

PASHA Insurance OJSC

Interim condensed financial statements

30 June 2018

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. Cash and cash equivalents.....	10
4. Investment securities	10
5. Amounts due from credit institutions	11
6. Insurance receivables.....	12
7. Other assets.....	13
8. Insurance contract liabilities	13
9. Insurance payables	14
10. Borrowings.....	15
11. Taxation	15
12. Share capital	15
13. Contingencies and commitments	15
14. Insurance activity results.....	18
15. Personnel expenses	20
16. General and administrative expenses.....	20
17. Marketing and advertisement expenses	20
18. Investment income	21
19. Related party transactions	21
20. Fair values of financial instruments.....	23

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 2018 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 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 financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young Holdings (CIS) B.V.

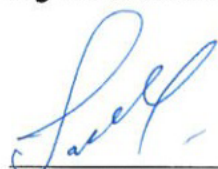
12 September 2018

Baku, Azerbaijan

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**As at 30 June 2018**

	Notes	30 June 2018 (unaudited)	31 December 2017
Assets			
Cash and cash equivalents	3	6,333	6,686
Investment securities	4	73,853	59,191
Amounts due from credit institutions	5	41,965	42,158
Insurance receivables	6	11,976	9,875
Deferred expenses		2,035	1,477
Reinsurance assets	8	24,340	20,249
Current income tax assets		–	700
Deferred income tax assets		152	522
Property, equipment and intangible assets		2,802	2,835
Other assets	7	8,871	6,936
Total assets		172,327	150,629
Liabilities			
Insurance contract liabilities	8	85,219	59,193
Insurance payables	9	10,972	8,458
Borrowings	10	4,018	11,015
Deferred revenue		1,419	1,397
Current income tax liabilities		1,536	–
Other liabilities		5,056	4,860
Total liabilities		108,220	84,923
Equity			
Share capital	12	50,000	50,000
Retained earnings		12,787	15,915
Net unrealized gains/(losses) on investment securities		1,320	(209)
Total equity		64,107	65,706
Total liabilities and equity		172,327	150,629

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


Ulviyya Jabbarova
Chief Executive Officer,
Chairman of the Management Board




Murad Suleymanov
Chief Financial Officer,
Member of the Management Board

12 September 2018

The accompanying notes on pages 5 to 23 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 2018**

	Notes	For the six months ended 30 June (unaudited)	
		2018	2017
Gross written premiums		82,974	66,943
Premiums ceded to reinsurers		(21,012)	(12,324)
Net written premiums		61,962	54,619
Change in provision for unearned premiums, net of reinsurance		(20,228)	(15,808)
Premiums earned, net of reinsurance		41,734	38,811
Claims incurred, net of reinsurance		(26,469)	(27,566)
Fees and commission income, net		152	300
Insurance activity results	14	15,417	11,545
Personnel expenses	15	(4,242)	(2,917)
General and administrative expenses	16	(2,855)	(2,658)
Marketing and advertisement expenses	17	(297)	(2,162)
Depreciation and amortization expenses		(353)	(295)
Operating expenses		(7,747)	(8,032)
Investment income	18	6,216	5,402
Interest expense		(280)	–
Impairment gain/(loss)	3, 4, 5, 6	1	(5,097)
Foreign exchange loss, net		(79)	(1,176)
Other income		13	26
Profit before income tax		13,541	2,668
Income tax expense	11	(2,843)	(797)
Profit for the period		10,698	1,871
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gain/(loss) on investment securities		1,797	(2,837)
Impairment of investment securities reclassified to profit and loss		–	3,915
Tax effect of gains on investment securities	11	(359)	(215)
Net other comprehensive income to be classified to profit or loss in subsequent periods		1,438	863
Total comprehensive income for the period		12,136	2,734

The accompanying notes on pages 5 to 23 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 CHANGES IN EQUITY

For the six months ended 30 June 2018

	Notes	Share capital	Retained earnings	Net unrealized gains/ (losses) on investment securities	Total equity
As at 1 January 2017		50,000	20,749	(868)	69,881
Dividends to shareholder	12	–	(18,983)	–	(18,983)
Total comprehensive income for the period		–	1,871	863	2,734
As at 30 June 2017		50,000	3,637	(5)	53,632
As at 1 January 2018		50,000	15,915	(209)	65,706
IFRS 9 adoption impact	2	–	(254)	91	(163)
Restated opening balance under IFRS 9		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		50,000	12,787	1,320	64,107

The accompanying notes on pages 5 to 23 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 2018

	Notes	For the six months ended 30 June (unaudited)	
		2018	2017
Cash flows from operating activities			
Insurance premiums received		69,812	64,419
Reinsurance premiums paid		(9,347)	(6,584)
Claims paid		(26,569)	(24,767)
Claims received, reinsurers' share of claims paid		1,352	1,384
Fees and commissions paid		(463)	(339)
Marketing and advertisement expenses paid		(576)	(2,235)
Personnel expenses paid		(4,197)	(4,198)
General and administrative expenses paid		(2,959)	(2,563)
Subrogation income received		159	137
Net cash flows from operating activities before income tax		27,212	25,254
Income tax paid		(64)	(900)
Net cash from operating activities		27,148	24,354
Cash flows from investing activities			
Investment income received		3,785	3,571
Amounts placed at credit institutions		(16,859)	(9,331)
Amounts repaid by credit institutions		16,625	17,273
Purchase of investment securities		(31,900)	(23,659)
Proceeds from sale and redemption of investment securities		31,529	10,372
Purchase of property, equipment and intangible assets		(558)	(722)
Proceeds from sale of property, equipment and intangible assets		77	26
Net cash from / (used in) investing activities		2,699	(2,470)
Cash flows from financing activities			
Dividends paid, net of tax	12	(12,215)	(17,085)
Sale and repurchase operations		(17,967)	10
Net cash used in financing activities		(30,182)	(17,075)
Effect of exchange rates changes on cash and cash equivalents		(16)	(369)
Effect of ECL on cash and cash equivalents		(2)	–
Net (decrease)/increase in cash and cash equivalents		(353)	4,440
Cash and cash equivalents, beginning	3	6,686	9,888
Cash and cash equivalents, ending	3	6,333	14,328

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

	Notes	2018	2017
Cash flows from operating activities			
Gross written premiums and premiums ceded to reinsurers on fronting contracts		9,109	127
Cash flows from investing activities			
Purchase of investment securities through sale and repurchase operations		(10,627)	–
Withholding tax on interest income		491	470
Cash flows from financing activities			
Amounts borrowed through sale and repurchase operations		10,627	–

The accompanying notes on pages 5 to 23 are an integral part of these interim condensed financial statements.