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## Independent auditor's report

To the Shareholder of Mega Life Insurance OJSC

### Qualified opinion

We have audited the financial statements of **Mega Life Insurance OJSC** (the "Company") which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for qualified opinion

The Company was required to apply International Financial Reporting Standard 17 "Insurance Contracts" (IFRS 17) retrospectively from 1 January 2023, however, it has not adopted this standard from the applicable date. IFRS 17 replaced the previously applicable standard i.e International Financial Reporting Standard 4 "Insurance Contracts" (IFRS 4). Accordingly, the Company continued to apply IFRS 4, for the preparation of these financial statements as at 31 December 2023, which constitutes a departure from the requirements of IFRSs. Had the Company applied IFRS 17, certain elements of financial statements including comparatives could have been materially impacted. The effects on the financial statements of the failure to adopt IFRS 17 have not been determined as at the date of our audit report.

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 (IESBA Code) (including International Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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 those charged with governance 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.



Grant Thornton

**GRANT THORNTON**  
29 March 2024


Baku, Azerbaijan Republic


**Statement of financial position  
as at 31 December 2023**

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

	Notes	31 December 2023	31 December 2022
<b>Assets</b>			
Cash and cash equivalents	5	2,849	919
Amounts due from credit institutions	6	3,391	3,392
Investment in securities at fair value through other comprehensive income	7	315	324
Investments at amortized cost	8	16,064	14,309
Insurance receivables	9	381	195
Deferred expenses	14	178	100
Reinsurance assets	12	88	55
Property and equipment	10	61	84
Intangible assets	10.1	209	210
Current income tax asset		-	34
Deferred charge		50	18
Other assets	11	103	125
<b>Total assets</b>		<b>23,689</b>	<b>19,765</b>
<b>Liabilities</b>			
Insurance contracts liabilities	12	4,072	1,604
Insurance and other payables	13	442	119
Deferred tax liability	15	30	39
Deferred revenue		564	304
Income tax payable		164	-
Other liabilities	16	5,430	5,451
<b>Total liabilities</b>		<b>10,702</b>	<b>7,517</b>
<b>Equity</b>			
Share capital	17	11,000	11,000
Retained earnings		1,987	1,241
Revaluation reserve of investment in securities at fair value through other comprehensive income		-	7
<b>Total equity</b>		<b>12,987</b>	<b>12,248</b>
<b>Total liabilities and equity</b>		<b>23,689</b>	<b>19,765</b>

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

  
Aghamaliyev Emil  
Chairman of the Management Board



29 March 2024

  
Jamil Nazarov  
Deputy Chairman of the Management Board

## Statement of comprehensive income For the year ended 31 December 2023

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

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
Gross written premiums	19	4,836	2,402
Premiums ceded to reinsurers	19	(271)	(128)
Cancelled premiums written	19	(224)	(86)
<b>Net written premiums</b>	19	<b>4,341</b>	2,188
Change in provision for unearned premiums, net of reinsurance	19	(443)	(397)
<b>Premiums earned, net of reinsurance</b>	19	<b>3,898</b>	1,791
Change in mathematical reserves	19	(1,838)	(817)
Insurance claims expense, net of reinsurance	19	(12)	(9)
Change in outstanding claims provision, net of reinsurance	19	(154)	(12)
<b>Claims incurred, net of reinsurance</b>	19	<b>1,894</b>	953
Fees and commission expenses, net	19	(321)	(104)
<b>Insurance activity results</b>	19	<b>1,573</b>	849
Personnel expenses	20	(1,083)	(846)
General and administrative expenses	21	(1,036)	(390)
<b>Total operating expenses</b>		<b>(2,119)</b>	(1,236)
Interest income	22	1,642	1,179
Foreign exchanges losses, net		-	(1)
Other income		9	12
<b>Profit before income tax</b>		<b>1,105</b>	803
Income tax expense	15	(359)	(180)
<b>Profit for the year</b>		<b>746</b>	623
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized loss on investment securities at fair value through other comprehensive		(9)	(39)
Tax effect of loss on investment securities at fair value through other comprehensive	15	2	8
<b>Total other comprehensive income</b>		<b>(7)</b>	(31)
<b>Total comprehensive income</b>		<b>739</b>	592

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

**Statement of changes in equity**  
**For the year ended 31 December 2023**

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

	Notes	Share capital	Retained earnings	Revaluation reserve for at fair value through other comprehensive income	Total equity
<b>Balance at 1 January 2022</b>		11,000	618	38	11,656
Profit for the year		-	623	-	623
Other comprehensive income				(31)	(31)
Total comprehensive income for the year		-	623	(31)	592
<b>Balance at 31 December 2022</b>		11,000	1,241	7	12,248
Profit for the year		-	746	-	746
Other comprehensive income		-	-	(7)	(7)
Total comprehensive income for the year		-	746	(7)	739
<b>Balance at 31 December 2023</b>		<b>11,000</b>	<b>1,987</b>	<b>-</b>	<b>12,987</b>

*The accompanying notes on pages 5 to 40 are an integral part of these financial statements.*

**Statement of cash flows**  
**For the year ended 31 December 2023**

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

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>			
Insurance premiums received		4,861	2,172
Reinsurance premiums paid		(146)	(128)
Cancelled premiums written paid		(224)	(17)
Gross insurance claims paid		(15)	(9)
Gross insurance claims recoveries		3	-
Acquisition expenses paid		(237)	(165)
Personnel expenses paid		(1,055)	(534)
General and administrative expenses paid		(963)	(343)
Net realized gain on investment securities measured at fair value through other comprehensive income		(3)	238
Foreign exchange loss		-	(1)
Other income received		9	12
<b>Net cash flows from operating activities before income tax</b>		<b>2,230</b>	1,225
Income tax paid		(168)	(10)
<b>Net cash flows generated from operating activities</b>		<b>2,062</b>	1,215
<b>INVESTING ACTIVITIES</b>			
Interest income received		1,408	801
Amounts placed with credit institutions		-	(3,151)
Amounts repaid by credit institutions		-	200
Purchase of investment securities at amortized cost		(6,809)	(2,329)
Proceeds from sale and redemption of investment securities		5,292	3,727
Purchase of property, equipment and intangible assets		(23)	(14)
<b>Net cash flows used in investing activities</b>		<b>(132)</b>	(766)
<b>Net increase in cash and cash equivalents</b>		<b>1,930</b>	449
Cash and cash equivalents, beginning of the year		919	470
<b>Cash and cash equivalents, end of the year</b>	5	<b>2,849</b>	919

*The accompanying notes on pages 5 to 40 are an integral part of these financial statements.*