

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 2015 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 2015, 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 2016

STATEMENT OF FINANCIAL POSITION**As of 31 December 2015***(Thousands of Azerbaijani manats)*

	Notes	2015	2014
Assets			
Cash and cash equivalents	5	46,516	23,513
Restricted cash	6	13,093	6,223
Amounts due from credit institutions	7	55,668	44,432
Investment securities	8	9,367	8,579
Insurance receivables	9	2,252	2,417
Deferred acquisition costs	10	1,342	2,258
Reinsurance assets	15	3,314	349
Property and equipment	11	625	571
Intangible assets	12	275	250
Current income tax assets		–	642
Other assets	14	3,488	2,741
Total assets		135,940	91,975
Liabilities			
Insurance contracts liabilities	15	78,821	43,790
Reinsurance and other payables	16	532	904
Current income tax liabilities		1,030	–
Deferred income tax liabilities	13	331	91
Other liabilities	17	3,275	2,283
Total liabilities		83,989	47,068
Equity			
Share capital	18	40,250	40,250
Retained earnings		12,094	4,640
Net unrealized (losses) / gains on investment securities available-for-sale		(393)	17
Total equity		51,951	44,907
Total equity and liabilities		135,940	91,975

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

Head of Finance Department

Mr. Afgan Afganli

06 May 2016







The accompanying notes on pages 5-39 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2015***(Thousands of Azerbaijani manats)*

	Notes	2015	2014
Gross premiums written	20	53,735	41,354
Premiums ceded to reinsurers	20	(698)	(803)
Net insurance premiums written		53,037	40,551
Change in unearned premiums, net of reinsurance		1,893	(9,136)
Change in mathematical reserves, net of reinsurance		(32,992)	(17,699)
Insurance claims paid, net of reinsurance	21	(16,141)	(2,593)
Change in outstanding claims provisions, net of reinsurance	21	(967)	(1,940)
Acquisition expenses, net	22	(2,597)	(969)
Net operating income from insurance activities		2,233	8,214
Personnel expenses	23	(5,484)	(3,996)
Other operating and administrative expenses	24	(3,221)	(2,715)
Investment income	25	9,538	5,308
Impairment losses	7, 9	(6,158)	(124)
Foreign exchange gain		18,009	-
Other income / (expense)		88	(2)
Net operating income / (expenses) from non-insurance activities		12,772	(1,529)
Profit before income tax expense		15,005	6,685
Income tax expense	13	(3,107)	(1,359)
Profit for the year		11,898	5,326
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net unrealized (losses) / gains on investment securities available-for-sale		(512)	21
Tax effect of net (losses) / gains on investment securities available-for-sale	13	102	(4)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(410)	17
Total comprehensive income for the year		11,488	5,343

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STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2015***(Thousands of Azerbaijani manats)*

	Share capital	Retained earnings	Net unrealized (losses) / gains on investment securities available-for- sale	Total equity
31 December 2013	25,200	7,367	–	32,567
Cash contribution for share capital increase (Note 18)	15,050	–	–	15,050
Dividends (Note 18)	–	(8,053)	–	(8,053)
Total comprehensive income for the year	–	5,326	17	5,343
31 December 2014	40,250	4,640	17	44,907
Dividends (Note 18)	–	(4,444)	–	(4,444)
Total comprehensive income for the year	–	11,898	(410)	11,488
31 December 2015	40,250	12,094	(393)	51,951

The accompanying notes on pages 5-39 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS**For the year ended 31 December 2015***(Thousands of Azerbaijani manats)*

	Notes	2015	2014
Cash flows from operating activities			
Insurance premiums received		52,406	41,080
Reinsurance premiums paid		(296)	(538)
Insurance claims paid		(16,287)	(2,867)
Reinsurance claims received		96	69
Acquisition expenses paid		(2,292)	(2,349)
Personnel expenses paid		(4,607)	(3,457)
Other income received		181	–
Other operating and administrative expenses paid		(2,970)	(2,627)
Net cash from operating activities before income tax		26,231	29,311
Income tax paid		(453)	(2,568)
Net cash from operating activities		25,778	26,743
Cash flows from investing activities			
Purchase of investment property		(418)	–
Purchase of land		–	(2,200)
Proceeds from sale of land		200	–
Purchase of property and equipment	11	(415)	(376)
Purchase of intangible assets	12	(100)	(242)
Proceeds from sale of property and equipment		58	29
Amounts placed at credit institutions		(66,491)	(40,237)
Amounts repaid by credit institutions		70,158	30,786
Purchase of investment securities		(8,896)	(8,537)
Proceeds from sale and redemption of investment securities		7,514	–
Investment income received		5,892	3,915
Net cash from / (used in) investing activities		7,502	(16,862)
Cash flows from financing activities			
Proceeds from cash contribution for share capital increase	18	–	15,050
Payment of dividends	18	(4,362)	(8,053)
Net cash (used in) / from financing activities		(4,362)	6,997
Effect of exchange rates changes on cash and cash equivalents		981	(8)
Reclassification from cash and cash equivalents to amounts due from credit institutions		(26)	–
Reclassification from cash and cash equivalents to restricted cash		(6,870)	(4,798)
Net increase in cash and cash equivalents		23,003	12,072
Cash and cash equivalents, beginning	5	23,513	11,441
Cash and cash equivalents, ending	5	46,516	23,513

Non-cash transactions performed by the Company comprise:

	Notes	2015	2014
Withholding tax on interest income		638	426
Reinsurer's share in insurance claims paid		113	206

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