	12,030	1,397,937
Accumulated depreciation						
31 December 2020	(306,334)	(146,352)	(95,820)	(313,405)	(12,030)	(873,941)
Depreciation charge	(23,464)	(147)	(21,863)	(74,060)	-	(119,534)
31 December 2021	(329,798)	(146,499)	(117,683)	(387,465)	(12,030)	(993,475)
Net book value						
31 December 2020	187,714	147	63,036	150,821	-	401,718
31 December 2021	164,250	-	57,516	182,696	-	404,462

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Movements in property and equipment for the year ended 31 December 2020 were as follow:

	Buildings	Furniture & fixtures	Computers & equipment	Vehicles	Other	Total
Book value						
31 December 2019	494,048	146,499	125,442	564,096	12,030	1,342,115
Additions	-	-	46,680	-	-	46,680
Disposals	-	-	(13,266)	(99,870)	-	(113,136)
31 December 2020	494,048	146,499	158,856	464,226	12,030	1,275,659
Accumulated depreciation						
31 December 2019	(321,940)	(144,131)	(94,222)	(248,684)	(12,030)	(821,007)
Prior year recalculation	39,070	(1,482)	-	-	-	37,588
Depreciation charge	(23,464)	(739)	(14,864)	(69,987)	-	(109,054)
Eliminated on disposal	-	-	13,266	5,266	-	18,532
31 December 2020	(306,334)	(146,352)	(92,930)	(244,356)	(12,030)	(873,941)
Net book value						
31 December 2019	172,108	2,368	31,220	315,412	-	521,108
31 December 2020	187,714	147	63,036	150,821	-	401,718

The management believes that carrying value of the buildings is approximately the same as its revalued amount as of 31 December 2021 and 2020.

If the buildings were accounted at historical cost restated according to accumulated depreciation and impairment losses, its carrying value would be AZN 121,218 as at 31 December 2021 and AZN 128,606 manats as at 31 December 2020. The depreciation charge on revaluation reserve of these buildings during the year 2021 was AZN 7,388 (2020: AZN 7,388).

As per 31 December 2021 and 2020 the financial statements of the Company include fully depreciated property and equipment as listed below:

	31.12.2021	31.12.2020
Vehicles	228,134	128,642
Furniture and fixtures	146,499	142,849
Computers & equipment	77,554	74,242
Other	12,030	12,030
Total fully depreciated property and equipment	464,217	357,763

12. Intangible assets

Movement in intangible assets for the year ended 31 December 2021 and 31 December 2020 were as follows:

	Computer software	License	Total
Book value			
As at 31 December 2019	119,000	5,425	124,425
Additions	-	-	-
As at 31 December 2020	119,000	5,425	124,425
Additions	-	210,000	210,000
As at 31 December 2021	119,000	215,425	334,425

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

	Computer software	License	Total
Accumulated amortisation			
As at 31 December 2019	(97,091)	(4,548)	(101,639)
Amortisation expenses	(21,909)	(877)	(22,786)
As at 31 December 2020	(119,000)	(5,425)	(124,425)
Amortisation expenses	-	-	-
As at 31 December 2021	(119,000)	(5,425)	(124,425)
Net book value			
31 December 2020	-	-	-
31 December 2021	-	210,000	210,000

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

13. Investment property

Investment property includes the building located in Baku and leased to “MediClub Dental” LLC, a related party. If premises were measured using the cost model, the items of the statement of financial position would be carried at 63 thousand manats as at 31 December 2021 and 71 thousand manats as at 31 December 2020.

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

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

On 1 July 2019 the renovated buildings were leased out to “MediClub” LLC, a related party, for a period of 10 years. For the year ended 31 December 2021 the Company recognized income from operating lease (Note 27) in the amount of AZN 160,500 (2020: AZN 96,000).

The management believes that investment property has been presented at fair value based on its market value as of 31 December 2021 and 2020.

14. Right-of-use assets

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

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
As at 1 January	35,488	120,660
Additions	410,368	-
Depreciation expenses	(98,890)	(85,172)
As at 31 December	346,966	35,488

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

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

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

	For the year ended 31 December 2021	For the year ended 31 December 2020
As at 1 January		
Additions	45,210	139,601
Incurred interest (Note 26)	410,368	-
Payments made	27,215	19,609
	(125,466)	(114,000)
As at 31 December	357,327	45,210
- current	147,150	45,210
- non-current	210,177	-

15. Income tax

Income tax expenses comprise the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax charge	74,069	811,788
Adjustment of previous year	-	(108,495)
Deferred income tax (credit)/charge	(142,734)	42,456
Total income tax charge for the year	(68,665)	745,749

The current tax rate applicable to the Company's profit is 20% for 2021 and 2020.

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit before tax	132,225	3,858,832
Theoretical tax charge at the applicable statutory rate 20%	26,445	771,766
Non-deductible expenses less non-taxable income/(loss)	(95,110)	(26,017)
Total income tax charge for the year	(68,665)	745,749

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

Temporary differences due to	Balance as at 1 January 2021	(Charged)/credited to profit or loss	Balance as at 31 December 2021
Cash and bank accounts	85,863	-	85,863
Deposits with banks	(2,133)	(1,284)	(3,417)
Receivables	(2,472)	2,472	-
Reinsurance assets	(976)	(36)	(1,062)
Property and equipment	23,602	8,059	31,661
Intangible assets	16,095	(5,809)	10,286
Investment property	(47,095)	(12,950)	(60,045)
Right-of-use assets	(7,098)	(62,295)	(69,393)
Other assets	7,645	2,613	10,258
Provision for claims	(87,039)	319,046	232,007
Provision for premiums	-	(179,200)	(179,200)
Lease liabilities	9,042	62,423	71,465
Other liabilities	19,895	9,746	29,640
Net tax assets	15,329	142,734	158,063

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Temporary differences due to	Balance as at 1 January 2020	(Charged)/credited to profit or loss	Balance as at 31 December 2020
Cash and bank accounts	84,558	1,305	85,863
Deposits with banks	(7,218)	5,085	(2,133)
Receivables	7,624	(10,096)	(2,472)
Reinsurance assets	(3,232)	2,256	(976)
Property and equipment	58,104	(34,502)	23,602
Intangible assets	13,326	2,769	16,095
Investment property	(71,420)	24,325	(47,095)
Right-of-use assets	(24,132)	17,034	(7,098)
Other assets	6,951	694	7,645
Provision for claims	(44,547)	(42,492)	(87,039)
Lease liabilities	27,920	(18,878)	9,042
Other liabilities	9,851	10,044	19,895
Net tax assets	57,785	(42,546)	15,329

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

16. Other assets

	31.12.2021	31.12.2020
Advances paid	503,729	133,457
Other	6,110	11,828
Total other assets	509,839	145,285

17. Provision for unearned premiums

Below is the analysis of provision for unearned premium for the year ended 31 December 2021:

	31.12.2021		
	Gross	Reinsurer's part	Net
Provision for unearned premiums as at 1 January	10,769,649	(1,560,771)	9,208,878
Change in provision for unearned premiums	67,286	(276,346)	(209,060)
Provision for unearned premiums as at 31 December	10,836,935	(1,837,117)	8,999,818

Below is the analysis of provision for unearned premium for the year ended 31 December 2020:

	31.12.2020		
	Gross	Reinsurer's part	Net
Provision for unearned premiums as at 1 January	9,974,959	(1,042,863)	8,932,096
Change in provision for unearned premiums	794,690	(517,908)	276,782
Provision for unearned premiums as at 31 December	10,769,649	(1,560,771)	9,208,878

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

18. Provision for claims

Provisions for losses and expenses for the settlement of insurance claims were created on the basis of information currently available, including notices of existing potential losses, and experience on similar claims. The provision for incurred but not reported losses is determined actuarially by class of insurance and based on claim statistics for the period characteristic of the demonstration of losses by classes and subclasses of insurance, the Company's previous experience and availability of information. While management believes that the general provision for losses and related reinsurance recovery is sufficient on the basis of available information, the final obligation may change as a result of subsequent information and events that may result in adjustments to the amounts recorded.

Any adjustments to the amount of the provision will be reflected in the consolidated financial statements to the extent period when such adjustments become available and can be assessed.

Below is the analysis of provision for claims for the year ended 31 December 2021:

	31.12.2021		
	Gross	Reinsurer's part	Net
Provision for unearned premiums as at 1 January	1,930,206	(414,954)	1,515,252
Change in provision for unearned premiums	1,117,377	209,308	1,326,685
Provision for unearned premiums as at 31 December	3,047,583	(205,646)	2,841,937

Below is the analysis of provision for claims for the year ended 31 December 2020:

	31.12.2020		
	Gross	Reinsurer's part	Net
Provision for unearned premiums as at 1 January	1,526,644	(407,000)	1,119,644
Change in provision for unearned premiums	403,562	(7,954)	395,608
Provision for unearned premiums as at 31 December	1,930,206	(414,954)	1,515,252

Below is the categorisation of provision for claims as at 31 December 2021 and 2020:

	31.12.2021	31.12.2020
Reported but not settled claims	2,372,111	1,233,580
Incurred but not reported claims	675,472	696,626
Total provision for claims	3,047,583	1,930,206

19. Payables

	31.12.2021	31.12.2020
Ceded reinsurance premiums payable	390,334	1,031,949
Payable to agents	164,605	178,782
Claims payable	112,126	-
Total payables	667,115	1,210,731

20. Deferred commission income

	For the year ended 31 December 2021	For the year ended 31 December 2020
Deferred commission income at 1 January	79,469	79,254
Change in deferred commission income for the period	13,043	215
Deferred commission income at 31 December	92,512	79,469

21. Other liabilities

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

	31.12.2021	31.12.2020
Provision for unused leaves	148,194	99,470
Advances received	78,156	148,368
Payable to insurer regulator	-	89,117
Other	27,310	2,718
Total payables	253,660	339,673

22. Share capital and revaluation reserve

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

	31.12.2021	31.12.2020
Number of shares	7,750	7,750
Par value	1,291	1,291
Share capital	10,005,250	10,005,250

Earnings per share (basic and diluted) for 2021 and 2020 were calculated as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net profit for the year	200,890	3,113,083
Weighted average number of ordinary shares for basic earnings per share	7,750	7,750
Earnings per share	25.92	401.69

During 2021 the Company paid dividends to shareholders for the results of 2020 in total amount of AZN 2,726,961 (2020: AZN 1,560,000) (Note 32).

The properties revaluation reserve arises on the revaluation of buildings and investment properties (Note 11,13).

	For the year ended 31 December 2021	For the year ended 31 December 2020
Revaluation reserve as at 1 January	55,856	61,766
Depreciation charge utilisation	(7,388)	(7,388)
Deferred tax liabilities utilisation	1,478	1,478
Revaluation reserve as at 31 December	49,946	55,856

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

23. Premiums and claims analysis

Below is the analysis of premiums and claims by line of the Company's business for the year ended 31 December 2021:

	Medical insurance	Vehicle insurance	Insurance from fire	Liability insurance	Travel insurance	Other insurance	Total
Gross written premiums (Note 31)	13,826,661	2,840,655	913,311	323,886	11,829	56,140	17,972,482
Premiums ceded to reinsurers	(1,238,980)	(252,925)	(902,213)	(201,499)	(4,026)	(41,113)	(2,640,756)
Net written premiums	12,587,681	2,587,730	11,098	122,387	7,803	15,027	15,331,726
Change in provision for unearned premiums, net of reinsurance (Note 17)	1,159,783	(1,058,189)	123,172	(11,681)	629	(4,654)	209,060
Premiums earned, net of reinsurance	13,747,464	1,529,541	134,270	110,706	8,432	10,373	15,540,786
Claims paid (Note 31)	(10,834,460)	(762,549)	(127,054)	-	(371)	(16,000)	(11,740,434)
Claims ceded to reinsurers	557,759	62,623	81,525	-	334	13,093	715,334
Net payments	(10,276,701)	(699,926)	(45,529)	-	(37)	(2,907)	(11,025,100)
Change in provision for claims, net of reinsurance (Note 18)	(1,247,519)	(81,955)	2,379	919	1,323	(1,832)	(1,326,685)
Net claims paid	(11,524,220)	(781,881)	(43,150)	919	1,286	(4,739)	(12,351,785)

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Below is the analysis of premiums and claims by line of the Company's business for the year ended 31 December 2020:

	Medical insurance	Vehicle insurance	Insurance from fire	Liability insurance	Travel insurance	Other insurance	Total
Gross written premiums (Note 31)	14,607,630	1,070,984	588,641	120,459	13,199	260,815	16,661,728
Premiums ceded to reinsurers	(1,450,158)	(81,706)	(315,205)	(66,648)	(1,698)	(169,023)	(2,084,438)
Net written premiums	13,157,472	989,278	273,436	53,811	11,501	91,792	14,577,290
Change in provision for unearned premiums, net of reinsurance (Note 17)	129,096	(269,427)	(124,897)	(298)	6,370	(17,626)	(276,782)
Premiums earned, net of reinsurance	13,286,568	719,851	148,539	53,513	17,871	74,166	14,300,508
Claims paid (Note 31)	(7,904,829)	(523,566)	(29,928)	-	(6,659)	(10,808)	(8,475,790)
Claims ceded to reinsurers	67,584	239,141	1,447	-	6,000	3,662	317,834
Net payments	(7,837,245)	(284,425)	(28,481)	-	(659)	(7,146)	(8,157,956)
Change in provision for claims, net of reinsurance (Note 18)	(319,137)	(85,090)	1,470	(337)	9,243	(1,757)	(395,608)
Net claims paid	(8,156,382)	(369,515)	(27,011)	(337)	8,584	(8,903)	(8,553,564)

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Concentration of gross premiums written by customers was as follows:

Customer	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Gross written premiums	Percentage of total	Gross written premiums	Percentage of total
BP Exploration	4,381,695	24.38%	5,191,029	31.16%
Turan Drilling and Engineering Company	1,113,461	6.20%	-	-
Azerbaijan Beynəlxalq Banki	779,271	4.34%	660,737	3.97%
SOCAR AQS	523,824	2.91%	506,388	3.04%
PAŞA Sığorta	501,335	2.79%	-	-
AZVİRT	376,359	2.09%	-	-
Somitomo Corporation Europe Limited	324,146	1.80%	207,665	1.25%
ICRC	272,787	1.52%	217,096	1.30%
Yapi Kredi Bank Azərbaycan	271,949	1.51%	-	-
Vud Qrup PSN Azərbaycan	240,335	1.34%	261,901	1.49%
Holcim	231,937	1.29%	247,496	1.30%
Azercell Telekom	15,983	0.09%	1,694,641	10.17%
Azerbaijan Koka-Kola Bottlers Ltd	-	-	181,967	1.09%
MARS Overseas Baku Ltd	-	-	170,728	1.02%
Others	8,939,400	49.74%	7,322,080	43.95%
Total	17,972,482	100%	16,661,728	100%

24. Net acquisition cost

	For the year ended 31 December 2021	For the year ended 31 December 2020
Fee and commission income	160,967	139,700
Fee and commission expense	(474,339)	(688,687)
Change in deferred acquisition costs	(1,103)	71,233
Change in deferred commission income	(280,335)	(215)
Net acquisition costs	(594,810)	(478,184)

25. Operating expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Salary and bonuses	1,943,535	1,354,550
Depreciation charge and amortisation expense	218,424	217,012
Advertising expenses	90,311	96,664
Professional services	89,162	36,709
Bank commissions	87,028	36,099
Vehicle expenses	84,411	60,644
Communication expenses	26,202	27,388
Printing and office supplies	15,277	14,458
Insurance	13,619	7,362
Utilities	9,924	12,198
Rent expenses	2,328	-
Regress Expenses	(114,194)	(44,369)
Taxes other than income tax	(36,823)	225,446
Other operating expenses	123,728	59,662
Total Operating expenses	2,552,932	2,103,823

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

26. Interest income, net

Interest income amounted AZN 110,670 and AZN 159,076 in 2021 and 2020 years respectively represents revenue earned from placing idle cash balances in deposits with banks (Note 7) with interest rates from 0.4% to 2.2% per annum in USD and interest rates from 7.5% to 9.5% per annum in AZN (average 4%).

Interest expense related to lease agreement was accrued in amount AZN 27,215 during 2020 (2020: AZN 19,609).

27. Other income

	For the year ended 31 December 2020	For the year ended 31 December 2020
Rent income (Note 31)	170,500	96,300
Net gain from assets disposal	-	5,172
Other income	-	4,500
Total other income	170,500	105,972

28. Risk management

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

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

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

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

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

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

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Further disclosures regarding categories of financial instruments are provided below.

	31 December 2021	31 December 2020
Cash and bank accounts	10,197,627	15,137,027
Deposit with banks	6,667,086	5,770,665
Reinsurance assets	2,040,628	1,975,725
Receivables	1,904,018	1,794,179
Total financial assets	20,809,359	24,677,596
Payables	(667,115)	(1,210,731)
Lease liabilities	(357,327)	(45,210)
Other liabilities	-	(89,117)
Total financial liabilities	(1,024,442)	(1,345,058)

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

“A-Group Insurance Company” OJSC
Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Ageing analysis of not impaired and impaired financial assets as at 31 December 2021:

Impaired financial assets								
	Not impaired	Less than 1 month overdue	From 1 to 6 months overdue	From 6 to 12 months overdue	From 1 to 5 years overdue	Impaired but not overdue	Provision for impairment	Total
Cash and bank accounts	10,197,627	-	-	-	429,315	-	(429,315)	10,197,627
Deposits with banks	6,667,086	-	-	-	-	-	-	6,667,086
Reinsurance assets	2,040,628	-	-	-	-	-	-	2,040,628
Receivables	1,904,018	-	-	-	-	-	-	1,904,018
Total financial assets	20,809,359	-	-	-	429,315	-	(429,315)	20,809,359

Ageing analysis of not impaired and impaired financial assets as at 31 December 2020:

Impaired financial assets								
	Not impaired	Less than 1 month overdue	From 1 to 6 months overdue	From 6 to 12 months overdue	From 1 to 5 years overdue	Impaired but not overdue	Provision for impairment	Total
Cash and bank accounts	15,137,027	-	-	-	429,315	-	(429,315)	15,137,027
Deposits with banks	5,770,665	-	-	-	-	-	-	5,770,665
Reinsurance assets	1,975,725	-	-	-	-	-	-	1,975,725
Receivables	1,794,179	-	-	43,995	33,957	-	(77,952)	1,794,179
Total financial assets	24,667,596	-	-	43,995	463,272	-	(507,267)	24,677,596

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

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

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

Geographical risk. All receivables from reinsurance business as at 31 December 2020 and 2019 are located in Azerbaijan. All sizeable liabilities of the Company are located in Azerbaijan.

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

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December 2021:

	AZN	USD	EUR	Total
Assets				
Cash and cash equivalents	2,818,830	5,444,595	1,934,202	10,197,627
Deposits with banks	717,086	5,950,000	-	6,667,086
Reinsurance assets	2,040,628	-	-	2,040,628
Receivables	1,490,851	410,862	2,305	1,904,018
Total financial assets	7,067,395	11,805,457	1,936,507	20,809,359
Liabilities				
Payables	(250,551)	(413,831)	(2,733)	(667,115)
Lease liabilities	(357,327)	-	-	(357,327)
Other liabilities	-	-	-	-
Total financial liabilities	(607,878)	(413,831)	(2,733)	(1,024,442)
Net balance sheet position	6,459,517	11,391,626	1,933,774	19,784,917

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December 2020:

	AZN	USD	EUR	Total
Assets				
Cash and cash equivalents	6,329,938	6,709,737	2,097,352	15,137,027
Deposits with banks	1,010,665	4,760,000	-	5,770,665
Reinsurance assets	1,975,725	-	-	1,975,725
Receivables	1,513,944	269,700	10,535	1,794,179
Total financial assets	10,830,272	11,687,602	2,107,887	24,677,596
Liabilities				
Payables	(1,138,594)	(51,835)	(20,302)	(1,210,731)
Lease liabilities	(45,210)	-	-	(45,210)
Other liabilities	(89,117)	-	-	(89,117)
Total financial liabilities	(1,272,921)	(51,835)	(20,302)	(1,345,058)
Net balance sheet position	9,557,351	11,791,272	2,087,585	23,332,538

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

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

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

Reasonably expected exchange rate changes for each currency were projected on the basis of maximal exchange rate fluctuations in December 2021 and 2020.

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Effect on profit or loss before taxation	Effect on comprehensive income	Effect on profit or loss before taxation	Effect on comprehensive income
EUR appreciation by 15% (2020: 10%)	290,066	232,053	208,759	167,007
EUR depreciation by 15% (2020: 10%)	(260,066)	(232,053)	(208,759)	(167,007)

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

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

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

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

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

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

The table below shows the maturity analysis of financial liabilities as at 31 December 2021:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Payables	83,020	583,555	540	-	667,115
Lease liabilities	-	84,198	84,198	188,931	357,327
Other liabilities	-	-	-	-	-
Total liabilities	83,020	667,753	84,738	188,931	1,024,442

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

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

The table below shows the maturity analysis of financial liabilities as at 31 December 2020:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Payables	1,210,731	-	-	-	1,210,731
Lease liabilities	1,331	25,392	18,487	-	45,210
Other liabilities	89,117	-	-	-	89,117
Total liabilities	1,301,179	25,392	18,487	-	1,345,058

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

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

The Company is not exposed to interest rate risk, principally because it has no material interest bearing liabilities. The only interest bearing asset of the Company is deposits with banks, which carry annual interest rate ranging from 0.4% to 9.5% (Note 26).

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

The Company controls underwriting risks through:

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

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

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

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

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

29. Capital management

The Company's capital management has the following objectives:

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

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

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

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

The shareholder's overall strategy remains unchanged as per 31 December 2021 and 2020.

30. Contingent liabilities

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

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

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

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

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

As at 31 December 2021, the management of the Company believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained by controlling bodies.

31. Fair value of financial instruments

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

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

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

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

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

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

Fair value estimation as at 31 December 2021					
	Date	Level 1	Level 2	Level 3	Total
Assets whose fair value disclosed					
Cash and bank accounts	31.12.2021	10,195,335	2,292	-	10,197,627
Deposit with banks	31.12.2021	6,667,086	-	-	6,667,086
Receivables	31.12.2021	-	1,904,018	-	1,904,018
		16,862,421	1,906,310	-	18,768,731
Liabilities whose fair value disclosed					
Payables	31.12.2021	-	(667,115)	-	(667,115)
Lease liabilities	31.12.2021	-	(357,327)	-	(357,327)
		-	(1,024,442)	-	(1,024,442)

“A-Group Insurance Company” OJSC

Notes to the financial statements for the year ended 31 December 2021 (continued)
in Azerbaijani manats, unless otherwise indicated

Fair value estimation as at 31 December 2020					
	Date	Level 1	Level 2	Level 3	Total
Assets whose fair value disclosed					
Cash and bank accounts	31.12.2020	15,109,471	15,316	-	15,124,787
Deposit with banks	31.12.2020	5,770,665	-	-	5,770,665
Receivables	31.12.2020	-	1,794,179	-	1,794,179
		20,880,136	1,809,495	-	22,689,631
Liabilities whose fair value disclosed					
Payables	31.12.2020	-	(1,210,731)	-	(1,210,731)
Lease liabilities	31.12.2020	-	(45,210)	-	(45,210)
Other liabilities	31.12.2020	-	(89,117)	-	(89,117)
		-	(1,345,058)	-	(1,345,058)

There were no transfers between Levels 1, 2 and 3 during 2021 and 2020.

32. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

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

The outstanding balances at the year end and asset transactions with related parties as of 31 December 2021 and 2020 were as follows:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Related party transactions	Total category	Related party transactions	Total category
Cash and banks accounts		10,197,627		15,566,342
– Member of supervisory board of directors with significant influence over the Company				
Advances paid			12,243	
– companies controlled by the shareholder		503,729		133,457
	120,695		114,909	
Gross written premiums		17,972,482		16,661,728
– companies controlled by the shareholder				
Claims paid			75,394	
– companies controlled by the shareholder		(11,740,434)		(8,475,790)
	(4,975,394)		(3,228,197)	
Operating expenses		(2,552,932)		(2,103,823)
– key management personnel				
– companies controlled by the shareholder	(207,877)		(195,007)	
	-		(3,121)	
Other income/(loss)		170,500		105,972
– companies controlled by the shareholder				
	160,500		96,300	

The notes set out on pages 19 to 43 are an integral part of these financial statements

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

33. Subsequent events

Started at the end of February 2022 the Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests (suppliers and customers, investments and lenders). Sanctions placed on the Russian government, Russian entities and Russian individuals by many jurisdictions may also affect entities, such as a loss of access to financial resources and trade, as well as the consequential effects of sanctions on worldwide prices (oil, natural gas and other petroleum products).

At present, it is hardly possible to make statement on the temporal extension of the crisis, which may also be exacerbated by further actions on the part of Russia.

The Company's management cannot predict what impact these factors can have on the Company's financial position in future.

On 22 February 2022 the Company declared dividends for the year ended 31 December 2021 in the amount of AZN 929,024 for profit earned during the year 2021.