

**PASHA Insurance OJSC**

**Interim condensed financial statements**

*30 June 2023*

# Contents

## Report on Review of Interim Financial Information

### Interim condensed financial statements

Interim condensed statement of financial position .....	1
Interim condensed statement of profit or loss and other comprehensive income .....	2
Interim condensed statement of changes in equity .....	3
Interim condensed statement of cash flows .....	4

### Explanatory notes to the interim condensed financial statements

1. Principal activities .....	5
2. Basis of preparation .....	5
3. Changes in significant accounting policies .....	5
4. Cash and cash equivalents .....	7
5. Investment securities .....	7
6. Amounts due from credit institutions .....	8
7. Insurance receivables .....	9
8. Insurance and reinsurance contract liabilities and assets .....	10
9. Insurance payables .....	20
10. Taxation .....	20
11. Equity .....	20
12. Contingencies and commitments .....	20
13. Insurance service results .....	22
14. Personnel expenses .....	24
15. General and administrative expenses .....	24
16. Investment income .....	24
17. Related party transactions .....	24
18. Fair values of financial instruments .....	26



“KPMG Audit Azerbaijan” LLC  
Port Baku South Tower 12th floor  
153 Neftchiler Avenue,  
Baku, Azerbaijan AZ1010  
Telephone + 994 (12) 404 89 10  
Fax + 994 (12) 404 89 14  
Website [www.kpmg.az](http://www.kpmg.az)

# Independent Auditors’ Report on Review of Condensed Interim Financial Information

To the Shareholder and Board of Directors of PASHA Insurance OJSC

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of PASHA Insurance OSJC (the “Company”) as at 30 June 2023, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial information (the “condensed interim financial information”). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



### Other Matter

The financial statements as at and for the year ended 31 December 2022 and the condensed interim financial statements of the Company as at and for the six-month period ended 30 June 2022 were audited and reviewed, respectively, by other auditors whose reports dated 1 March 2023 and 6 September 2022, respectively, were unmodified.

  
Nasiba Muradkhanova  
KPMG Audit Azerbaijan LLC  
Baku, the Republic of Azerbaijan  
20 September 2023

**Interim condensed statement of financial position****As at 30 June 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	30 June 2023 (unaudited)	31 December 2022 (restated*)	1 January 2022 (restated*)
<b>Assets</b>				
Cash and cash equivalents	4	19,777	16,905	6,336
Investment securities	5	146,814	107,076	100,506
Amounts due from credit institutions	6	52,405	57,585	46,204
Insurance receivables	7	2,332	5,354	2,253
Reinsurance contract assets	8	63,943	16,694	16,216
Insurance contract assets	8	2,334	305	150
Deferred expenses		1,048	1,531	1,196
Deferred income tax assets		2,644	6,872	4,762
Property, equipment and intangible assets		5,355	5,684	4,026
Right-of-use assets		1,829	2,196	2,927
Other assets		5,826	5,646	7,574
<b>Total assets</b>		<b>304,307</b>	<b>225,848</b>	<b>192,150</b>
<b>Liabilities</b>				
Insurance contract liabilities	8	222,109	114,436	103,255
Reinsurance contract liabilities	8	10,913	5,104	959
Insurance payables	9	1,809	7,810	1,710
Deferred revenue		828	1,444	613
Borrowings		-	-	566
Current income tax liabilities		3,267	7,531	804
Tax payables on dividends		2,650	-	-
Lease liabilities		2,259	2,646	3,362
Other liabilities		13,129	11,951	10,605
<b>Total liabilities</b>		<b>256,964</b>	<b>150,922</b>	<b>121,874</b>
<b>Equity</b>				
Share capital	11	50,000	50,000	50,000
(Accumulated deficit)/Retained earnings	11	(1,322)	25,071	16,174
Net unrealized (losses)/gains on investment securities		(1,335)	(145)	4,102
<b>Total equity</b>		<b>47,343</b>	<b>74,926</b>	<b>70,276</b>
<b>Total liabilities and equity</b>		<b>304,307</b>	<b>225,848</b>	<b>192,150</b>

\*See Note 3.

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



Ulviyya Jabbarova  
Chief Executive Officer,  
Chairman of the Management Board




Inara Mirhasanova  
Chief Financial Officer,  
Member of the Management Board

20 September 2023

The accompanying notes on pages 5 to 28 are an integral part of these interim condensed financial statements.

**Interim condensed statement of profit or loss and other comprehensive income****For the six months ended 30 June 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<b>Notes</b>	<b>For the six months ended 30 June (unaudited)</b>	
		<b>2023</b>	<b>2022 (restated*)</b>
Insurance revenue	13	95,984	89,538
Insurance service expenses	13	(122,122)	(54,725)
Net expenses from reinsurance contracts	13	30,981	(10,269)
<b>Insurance service result</b>		<b>4,843</b>	<b>24,544</b>
Personnel expenses	14	(7,249)	(6,255)
General and administrative expenses	15	(2,875)	(4,596)
Depreciation and amortization expenses		(977)	(816)
<b>Operating expenses</b>		<b>(11,101)</b>	<b>(11,667)</b>
Investment income	16	5,966	4,320
Dividend income	16	3,000	3,000
Interest expense		(136)	(173)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		-	259
Impairment (loss)/reversal, net	5, 6	(87)	279
Foreign exchanges gain, net		1	29
Other income, net		681	354
<b>Profit before income tax</b>		<b>3,167</b>	<b>20,945</b>
Income tax expense	10	(358)	(4,981)
<b>Profit for the year</b>		<b>2,809</b>	<b>15,964</b>
<b>Other comprehensive income</b>			
<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		-	(411)
Reclassification of cumulative gain/(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	5	-	(205)
Income tax relating to components of other comprehensive income			175
<b>Net other comprehensive loss to be classified to profit or loss in subsequent periods</b>		<b>-</b>	<b>(700)</b>
<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	18	(1,488)	(6,436)
Income tax relating to components of other comprehensive income		298	1,287
<b>Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>		<b>(1,190)</b>	<b>(5,149)</b>
<b>Other comprehensive loss, net of tax</b>		<b>(1,190)</b>	<b>(5,849)</b>
<b>Total comprehensive income for the period</b>		<b>1,619</b>	<b>10,115</b>

\* See Note 3.

*The accompanying notes on pages 5 to 28 are an integral part of these interim condensed financial statements.*

**Interim condensed statement of changes in equity****For the six months ended 30 June 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<i>Notes</i>	<i>Share capital</i>	<i>Retained earnings/ (Accumulated deficit)</i>	<i>Net unrealized gains/ (losses) on investment securities</i>	<i>Total equity</i>
<b>Balance at 31 December 2021</b>		<b>50,000</b>	<b>31,444</b>	<b>4,102</b>	<b>85,546</b>
Adjustments on initial application of IFRS 17, net of tax		-	(15,270)	-	(15,270)
<b>Restated* balance at 1 January 2022</b>		<b>50,000</b>	<b>16,174</b>	<b>4,102</b>	<b>70,276</b>
Dividends to shareholder	11	-	(24,634)	-	(24,634)
Total comprehensive income for the period (restated)		-	15,964	(5,849)	10,115
<b>Restated* balance at 30 June 2022</b>		<b>50,000</b>	<b>7,504</b>	<b>(1,747)</b>	<b>55,757</b>
<b>Restated* balance at 1 January 2023</b>		<b>50,000</b>	<b>25,071</b>	<b>(145)</b>	<b>74,926</b>
Dividends to shareholder	11	-	(29,202)	-	(29,202)
Total comprehensive income for the period (unaudited)		-	2,809	(1,190)	1,619
<b>As at 30 June 2023 (unaudited)</b>		<b>50,000</b>	<b>(1,322)</b>	<b>(1,335)</b>	<b>47,343</b>

\* See Note 3.

**Interim condensed statement of cash flows****For the six months ended 30 June 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	For the six months ended 30 June (unaudited)	
		2023	2022
<b>Cash flows from operating activities</b>			
Insurance premiums received		154,826	95,354
Reinsurance premiums paid		(26,146)	(1,154)
Claims paid		(36,997)	(33,078)
Claims received, reinsurers' share of claims paid		78	190
Fees and commissions paid, net		(7,160)	(155)
Personnel expenses paid		(12,864)	(10,428)
General and administrative expenses paid		(7,843)	(7,714)
Marketing and advertising expenses paid		(442)	(397)
Subrogation income received		1,023	909
Other operating income received		61	-
<b>Net cash flows from operating activities before income tax</b>		<b>64,536</b>	<b>43,527</b>
Income tax paid		(7,253)	(2,741)
<b>Net cash from operating activities</b>		<b>57,283</b>	<b>40,786</b>
<b>Cash flows from investing activities</b>			
Investment income received		5,612	4,036
Purchase of investment securities		(50,063)	(27,649)
Proceeds from sale and redemption of investment securities		10,010	17,288
Dividend income received		2,700	2,700
Amounts placed at credit institutions		(18,600)	(39,709)
Amounts repaid by credit institutions		23,500	31,815
Purchase of property, equipment and intangible assets		(544)	(417)
Proceeds from sale of property, equipment and intangible assets		65	-
<b>Net cash used in from investing activities</b>		<b>(27,320)</b>	<b>(11,936)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	11	(26,552)	(24,634)
Sale and repurchase operations		-	(563)
Lease payment		(514)	(514)
<b>Net cash used in financing activities</b>		<b>(27,066)</b>	<b>(25,711)</b>
Effect of exchange rates changes on cash and cash equivalents		(25)	(10)
<b>Net increase in cash and cash equivalents</b>		<b>2,872</b>	<b>3,129</b>
Cash and cash equivalents, beginning	4	16,905	6,336
<b>Cash and cash equivalents, ending</b>	4	<b>19,777</b>	<b>9,465</b>

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

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Gross written premiums and premiums ceded to reinsurers on fronting contracts		102	564
<b>Cash flows from financing activities</b>			
Withholding tax on interest income		300	656

*The accompanying notes on pages 5 to 28 are an integral part of these interim condensed financial statements.*