



Ernst & Young Holdings (CIS) B.V.
Port Baku Towers Business Centre
South Tower, 9th floor
153, Neftçilər Ave.
Baku, AZ1010, Azerbaijan
Tel: +994 (12) 490 7020
Fax: +994 (12) 490 7017
www.ey.com/az

Ernst & Yang Holdings (SiAyEs) Dı.Vı.
Port Baku Towers Biznes Mərkəzi
Cənub Qülləsi, 9-cu mərtəbə
Neftçilər prospekti, 153
Baku, AZ1010, Azərbaycan
Tel: +994 (12) 490 7020
Faks: +994 (12) 490 7017

Independent auditors' report to the Shareholder and Board of Directors of PASHA Life Insurance OJSC

We have audited the accompanying financial statements of PASHA Life Insurance OJSC, which comprise the statement of financial position as of 31 December 2013 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PASHA Life Insurance OJSC as of 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Holdings (CIS) B.V.

06 May 2014

STATEMENT OF FINANCIAL POSITION**As of 31 December 2013***(Thousands of Azerbaijani Manats)*

	<i>Notes</i>	2013	2012 <i>As reclassified</i>
Assets			
Cash and cash equivalents	7	11,441	3,231
Restricted cash	8	1,425	–
Amounts due from credit institutions	9	34,173	24,372
Insurance receivables	10	1,728	680
Deferred acquisition costs	11	440	24
Reinsurance assets	16	228	212
Deferred income tax assets	12	188	–
Property and equipment	13	395	300
Intangible assets	14	29	32
Other assets	15	161	146
Total assets		50,208	28,997
Liabilities			
Insurance contracts liabilities	16	14,894	5,869
Reinsurance and other payables	17	377	540
Current income tax liability		1,200	773
Deferred income tax liabilities	12	–	583
Other liabilities	18	1,170	794
Total liabilities		17,641	8,559
Equity			
Share capital	19	25,200	15,050
Retained earnings		7,367	5,388
Total equity		32,567	20,438
Total liabilities and equity		50,208	28,997

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

Chairman of the Management Board




Mr. Mursal Rustamov

Member of the Management Board



Mrs. Dilara Babayeva

Chief Accountant



Mr. Parviz Guliyev

06 May 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2013***(Thousands of Azerbaijani Manats)*

	<i>Notes</i>	2013	2012 <i>As reclassified</i>
Gross premiums written	21	18,688	10,554
Premiums ceded to reinsurers	21	(658)	(1,227)
Net insurance premiums written		18,030	9,327
Change in unearned premiums, net of reinsurance		(2,409)	(886)
Change in mathematical reserves, net of reinsurance		(5,495)	(618)
Insurance claims paid, net of reinsurance	22	(789)	(292)
Change in outstanding claims provisions, net of reinsurance	22	(1,105)	622
Acquisition income / (expenses)	23	(147)	279
Net operating income from insurance activities		8,085	8,432
Personnel expenses	24	(2,658)	(1,374)
Other operating and administrative expenses	24	(1,432)	(775)
Interest income	25	2,883	1,724
Impairment losses	9, 10	(603)	(731)
Other income		9	41
Net operating expenses from non-insurance activities		(1,801)	(1,115)
Profit before income tax expense		6,284	7,317
Income tax expense	12	(1,305)	(1,589)
Profit for the year		4,979	5,728
Other comprehensive income for the year		-	-
Total comprehensive income for the year		4,979	5,728

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2013***(Thousands of Azerbaijani Manats)*

	<i>Notes</i>	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
31 December 2011		7,000	1,660	8,660
Issuance of share capital		6,050	–	6,050
Transfer to share capital		2,000	(2,000)	–
Total comprehensive income for the year		–	5,728	5,728
31 December 2012		15,050	5,388	20,438
Issuance of share capital	19	10,150	–	10,150
Total comprehensive income for the year		–	4,979	4,979
Dividends declared	19	–	(3,000)	(3,000)
31 December 2013		25,200	7,367	32,567

STATEMENT OF CASH FLOWS**For the year ended 31 December 2013***(Thousands of Azerbaijani Manats)*

	<i>Notes</i>	2013	2012 <i>As reclassified</i>
Cash flows from operating activities			
Insurance premium received		17,325	10,590
Reinsurance premium paid		(734)	(461)
Insurance benefits and claims paid		(1,047)	(361)
Reinsurance claims received		31	–
Acquisition costs paid		(371)	(39)
Personnel expenses paid		(2,172)	(1,018)
Other income received		53	44
Other expenses paid		(1,325)	(980)
Net cash from operating activities before income tax		11,760	7,775
Income tax paid		(1,380)	(85)
Net cash from operating activities		10,380	7,690
Cash flows from investing activities			
Acquisition of premises and equipment	13	(210)	(199)
Acquisition of intangible assets	14	(18)	(20)
Placement of time deposits		(31,570)	(18,650)
Amounts repaid by credit institutions		21,501	6,603
Interest received		2,402	1,287
Net cash used in investing activities		(7,895)	(10,979)
Cash flows from financing activities			
Proceeds from issuance of share capital	19	10,150	6,050
Payment of dividends		(3,000)	(250)
Net cash from financing activities		7,150	5,800
Effect of exchange rates changes on cash and cash equivalents		–	(1)
Reclassification from cash and cash equivalents to restricted cash		(1,425)	–
Net increase / (decrease) in cash and cash equivalents		8,210	2,510
Cash and cash equivalents, beginning	7	3,231	721
Cash and cash equivalents, ending	7	11,441	3,231

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

	<i>Notes</i>	2013	2012
Profit capitalization		–	2,000
Withholding tax on interest income		265	148
Reinsurance share of insurance claims paid		227	69