

PASHA Insurance OJSC

Financial statements

Year ended 31 December 2023

together with independent auditors' report

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KPMG Audit Azerbaijan LLC
Port Baku South Tower
Neftchilar Avenue, 153
Baku, Azerbaijan AZ1010
+994 12 404 89 10

Independent Auditors' Report

To the Shareholder and Board of Directors of PASHA Insurance OJSC

Opinion

We have audited the financial statements of PASHA Insurance OJSC (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 1 March 2023.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 of 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.

Auditors' 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 auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Nasiba Muradkhanova
KPMG Audit Azerbaijan LLC
Baku, the Republic of Azerbaijan
29 February 2024



STATEMENT OF FINANCIAL POSITION*(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	31 December 2023	31 December 2022 (restated*)	1 January 2022 (restated*)
Assets				
Cash and cash equivalents	6	12,382	16,905	6,336
Investment securities	7	178,590	107,076	100,506
Amounts due from credit institutions	8	35,844	57,585	46,204
Receivables	9	3,159	5,093	1,897
Reinsurance contract assets	13	3,914	11,604	9,588
Insurance contract assets	13	250	-	17
Deferred expenses		1,378	1,599	1,206
Deferred income tax assets	15	5,221	4,826	1,426
Property, equipment and intangible assets	10	5,968	5,684	4,026
Right-of-use assets	11	1,454	2,194	2,926
Other assets	12	9,313	6,454	8,284
Total assets		257,473	219,020	182,416
Liabilities				
Insurance contract liabilities	13	139,520	102,743	77,916
Reinsurance contract liabilities	13	2,281	1,685	3,930
Payables	14	3,832	7,819	1,383
Deferred revenue		2,168	2,553	1,487
Borrowings		-	-	566
Current income tax liabilities	15	5,273	7,531	804
Lease liabilities	11	1,844	2,646	3,362
Other liabilities	12	14,169	10,934	9,345
Total liabilities		169,087	135,911	98,793
Equity				
Share capital	16	50,000	50,000	50,000
Retained earnings		37,915	33,254	29,521
Net unrealized gains/(losses) on investment securities		471	(145)	4,102
Total equity		88,386	83,109	83,623
Total liabilities and equity		257,473	219,020	182,416

*See Note 4.

Signed and authorized for release on behalf of the Management Board of the Company:




Uviyya Jabbarova
Chief Executive Officer
Chairman of the Management Board



Inara Mirhasanova
Chief Financial Officer,
Member of the Management Board

28 February 2024

The accompanying notes on pages 5 to 105 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	2023	2022 (restated*)
Insurance revenue	18	230,589	173,097
Insurance service expenses	18	(179,462)	(102,208)
Net expenses from reinsurance contracts	18	(2,843)	(25,940)
Insurance service result		48,284	44,949
Personnel expenses	19	(15,683)	(12,392)
Other operating and administrative expenses	20	(9,283)	(9,583)
Operating expenses		(24,966)	(21,975)
Investment income	21	13,415	9,152
Dividend income	21	3,000	3,000
Interest expense		(313)	(320)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		-	259
Impairment reversal, net	7, 8	138	156
Foreign exchanges loss, net		(79)	(63)
Other income, net		2,825	1,127
Profit before income tax		42,304	36,285
Income tax expense	15	(8,441)	(7,918)
Profit for the year		33,863	28,367
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		-	(1,099)
Reclassification of cumulative loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss		-	(259)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7	(29)	264
Income tax relating to components of other comprehensive income		6	219
Net other comprehensive loss to be classified to profit or loss in subsequent periods		(23)	(875)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of equity instruments at fair value through other comprehensive income	24	799	(4,215)
Income tax relating to components of other comprehensive income		(160)	843
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		639	(3,372)
Total other comprehensive income/(loss), net of tax		616	(4,247)
Total comprehensive income for the year		34,479	24,120

* See Note 4.

The accompanying notes on pages 5 to 105 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	Share capital	Retained earnings	Net unrealized gains/ (losses) on investment securities	Total equity
Balance at 31 December 2021		50,000	31,444	4,102	85,546
Adjustments on initial application of IFRS 17, net of tax		-	(1,923)	-	(1,923)
Restated* balance at 1 January 2022		50,000	29,521	4,102	83,623
Dividends to shareholder	16	-	(24,634)	-	(24,634)
Total comprehensive income for the period (restated*)		-	28,367	(4,247)	24,120
Restated* balance at 31 December 2022		50,000	33,254	(145)	83,109
Dividends to shareholder	16	-	(29,202)	-	(29,202)
Total comprehensive income for the period		-	33,863	616	34,479
As at 31 December 2023		50,000	37,915	471	88,386

* See Note 4.

The accompanying notes on pages 5 to 105 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS**For the year ended 31 December***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	2023	2022
Cash flows from operating activities			
Insurance premiums received		278,455	204,621
Reinsurance premiums paid		(62,258)	(52,830)
Claims paid		(101,563)	(65,020)
Claims received, reinsurers' share of claims paid		4,681	460
Fees and commissions paid, net		(10,553)	(3,679)
Personnel expenses paid		(23,932)	(18,855)
General and administrative expenses paid		(15,101)	(11,702)
Marketing and advertising expenses paid		(1,307)	(386)
Subrogation income received		2,058	2,024
Other operating income received		91	97
Net cash flows from operating activities before income tax		70,571	54,730
Income tax paid		(10,860)	(4,087)
Net cash from operating activities		59,711	50,643
Cash flows from investing activities			
Investment income received		13,021	9,560
Purchase of investment securities		(89,789)	(63,421)
Proceeds from sale and redemption of investment securities		20,351	51,509
Dividend income received		2,700	2,700
Amounts placed at credit institutions		(24,835)	(47,092)
Amounts repaid by credit institutions		46,535	36,198
Purchase of property, equipment and intangible assets		(2,182)	(3,099)
Proceeds from sale of property, equipment and intangible assets		301	-
Net cash used in investing activities		(33,898)	(13,645)
Cash flows from financing activities			
Dividends paid	16	(29,202)	(24,634)
Sale and repurchase operations		-	(566)
Lease payment		(1,039)	(1,028)
Net cash used in financing activities		(30,241)	(26,228)
Effect of exchange rates changes on cash and cash equivalents		(95)	(201)
Net (decrease)/increase in cash and cash equivalents		(4,523)	10,569
Cash and cash equivalents, beginning	6	16,905	6,336
Cash and cash equivalents, ending	6	12,382	16,905

Non-cash transactions performed by the Company comprise the following:

	2023	2022
Cash flows from operating activities		
Gross written premiums and premiums ceded to reinsurers on fronting contracts	2,272	642
Claims settled to reinsurers on fronting contracts	(44,471)	-
Claims settled from reinsurers on fronting contracts	44,471	-
Cash flows from financing activities		
Withholding tax on dividend income	300	300

The accompanying notes on pages 5 to 105 are an integral part of these financial statements.