

# **OJSC “AZRE REINSURANCE”**

**International Financial Reporting Standards  
Consolidated Financial Statements and  
Independent Auditor’s Report**

**31 December 2020**

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Independent Auditor's Report

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## Independent Auditor's Report

To the Shareholders and Board of Directors of the AzRe Reinsurance OJSC:

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AzRe Reinsurance OJSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



## Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

*PricewaterhouseCoopers Audit Azerbaijan LLC*

Baku, the Republic of Azerbaijan

23 July 2021

**“AZRE REINSURANCE” OJSC**  
**Consolidated Statement of Financial Position**

<i>In Azerbaijani Manats</i>	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	7	37,157,517	13,625,126
Deposits with banks	8	6,674,166	7,795,089
Held-to-maturity investments	9	71,320,714	81,704,204
Available-for-sale investments	10	28,191,811	24,054,326
Trading Investments	11	-	6,260,668
Mandatory reserve with Compulsory Insurance Bureau		600,000	600,000
Insurance and reinsurance receivables	12	13,163,835	7,823,772
Reinsurers' share of reserves for unearned premiums	14	5,860,464	5,338,059
Reinsurers' share of insurance loss reserves	15	3,861,833	2,489,282
Deferred acquisition costs	22	3,489,139	2,512,908
Prepayment for current income tax		4,509,313	662
Deferred tax asset	19	1,149,316	937,730
Other non-financial assets		1,660,350	604,530
Right-of-use assets	17	1,669,451	905,958
Premises, equipment and intangible assets	18	1,725,579	1,800,988
<b>Total assets</b>		<b>181,033,488</b>	<b>156,453,302</b>
<b>Liabilities</b>			
Reserves for unearned premiums, gross	14	31,729,372	27,723,834
Insurance loss reserves, gross	15	45,178,041	15,884,527
Insurance and other payables	16	3,600,917	1,833,439
Received advances	13	15,274,150	5,489,561
Current income tax liability		487,944	1,096,984
Lease liabilities	17	1,125,424	909,684
Deferred commission income		286,699	189,596
Deferred tax liability		-	108,578
Other liabilities		1,577,224	705,620
<b>Total liabilities</b>		<b>99,259,771</b>	<b>53,941,823</b>
<b>Equity</b>			
Share capital	20	50,000,000	50,000,000
Retained earnings		29,446,634	50,403,427
Other reserves		54,348	56,068
<b>Equity attributable to the Company's owners</b>		<b>79,500,982</b>	<b>100,459,495</b>
<b>Non-controlling interest</b>		<b>2,272,735</b>	<b>2,051,984</b>
<b>Total equity</b>		<b>81,773,717</b>	<b>102,511,479</b>
<b>Total liabilities and shareholders' equity</b>		<b>181,033,488</b>	<b>156,453,302</b>

Approved for issue and signed on behalf of the Management Board on July 23, 2021.

Mr. Vusal Abbasov  
Chairman of the Board



Mrs. Lala Afandiyeva  
Finance Director

**“AZRE REINSURANCE” OJSC**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In Azerbaijani Manats</i>	Note	2020	2019
Gross Premiums written	21	96,756,801	82,517,134
Premiums ceded	21	(16,170,676)	(12,819,890)
Premiums cancelled		(1,687,742)	(1,760,290)
<b>Net premiums written</b>		<b>78,898,383</b>	<b>67,936,954</b>
Increase in reserve for unearned premiums, gross	21	(4,005,538)	(9,101,543)
Increase in reinsurers' share of reserve for unearned premiums	21	522,405	587,048
<b>Change in reserve for unearned premiums, net</b>		<b>(3,483,133)</b>	<b>(8,514,495)</b>
<b>Net premiums earned</b>		<b>75,415,250</b>	<b>59,422,459</b>
Claims paid, gross	21	(31,106,924)	(15,835,617)
Claims recovered from reinsurers	21	729,372	604,981
<b>Claims paid, net of reinsurers' share</b>		<b>(30,377,552)</b>	<b>(15,230,636)</b>
(Increase)/Decrease in insurance loss reserves, gross	21	(29,293,514)	4,698,538
Increase/(Decrease) in reinsurers' share of insurance loss reserves	21	1,372,551	(1,020,042)
<b>Change in loss reserve, net</b>		<b>(27,920,963)</b>	<b>3,678,496</b>
<b>Net claims incurred</b>		<b>(58,298,515)</b>	<b>(11,552,140)</b>
Acquisition costs	22	(7,750,630)	(7,271,689)
Commission income		65,568	734,788
Operating expenses	23	(13,158,344)	(10,998,569)
Depreciation and amortisation	17,18	(945,587)	(1,084,469)
Interest income on deposits with banks		511,976	455,746
Interest income on debt securities		7,867,652	6,539,387
Provision for impairment of cash and cash equivalents	7	-	(23,253)
Provision for impairment of deposits with banks		(13,158)	-
Gains less losses from trading investments		1,045,469	666,737
Finance cost	17	(95,037)	(137,006)
Foreign exchange translation gain/(loss), net		35,482	(35,260)
Other income net		20,613	62,217
<b>Profit before taxation</b>		<b>4,700,739</b>	<b>36,778,948</b>
Income tax expense	19	(1,486,590)	(7,361,320)
<b>PROFIT FOR THE YEAR</b>		<b>3,214,149</b>	<b>29,417,628</b>
Other comprehensive income/ (loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments:			
- Gains less losses arising during the year		(1,911)	62,298
<b>Other comprehensive income / (loss) for the year</b>		<b>(1,911)</b>	<b>62,298</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,212,238</b>	<b>29,479,926</b>
<b>Profit / (loss) is attributable to:</b>			
- Owners of the Company		2,993,207	29,173,396
- Non-controlling interest		220,942	244,232
<b>Profit for the year</b>		<b>3,214,149</b>	<b>29,417,628</b>
<b>Total comprehensive income / (loss) is attributable to:</b>			
- Owners of the Company		2,991,487	29,229,464
- Non-controlling interest		220,751	250,462
<b>Total comprehensive income for the year</b>		<b>3,212,238</b>	<b>29,479,926</b>

**“AZRE REINSURANCE” OJSC**  
**Consolidated Statement of Changes in Equity**

<i>In Azerbaijani Manats</i>	Share capital	Retained earnings	Revaluation reserve for AFS securities	Total equity attributable to the owners of the Company	Non- controlling interest	Total equity
<b>Balance at 1 January 2019</b>	<b>50,000,000</b>	<b>44,125,031</b>	-	<b>94,125,031</b>	<b>1,641,361</b>	<b>95,766,392</b>
Profit / (Loss) for the year	-	29,173,396	-	29,173,396	244,232	29,417,628
Other comprehensive income/ (loss) for the year	-	-	56,068	56,068	6,230	62,298
Dividends declared	-	(22,895,000)	-	(22,895,000)	-	(22,895,000)
Shares issued	-	-	-	-	160,161	160,161
<b>Balance at 31 December 2019</b>	<b>50,000,000</b>	<b>50,403,427</b>	<b>56,068</b>	<b>100,459,495</b>	<b>2,051,984</b>	<b>102,511,479</b>
Profit / (Loss) for the year	-	2,993,207	-	2,993,207	220,942	3,214,149
Other comprehensive income/ (loss) for the year	-	-	(1,720)	(1,720)	(191)	(1,911)
Dividends declared	-	(23,950,000)	-	(23,950,000)	-	(23,950,000)
Shares issued	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>50,000,000</b>	<b>29,446,634</b>	<b>54,348</b>	<b>79,500,982</b>	<b>2,272,735</b>	<b>81,773,717</b>