

PASHA Insurance OJSC

Financial statements

*Year ended 31 December 2022
together with independent auditor's report*

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Independent auditor's 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 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2022, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Audit Committee for the 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 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.

The Audit Committee is 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 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 auditor's 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 auditor's 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 Audit Committee 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.

Ernst & Young Holdings (CIS) B.V.


1 March 2023

Baku, Azerbaijan

*(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)***STATEMENT OF FINANCIAL POSITION****As at 31 December**

	Notes	2022	2021
Assets			
Cash and cash equivalents	6	16,905	6,336
Investment securities	7	107,076	100,506
Amounts due from credit institutions	8	57,585	46,204
Insurance receivables	9	24,677	18,608
Deferred expenses	15	8,408	4,329
Reinsurance assets	13	24,125	21,206
Deferred income tax assets	16	3,734	945
Property, equipment and intangible assets	10	5,684	4,026
Right-of-use assets	11	2,196	2,927
Other assets	12	5,646	7,574
Total assets		256,036	212,661
Liabilities			
Insurance contract liabilities	13	116,036	90,941
Insurance payables	14	27,394	19,032
Borrowings		-	566
Deferred revenue	15	2,511	1,805
Current income tax liabilities	16	7,531	804
Lease liabilities	11	2,646	3,362
Other liabilities	12	12,440	10,605
Total liabilities		168,558	127,115
Equity			
Share capital	17	50,000	50,000
Retained earnings		37,623	31,444
Net unrealized (losses)/gains on investment securities		(145)	4,102
Total equity		87,478	85,546
Total liabilities and equity		256,036	212,661

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 Mirtasanova
 Chief Financial Officer,
 Member of the Management Board

1 March 2023

The accompanying notes on pages 5 to 57 are an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2022	2021
Gross written premiums		180,507	163,666
Premiums ceded to reinsurers		(30,023)	(32,912)
Net written premiums		150,484	130,754
Change in provision for unearned premiums, net of reinsurance		(8,581)	(8,456)
Premiums earned, net of reinsurance		141,903	122,298
Claims incurred, net of reinsurance		(78,199)	(67,124)
Fees and commission expense, net		(548)	(445)
Insurance activity results	19	63,156	54,729
Personnel expenses	20	(20,564)	(17,078)
General and administrative expenses	21	(13,277)	(10,502)
Marketing and advertisement expenses		(961)	(1,262)
Depreciation and amortization expenses	10, 11	(2,137)	(2,151)
Operating expenses		(36,939)	(30,993)
Investment income	22	12,152	11,602
Interest expense		(320)	(478)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		259	–
Impairment reversal/(loss), net	7, 8, 9	569	(526)
Foreign exchanges (loss)/gain, net		(63)	146
Other income, net		529	713
Profit before income tax		39,343	35,193
Income tax expense	16	(8,530)	(7,411)
Profit for the year		30,813	27,782
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)	(565)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		(259)	–
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7	264	37
Tax effects of losses on investment securities	16	219	106
Net other comprehensive loss to be classified to profit or loss in subsequent periods		(875)	(422)
<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	25	(4,215)	3,671
Tax effects of losses/(gains) on investment securities	16	843	(734)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(3,372)	2,937
Other comprehensive (loss)/income, net of tax		(4,247)	2,515
Total comprehensive income for the year		26,566	30,297

The accompanying notes on pages 5 to 57 are an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Notes	Share capital	Retained earnings	Net unrealized gains/ (losses) on investment securities	Total equity
1 January 2021		50,000	30,317	1,587	81,904
Dividends to shareholder	17	–	(26,655)	–	(26,655)
Total comprehensive income for the year		–	27,782	2,515	30,297
31 December 2021		50,000	31,444	4,102	85,546
Dividends to shareholder	17	–	(24,634)	–	(24,634)
Total comprehensive income for the year		–	30,813	(4,247)	26,566
31 December 2022		50,000	37,623	(145)	87,478

The accompanying notes on pages 5 to 57 are an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	2022	2021
Cash flows from operating activities			
Insurance premiums received		204,621	148,581
Reinsurance premiums paid		(52,830)	(20,492)
Claims paid		(65,020)	(65,669)
Claims received, reinsurers' share of claims paid		460	2,247
Fees and commissions paid		(3,919)	(2,955)
Fees and commissions received		240	721
Personnel expenses paid		(18,855)	(17,697)
General and administrative expenses paid		(11,702)	(10,657)
Marketing and advertisement expenses paid		(386)	(1,005)
Subrogation income received, net		2,024	800
Other operating income received		97	–
Net cash flows from operating activities before income tax		54,730	33,874
Income tax paid		(4,087)	(7,415)
Net cash from operating activities		50,643	26,459
Cash flows from investing activities			
Interest income received		9,560	7,707
Dividends from investment in preference shares		2,700	2,700
Purchase of investment securities		(63,421)	(12,435)
Proceeds from sale and redemption of investment securities		51,509	21,784
Amounts placed at credit institutions		(47,092)	(29,692)
Amounts repaid by credit institutions		36,198	14,227
Amounts borrowed from credit institutions		–	566
Purchase of property, equipment and intangible assets		(3,099)	(1,006)
Net cash (used in) / from investing activities		(13,645)	3,851
Cash flows from financing activities			
Dividends paid	17	(24,634)	(26,655)
Sale and repurchase operations		(566)	(5,433)
Lease payment	11	(1,028)	(1,028)
Net cash used in financing activities		(26,228)	(33,116)
Effect of exchange rates changes on cash and cash equivalents		(201)	(79)
Net increase in cash and cash equivalents		10,569	(2,885)
Cash and cash equivalents, beginning		6,336	9,221
Cash and cash equivalents, ending	6	16,905	6,336

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

	2022	2021
Cash flows from operating activities		
Gross written premiums and premiums ceded to reinsurers on fronting contracts	642	4,405
Cash flows from investing activities		
Purchase of investment securities through sale and repurchase operations	–	(11,541)
Cash flows from financing activities		
Amounts borrowed through sale and repurchase operations	–	11,541
Withholding tax on dividend and interest income	300	968

The accompanying notes on pages 5 to 57 are an integral part of these financial statements.