

PASHA Insurance OJSC

Interim condensed financial statements

30 June 2019

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Report on Review of Interim Financial Information

Interim condensed financial statements

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Report on Review of Interim Financial Information

To the Shareholder and Management Board of
PASHA Insurance OJSC

Introduction

We have reviewed the accompanying interim condensed financial statements of PASHA Insurance OJSC, which comprise the interim condensed statement of financial position as at 30 June 2019 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this 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 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 accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young Holdings (CIS) B.V.


6 September 2019

Baku, Azerbaijan

*(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)***INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION****As at 30 June 2019**

	Notes	30 June 2019 (unaudited)	31 December 2018
Assets			
Cash and cash equivalents	3	6,756	3,987
Investment securities	4	93,432	78,043
Amounts due from credit institutions	5	30,676	37,731
Insurance receivables	6	18,988	11,706
Deferred expenses		2,082	1,950
Reinsurance assets	8	21,220	24,135
Property, equipment and intangible assets		2,817	2,813
Right-of-use assets	2	4,754	–
Other assets	7	12,553	11,241
Total assets		193,278	171,606
Liabilities			
Insurance contract liabilities	8	97,045	72,697
Insurance payables	9	12,593	7,255
Borrowings	10	–	5,554
Deferred revenue		1,610	1,828
Current income tax liabilities		356	2,290
Deferred income tax liabilities		421	250
Lease liabilities	2	4,863	–
Other liabilities		8,487	6,747
Total liabilities		125,375	96,621
Equity			
Share capital	12	50,000	50,000
Retained earnings		16,051	23,561
Net unrealized gains on investment securities		1,852	1,424
Total equity		67,903	74,985
Total liabilities and equity		193,278	171,606

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


 Ulviyya Jabbarova
 Chief Executive Officer,
 Chairman of the Management Board




 Ulviyya Abbasova
 Chief Financial Officer,
 Member of the Management Board

6 September 2019

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June (unaudited)	
		2019	2018
Gross written premiums		88,398	82,974
Premiums ceded to reinsurers		(14,084)	(21,012)
Net written premiums		74,314	61,962
Change in provision for unearned premiums, net of reinsurance		(24,417)	(20,228)
Premiums earned, net of reinsurance		49,897	41,734
Claims incurred, net of reinsurance		(27,024)	(26,469)
Fees and commission income, net		60	152
Insurance activity results	14	22,933	15,417
Personnel expenses	15	(5,760)	(4,242)
General and administrative expenses	16	(3,541)	(2,855)
Marketing and advertising expenses		(444)	(297)
Depreciation and amortization expenses		(730)	(353)
Operating expenses		(10,475)	(7,747)
Investment income	17	5,315	6,216
Interest expense		(314)	(280)
Impairment gain	4, 5, 6, 7	17	1
Foreign exchange loss, net		(10)	(79)
Other income		156	13
Profit before income tax		17,622	13,541
Income tax expense	11	(3,660)	(2,843)
Profit for the period		13,962	10,698
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gain on investment securities		535	1,797
Tax effect of gains on investment securities	11	(107)	(359)
Net other comprehensive income to be classified to profit or loss in subsequent periods		428	1,438
Total comprehensive income for the period		14,390	12,136

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(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Notes	Share capital	Retained earnings	Net unrealized gains on investment securities	Total equity
As at 1 January 2018		50,000	15,661	(118)	65,543
Dividends to shareholder	12	–	(13,572)	–	(13,572)
Total comprehensive income for the period		–	10,698	1,438	12,136
As at 30 June 2018		<u>50,000</u>	<u>12,787</u>	<u>1,320</u>	<u>64,107</u>
As at 1 January 2019		50,000	23,561	1,424	74,985
Dividends to shareholder	12	–	(21,472)	–	(21,472)
Total comprehensive income for the period		–	13,962	428	14,390
As at 30 June 2019		<u>50,000</u>	<u>16,051</u>	<u>1,852</u>	<u>67,903</u>

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June (unaudited)	
		2019	2018
Cash flows from operating activities			
Insurance premiums received		79,642	69,812
Reinsurance premiums paid		(8,697)	(9,347)
Claims paid		(26,503)	(26,569)
Claims received, reinsurers' share of claims paid		352	1,352
Fees and commissions paid, net		(347)	(463)
Marketing and advertising expenses paid		(297)	(576)
Personnel expenses paid		(5,723)	(4,197)
General and administrative expenses paid		(3,412)	(2,959)
Subrogation income received		618	159
Net cash flows from operating activities before income tax		35,705	27,212
Income tax paid		(4,070)	(64)
Net cash from operating activities		31,635	27,148
Cash flows from investing activities			
Investment income received		4,132	3,785
Amounts placed at credit institutions		(10,700)	(16,859)
Amounts repaid by credit institutions		13,938	16,625
Amounts borrowed from credit institutions		3,400	–
Purchase of investment securities		(34,926)	(31,900)
Proceeds from sale and redemption of investment securities		30,464	31,529
Purchase of property, equipment and intangible assets		(404)	(558)
Proceeds from sale of property, equipment and intangible assets		1	77
Net cash from investing activities		5,905	2,699
Cash flows from financing activities			
Dividends paid, net of tax	12	(19,325)	(12,215)
Sale and repurchase operations		(14,839)	(17,967)
Lease payment		(514)	–
Net cash used in financing activities		(34,750)	(30,182)
Effect of exchange rates changes on cash and cash equivalents		(21)	(16)
Effect of ECL on cash and cash equivalents		–	(2)
Net increase/(decrease) in cash and cash equivalents		2,769	(353)
Cash and cash equivalents, beginning		3,987	6,686
Cash and cash equivalents, ending	3	6,756	6,333

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

	Notes	2019	2018
Cash flows from operating activities			
Gross written premiums and premiums ceded to reinsurers on fronting contracts		280	9,109
Cash flows from investing activities			
Purchase of investment securities through sale and repurchase operations		(9,265)	(10,627)
Withholding tax on interest income		531	491
Cash flows from financing activities			
Amounts borrowed through sale and repurchase operations		9,265	10,627

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.