Crowe

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 OF ADDITIONAL LIABILITY COMPANY INSURANCE COMPANY "EKTA" and INDEPENDENT AUDITOR'S REPORT

AC Crowe Ukraine

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Audit / Tax / Advisory

Contents

Independent Auditor's Report

To: Management and owners of ALC IC "EKTA"

National Bank of Ukraine

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Qualified Opinion

We have audited the financial statements of Additional Liability Company "INSURANCE COMPANY "EKTA" (hereinafter – the Company), which comprise the Statement of Financial Position as at December 31, 2021, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the adopted International Financial Reporting Standards (IFRSs) and meet the requirements of the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine".

Basis for Qualified Opinion

1. As at 31.12.2021, the Company recorded in its property, plant and equipment the leased real estate meeting the definition of investment property as per the accounting policy and IAS 40 *Investment Property*, in the amount of **18,758** thousand UAH. This resulted in line 1010 "Property, plant and equipment" of the Company's Statement of Financial Position being overstated, while line 1015 "Investment Property" of the Statement of Financial Position being understated by **18,758** thousand UAH.

2. In the Statement of Comprehensive Income for the year 2021, the Company recorded in administrative costs the expenses associated with entering insurance contracts, which, in our opinion, have to be recorded within sales costs. The Auditors do not agree with the Company Management on the adopted classification of expenses. According to our estimates, the amount of the administrative costs is overstated by approximately **26,980** thousand UAH, the cost of insurance services is overstated by **13,813** thousand UAH, and the sales costs amount is understated by approximately **40,793** thousand UAH (2020: by approximately 61,600 thousand UAH). Our opinion on this matter as at 31.12.2020 has also been modified.

We conduct 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 Financial Statements* section of our report. We are independent from the Company in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants, published by the International Federation of Accountants (including the international standards of independence) of the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements relating to audit of financial statements in Ukraine, 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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to the disclosure of the "Operational Environment in Ukraine", "Going Concern", and "Subsequent Events" in the Notes to the financial statements, which describe that since February 24, the Company's activity is substantially affected by the invasion by the Russian Federation into Ukraine and the military actions currently in progress, as well as the uncertainty regarding the further development of events, including the intensity or potential timing of the termination of such actions. As stated in the mentioned disclosures, these events point out the existence of material uncertainty, which may cast considerable doubt onto the Company's ability to continue as a going concern. Our opinion was not modified on this matter.

In the course of our audit, we concluded that the usage by the Management of the going concern principle during preparation of the financial statements is advisable. Our evaluation of the Management's assumption on the ability of the Company to apply the going concern principle in the financial accounting included:

- evaluation of the adverse consequences of the military aggression;
- analysis of the scenarios of development of the situation, as determined by the Company Management, and possible response of the Heads of Ukraine, the global community, and the Company Management;
- analysis of the possible changes of the basic figures of the Company activity in terms of the impairment of assets, decrease of the volumes, and marginality of transactions;
- analysis of the sufficiency of equity and liquidity, ways of their support on a sufficient level.

We found out that it is very difficult to make projections on the development of the situation and the relevant adverse consequences due to the unpredictable actions of the heads of Russia. At the same time, the Management's assumptions on the most probable scenarios are appropriate.

Emphasis of Matter Paragraph

The Auditors draw attention to Note 6.31, in which the Company discloses the information on receipt of over 60% of insurance premiums from one insurance agent (intermediary) COMFY TRADE LLC. Our opinion was not modified on this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are provided by us in accordance with the requirements of the ISAs and the Law of Ukraine "On Audit of Financial Statements and Auditing Activity", which requires from the auditor to provide the relevant information on audit estimates.

In addition to the matter described in the *Basis for Qualified Opinion* and the *Material Uncertainty Related to Going Concern* sections of our report, we have determined that the issue described below, is a key audit matter, which should be reflected in our report.

Key Audit Matter	***Key Audit Matter as viewed by our audit***
Measurement of Insurance Liabilities (Insurance Reserves). Note 6.12. Measurement of insurance liabilities (insurance reserves) arising under insurance contracts constitutes a complicated process, which requires significant professional judgments and estimates and is based on assumptions on the future economic and political conditions. As at the date of the preparation of the annual financial statements, the	We have analyzed the processes and principles of the accounting policies, connected with the measurement of the amount of the insurance reserves, as well as evaluated the structure and implementation of the control systems and means associated with this process. Our audit procedures included, among other things: - evaluation of the Company's methodology, models, and assumptions used in the measurement of the amount of the insurance reserves, based on our knowledge of the field and our expectations, which are based on the

Company's insurance reserves comprised 81% of all its liabilities. Due to the significance of the professional judgment and the potential impact onto the financial statements, we consider the measurement of contractual insurance reserves to be a key audit matter.	Company's historical experience and current trends; - conduction of analytical procedures aimed at identification and analysis of any unusual and/or unexpected changes; - recalculation of the insurance reserves as at December 31, 2021 for selected groups of key products; - analysis of the adequacy of insurance reserves as at December 31, 2021 in relation to the Company's estimated future liabilities under insurance contracts.

Other information

Company Management is responsible for the other information. Other information consists of reporting data of the insurer as per the Resolution of the National Bank of Ukraine dated 22.11.2021 No. 123 "On the Approval of the Regulations on the Preparation and Submission of Financial Statements by Participants of the Non-Banking Financial Services Market to the National Bank of Ukraine", but not the Company's financial statements and the Auditor's report thereon.

Our opinion on the financial statements does not cover such other information and in the present Report we are not making opinion with any level of assurance regarding such other information.

With regard to our audit, our responsibility is to familiarize ourselves with the other information and herewith to review whether there exists material discrepancy between the other information and the financial statements or our knowledge obtained in the course of the audit, or whether such other information is likely to contain material distortion.

If, based on the work carried out by us with regard to the other information received prior to the date of the Auditor's Report, we conclude that there exists material distortion of such other information, and we are obliged to inform the Company about it.

We make our qualified opinion on the reporting data of the Company for the year 2021 in a separate assurance report regarding the insurer's financial statements for the year ended 31.12.2021.

We have not detected facts to be included into our Report, except for the issues described in the *Basis for Qualified Opinion* section.

Management's and Audit Committee's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine", 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 relating 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 the 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Law of Ukraine "On Audit of Financial Statements and Audit Activity"

In accordance with the Law of Ukraine "On Audit of Financial Statements and Audit Activity", the auditors have to provide additional information and representations.

Main data on the audit firm

Full name	AUDIT COMPANY CROWE UKRAINE LIMITED LIABILITY COMPANY

Location	33 Obolonska Naberezhna, Kyiv, 04210
Information on inclusion into the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 Audit entity entitled to conduct statutory audit of financial statements Audit entity entitled to conduct statutory audit of financial statements of public interest enterprises
Name of the body appointing the audit entity to carry out the statutory audit	General Meeting of Shareholders
Date of appointment of the audit entity	14.02.2022
Duration of fulfillment of the audit engagement	2nd year

We do hereby confirm that this Independent Auditor's Report is coordinated with the additional report for the Audit Committee, which is provided by us based on the results of our audit.

We did not provide to the Company any services prohibited by the law.

AUDIT COMPANY CROWE UKRAINE LIMITED LIABILITY COMPANY, its owners, functionaries, the Key Audit Partner, and other employees are independent from the Company, did not take part in preparation and adoption of the Company's management decisions within the period covered by the examined financial statements, and within the period of provision of auditing services regarding such financial statements. We did not provide to the Company any other services, apart from the statutory audit and the services disclosed in the Management Report or the financial statements.

The ISAs require that the auditor plans and conducts the audit so as to obtain sufficient assurance that the financial statements are free from material misstatements. The term "sufficient assurance" allows for certain risk of existence of material monetary discrepancies, which may remain undetected; it also allows that the auditor cannot provide a full guarantee of the precision and completeness of the financial statements. The audit includes sample-based examination of the confirmation of figures and explanations provided in the financial statements. The terms of the ISAs require that audit is planned so as to ensure sufficient probability that errors and discrepancies, which can materially affect the financial statements, are detected. However, as far as the auditor will not examine all the transactions performed by the entity throughout the year, the conducted audit cannot give full assurance that errors and discrepancies, which can materially affect the financial statements, are detected.

The Partner for the audit engagement resulting in the present Independent Auditor's Report, is Iryna Palchuk.

For and on behalf of AC CROWE UKRAINE LLC

Director on Audit / Audit Partner **Olga SAMUSIEVA**
No. 100613 in the Register
of Auditors and Audit Entities

Engagement Partner **Iryna PALCHUK**
No. 100117 in the Register
of Auditors and Audit Entities

November 10, 2022

Crowe

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About Us

AC Crowe Ukraine – member Crowe Global, ranked as the ninth largest global accounting network, consists of independent accounting and advisory services firms. With operations in more than150 countries across 833 offices.

In connection with the aggression of the russian federation on the territory of Ukraine, Crowe Global decided to exclude representatives of the russian federation and the republic of belarus from the network.

Link to official source:
https://www.crowe.com/global/news/crowe-global-statement-on-conflict-in-ukraine

www.crowe.com.ua/croweacu

Annex 1
to Ukrainian Accounting Standard 1 "General Requirements to Financial Reporting"

		CODES		
	Date (year, month, day)	2022	01	01
Company: **Additional Liability Company "Insurance Company "EKTA"**	USREOU code	42509958		
Territory: **CITY OF KYIV**	KATOTTG[1] code	UA80000000000624772		
Form of incorporation: **Additional Liability Company**	KOPFG code	250		
Type of economic activity: **Other types of insurance except for life insurance**	KVED code	65.12		

Average number of employees[2]: **10**
Address, telephone: **5, building 2, letter B1, Dilova Street, PECHERSKYI DISTRICT, CITY OF KYIV, 03150, 3324942**
Measurement unit: thousand UAH without decimal places (except for Section IV of the Statement of Financial Result (Statement of Comprehensive Income) (Form No. 2), the financial figures of which are stated in UAH with kopecks)
Prepared under (check V in the relevant cell):

Ukrainian Accounting Standards	
International Financial Reporting Standards	V

Balance Sheet (Statement of Financial Position)
as at December 31, 2021

Form No. 1 **DKUD code 1801001**

ASSETS	Line code	At commencement of reporting period	At the end of reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	19	52
Historical cost	1001	19	159
Amortization accrued	1002	-	107
Incomplete capital investments	1005	-	-
Property, plant and equipment	1010	54,081	42,120
Historical cost	1011	55,687	44,110
Wear	1012	1,606	1,990
Investment property	1015	-	-
Investment property historical cost	1016	-	-
Investment property wear	1017	-	-
Long-term biological assets	1020	-	-
Long-term biological assets historical cost	1021	-	-
Depreciation accrued	1022	-	-
Long-term financial investments:			
Recorded according to the method of participation in equity of other entities	1030	12,000	-
Other financial investments	1035	-	-
Long-term accounts receivable	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred acquisition costs	1060	-	-
Balance of cash in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total for section I	**1095**	**66,100**	**42,172**
II. Current assets			

Inventories	1100	3	-
production inventories	1101	-	-
production in progress	1102	-	-
finished products	1103	-	-
goods	1104	-	-
Current biological assets	1110	-	-
Re-insurance deposits	1115	-	-
Received bills of exchange	1120	-	-
Accounts receivable for products, goods, works, and services	1125	408	6,716
Accounts receivable for settlement:			
under issued advances	1130	-	172
with the budget	1135	-	-
including income tax	1136	-	-
Accounts receivable on settlements from income accrued	1140	-	2
Accounts receivable on internal settlements	1145	-	-
Other current accounts receivable	1155	19,046	10,596
Current financial investments	1160	29,833	40,314
Cash and cash equivalents	1165	19,833	43,769
Cash in hands	1166	-	-
Bank accounts	1167	19,833	43,769
Deferred expenses	1170	-	-
Share of re-insurer in the insurance reserves	1180	-	-
Including in			
reserves of long-term liabilities	1181	-	-
reserves of losses or payment reserves	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	-	-
Total for section II	**1195**	**69,123**	**101,569**
III. Non-current assets held for sale, and disposal groups	**1200**	-	-
Balance	**1300**	**135,223**	**143,741**

LIABILITIES	Line code	At commencement of reporting period	At the end of reporting period
1	2	3	4
I. Equity			
Registered (shared) equity	1400	37,000	37,000
Contributions to the non-registered equity	1401	-	-
Revaluation reserve	1405	-	107
Additional capital	1410	52,338	57,841
share premium reserve	1411	-	-
accumulated exchange differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered losses)	1420	176	(12,376)
Unpaid capital	1425	(-)	(-)
Seized capital	1430	(-)	(-)
Other reserves	1435	-	-
Total for section I	**1495**	**89,514**	**82,572**
II. Long-term liabilities and provisions			
Deferred tax liabilities	1500	-	-
Pension liabilities	1505	-	-
Long-term bank loans	1510	-	-

Other long-term liabilities	1515	2,187	-
Long-term provisions	1520	-	-
long-term provision for staff costs	1521	-	-
Target financing	1525	-	-
charity help	1526	-	-
Insurance reserves	1530	40,560	49,448
Including:			
Long-term liabilities reserve	1531	-	-
Reserve of losses or reserve of payments due	1532	15,168	23,960
Reserve of unearned premiums	1533	25,392	25,488
Other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
Reserve for jackpot payment	1545	-	-
Total for section II	**1595**	**42,747**	**49,448**
III. Current liabilities and security			
Short-term bank loans	1600	-	-
Issued bills of exchange	1605	-	-
Current accounts payable under:			
long-term liabilities	1610	1,200	-
goods, works, services	1615	97	4,316
settlements with the budget	1620	1,665	2,446
including on income tax	1621	1,665	2,429
insurance payments	1625	-	19
Labor payments	1630	-	68
Current accounts payable on received advances	1635	-	3,439
Current accounts payable on settlements with participants	1640	-	-
Current accounts payable on internal settlements	1645	-	-
Current accounts payable on insurance activities	1650	-	1,433
Current provisions	1660	-	-
Deferred income	1665	-	-
Deferred commission from re-insurance	1670	-	-
Other current liabilities	1690	-	-
Total for section III	**1695**	**2,962**	**11,721**
IV. Liabilities related to non-current assets held for sale and disposal groups	**1700**	**-**	**-**
V. Net cost of assets of non-state pension fund	**1800**	**-**	**-**
Balance	**1900**	**135,223**	**143,741**

Head /signature/ Spazhuk Vitalii Valeriiovych

Chief Accountant /signature/ Afendikova Olga Mykolayivna

ROUND SEAL: *Additional Liability Company "INSURANCE COMPANY "EKTA" * Identification code 42509958*

STAMP:
EXAMINED BY AUDITOR AC Crowe Ukraine LLC
10.11.2022 /signature/

[1] Codifier of Administrative-Territorial Units and Territories of Local Communities.
[2] Determined in the procedure established by the central executive body exercising the state policy in the field of statistics.

ПЕРЕВІРЕНО АУДИТОРОМ
ТОВ АК «Кроу Україна»
10.11.2022

			CODES		
		Date:	2022	01	01
Company:	Additional Liability Company "Insurance Company "EKTA"	USREOU code	42509958		
	(name)				

Statement of Financial Result (Statement of Comprehensive Income)
for the year 2021

Form No 2 DKUD code 1801003

I. FINANCIAL RESULT

Item	Line code	For the reporting period	For a similar period of preceding year
1	2	3	4
Net income from sales of products (goods, works, services)	2000	-	-
Net insurance premiums earned	2010	232,955	132,113
premiums signed, gross amount	2011	233,051	151,676
premiums given for re-insurance	2012	-	-
change of unearned premium reserve, gross amount	2013	96	19,563
change of reinsurers' share in unearned premiums reserve	2014	-	-
Cost of products (goods, works, services) sold	2050	(17,166)	(562)
Net losses incurred on insurance payments	2070	24,092	3,202
Gross:			
Profit	2090	191,092	128,349
Loss	2095	(-)	(-)
Income (expenses) from change in provisions for long-term liabilities	2105	-	-
Income (expenses) from change of other insurance reserves	2110	(8,792)	(9,753)
change of other insurance reserves, gross amount	2111	8,792	9,753
change of re-insurers' share in other insurance reserves	2112	-	-
Other operating income	2120	2,394	3
including: *income from change in value of assets measured at fair value*	2121	-	-
income from initial recognition of biological assets and agricultural products	2122	-	-
income from usage of assets released from taxation	2123	-	-
Administrative costs	2130	(44,150)	(65,937)
Sales costs	2150	(128,216)	(47,810)
Other operating expenses	2180	(2,212)	(4)
including: *expenses from change in value of assets measured at a fair value*	2181	-	-
expenses from initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activity:			
Profit	2190	10,116	4,848
Loss	2195	(-)	(-)
Equity income	2200	-	-
Other financial revenues	2220	406	70
Other income	2240	966	3,530
including: *income from charity aid*	2241	-	-
Financial expenses	2250	(3)	(644)
Equity expenses	2255	(-)	(-)

Other expenses	2270	(16,360)	(50)
Profit (loss) from inflation impact onto monetary items	2275	-	-
Financial result before tax:			
Profit	2290	-	7,754
Loss	2295	(4,875)	(-)
Income tax loss (gain)	2300	(7,677)	(5,127)
Profit (loss) from terminated activity after tax	2305	-	-
Net financial result:			
Profit	2350	-	2,627
Loss	2355	(12,552)	(-)

II. COMPREHENSIVE INCOME

Item	Line code	For the reporting period	For a similar period of preceding year
1	2	3	4
Increase (write-down) of value of non-current assets	2400	-	-
Increase (write-down) of value of financial instruments	2405	-	-
Accumulated exchange differences	2410	-	-
Share of other consolidated income of associate and joint ventures	2415	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before tax	2450	-	-
Income tax related to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Consolidated income (sum of lines 2350, 2355, and 2460)	**2465**	(12,552)	2,627

III. ELEMENTS OF OPERATING EXPENSES

Item	Line code	For the reporting period	For a similar period of preceding year
1	2	3	4
Material expenses	2500	-	-
Labor payment expenses	2505	1,476	255
Deductions for social measures	2510	325	60
Depreciation	2515	2,386	1,376
Other operating expenses	2520	196,349	122,375
Total	2550	200,536	124,066

IV. CALCULATION OF SHARES PROFIT PERFORMANCE

Item	Line code	For the reporting period	For a similar period of preceding year
1	2	3	4
Average yearly number of ordinary shares	2600	-	-
Corrected average annual number of ordinary shares	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-
Dividends per one ordinary share	2650	-	-

Head /signature/ Spazhuk Vitalii Valeriiovych

Chief Accountant /signature/ Afendikova Olga Mykolayivna

***ROUND SEAL:** Additional Liability Company "INSURANCE COMPANY "EKTA" * Identification code 42509958*

STAMP:
EXAMINED BY AUDITOR AC Crowe Ukraine LLC
10.11.2022 /signature/

ПЕРЕВІРЕНО АУДИТОРОМ
ТОВ АК «Кроу Україна»
10.11.2022

	CODES		
Date:	2022	01	01
USREOU code	42509958		

Company: <u>Additional Liability Company "Insurance Company "EKTA"</u>

(name)

Statement of Cash Flows (according to direct method)
for the year 2021

Form No 3 DKUD code 1801004

Item	Line code	For the reporting period	For a similar period of preceding year
1	2	3	4
I. Cash flow from operating activity			
Proceeds from:			
Sales of products (goods, works, services)	3000	-	-
Refund of taxes and duties	3005	-	-
including value added tax	3006	-	-
Target financing	3010	-	-
Proceeds from receipt of grants, dotations	3011	-	-
Proceeds from advances from buyers and clients	3015	-	-
Proceeds from return of advances	3020	192	-
Proceeds from interest under balances of cash at current accounts	3025	-	-
Proceeds from debtors via forfeit (penalties, fines)	3035	-	-
Proceeds from operating lease	3040	240	-
Proceeds from royalties, author's remunerations	3045	-	-
Proceeds from insurance premiums	3050	164,185	95,364
Proceeds of financial institutions from return of loans	3055	-	-
Other proceeds	3095	408	1,938
Expenses on payment for:			
Goods (works, services)	3100	(115,832)	(18,108)
Labor	3105	(1,120)	(206)
Deductions for social measures	3110	(306)	(60)
Liabilities on taxes and duties	3115	(7,281)	(5,140)
Expenses on payment of income tax liabilities	3116	(6,912)	(5,087)
Expenses on payment of value added tax liabilities	3117	(-)	(-)
Expenses on payment of liabilities on other taxes and duties	3118	(-)	(-)
Expenses on payment of advances	3135	(-)	(-)
Expenses on payment of advances' return	3140	(57)	(-)
Expenses on payment of target contributions	3145	(85)	(-)
Expenses on payment of liabilities under insurance contracts	3150	(23,393)	(3,002)
Expenses of financial institutions on issuing loans	3155	(-)	(-)
Other expenses	3190	(9)	(37,631)
Net cash flow from operating activity	**3195**	16,942	33,155
II. Cash flow from investment activity			
Proceeds from sales of:			
financial investments	3200	117,644	67,652
non-current assets	3205	-	-
Proceeds from received:			
interest	3215	-	-
dividends	3220	-	-
Proceeds from derivatives	3225	-	-

Proceeds from repayment of loans	3230	5,765	-
Proceeds from withdrawal of a subsidiary and other entity	3235	11,790	-
Other proceeds	3250	-	-
Expenses for acquisition of:			
financial investments	3255	(21,881)	(82,984)
non-current assets	3260	(61)	(-)
Payments under derivatives	3270	(-)	(-)
Expenses for issuing loans	3275	(93,087)	(-)
Expenses for acquisition of a subsidiary and other entity	3280	(-)	(-)
Other payments	3290	(29)	(-)
Net cash flow from investment activity	**3295**	20,141	-15,617
III. Cash flow from financial activity			
Proceeds from:			
Equity	3300	-	-
Receipt of loans	3305	-	-
Proceeds from sale of share in a subsidiary	3310	-	-
Other proceeds	3340	59,213	-
Expenses for:			
Purchase of one's own shares	3345	(-)	(-)
Repayment of loans	3350	-	-
Payment of dividends	3355	(-)	(-)
Expenses on payment of interest	3360	(-)	(-)
Expenses on payment of finance lease debt	3365	(150)	(2,100)
Expenses on acquisition of a share in a subsidiary	3370	(-)	(-)
Expenses on payment to uncontrolled shares in subsidiaries	3375	(-)	(-)
Other payments	3390	(72,210)	(-)
Net cash flow from financial activity	**3395**	-13,147	-2,100
Net cash flow for the reporting period	**3400**	23,936	15,438
Balance of funds as at the beginning of the year	3405	19,833	4,395
Impact of exchange rates' change onto the balance of funds	3410	-	-
Balance of funds as at the end of the year	3415	43,769	19,833

Head /signature/ Spazhuk Vitalii Valeriiovych

Chief Accountant /signature/ Afendikova Olga Mykolayivna

ROUND SEAL: *Additional Liability Company "INSURANCE COMPANY "EKTA" * Identification code 42509958*

STAMP:
EXAMINED BY AUDITOR AC Crowe Ukraine LLC
10.11.2022 /signature/

	CODES		
Date:	2022	01	01
USREOU code	42509958		

Company: **Additional Liability Company "Insurance Company "EKTA"**
(name)

Statement of Changes in Equity
for the year 2021

Form No 4 DKUD code 1801005

Item	Line code	Registered (shared) equity	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (uncovered losses)	Unpaid capital	Seized capital	Total
1	2	3	4	5	6	7	8	9	10
Balance as at the beginning of the year	**4000**	37,000	-	52,338	-	176	-	-	89,514
Adjustments:									
Change of accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance as at the beginning of the year	**4095**	37,000	-	52,338	-	176	-	-	89,514
Net profit (loss) for the reporting period	**4100**	-	-	-	-	(12,552)	-	-	(12,552)
Other comprehensive income for the reporting period	**4110**	-	-	-	-	-	-	-	-
Increase (write-down) of value of non-current assets	4111	-	-	-	-	-	-	-	-
Increase (write-down) of value of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated exchange differences	4113	-	-	-	-	-	-	-	-
Share of other consolidated income of associate and joint ventures	4114	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	-	-	-	-
Profit distribution:									
Payments to owners (dividends)	4200	-	-	-	-	(45 179)	-	-	(45 179)

Direction of profit to registered capital	4205	-	-	-	-	-	-	-	-
Deductions to reserve capital	4210	-	-	-	-	-	-	-	-
Amount of net profit payable to the budget under the legislation	4215	-	-	-	-	-	-	-	-
Amount of net profit for creation of special (target) funds	4220	-	-	-	-	-	-	-	-
Amount of net profit for financial incentives	4225	-	-	-	-	-	-	-	-
Contributions of participants:									
Contributions to equity	4240	-	-	5,503	-	-	-	-	5,503
Repayment of equity debt	4245	-	-	-	-	-	-	-	-
Seizure of capital:									
Purchase of shares	4260	-	-	-	-	-	-	-	-
Re-sale of purchased shares	4265	-	-	-	-	-	-	-	-
Cancellation of purchased shares	4270	-	-	-	-	-	-	-	-
Seizure of share in equity	4275	-	-	-	-	-	-	-	-
Decrease of par value of shares	4280	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	107	-	-	-	-	-	107
Acquisition (sales) of uncontrolled share in a subsidiary	4291	-	-	-	-	-	-	-	-
Total changes in equity	**4295**	-	107	5,503	-	(12,552)	-	-	(6,942)
Balance as at the end of the year	**4300**	37,000	107	57 841	-	(12,376)	-	-	82,572

Head /signature/ Spazhuk Vitalii Valeriiovych

Chief Accountant /signature/ Afendikova Olga Mykolayivna

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10.11.2022 /signature/

	CODES		
Date:	26	01	01
USREOU code	42509958		

Company: **Additional Liability Company "Insurance Company "EKTA"**
(name)

Statement of Changes in Equity
for the year 2020

Form No 4 DKUD code 1801005

Item	Line code	Registered (shared) equity	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (uncovered losses)	Unpaid capital	Seized capital	Total
1	2	3	4	5	6	7	8	9	10
Balance as at the beginning of the year	**4000**	37,000	-	116	-	(2,451)	-	-	34,665
Adjustments:									
Change of accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance as at the beginning of the year	**4095**	37,000	-	116	-	(2,451)	-	-	34,665
Net profit (loss) for the reporting period	**4100**	-	-	-	-	2,627	-	-	2,627
Other comprehensive income for the reporting period	**4110**	-	-	-	-	-	-	-	-
Increase (write-down) of value of non-current assets	4111	-	-	-	-	-	-	-	-
Increase (write-down) of value of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated exchange differences	4113	-	-	-	-	-	-	-	-
Share of other consolidated income of associate and joint ventures	4114	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	-	-	-	-
Profit distribution:									

Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Direction of profit to registered capital	4205	-	-	-	-	-	-	-	-
Deductions to reserve capital	4210	-	-	-	-	-	-	-	-
Amount of net profit payable to the budget under the legislation	4215	-	-	-	-	-	-	-	-
Amount of net profit for creation of special (target) funds	4220	-	-	-	-	-	-	-	-
Amount of net profit for financial incentives	4225	-	-	-	-	-	-	-	-
Contributions of participants:									
Contributions to equity	4240	-	-	52,222	-	-	-	-	52,222
Repayment of equity debt	4245	-	-	-	-	-	-	-	-
Seizure of capital:									
Purchase of shares	4260	-	-	-	-	-	-	-	-
Re-sale of purchased shares	4265	-	-	-	-	-	-	-	-
Cancellation of purchased shares	4270	-	-	-	-	-	-	-	-
Seizure of share in equity	4275	-	-	-	-	-	-	-	-
Decrease of par value of shares	4280	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Acquisition (sales) of uncontrolled share in a subsidiary	4291	-	-	-	-	-	-	-	-
Total changes in equity	**4295**	-	-	52,222	-	2,627	-	-	54,849
Balance as at the end of the year	**4300**	37,000	-	52,338	-	176	-	-	89,514

Head *I/signature/* Spazhuk Vitalii Valeriiovych

Chief Accountant */signature/* Afendikova Olga Mykolayivna

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10.11.2022

ADDITIONAL LIABILITY COMPANY

"INSURANCE COMPANY "EKTA"

Notes to the Financial Statements for the Year 2021,

as at the end of the day of December 31, 2021

CONTENTS

General information about the Company

Full name: Additional Liability Company "Insurance Company "Ekta".

Short name: ALC "IC "EKTA".

USREOU code 42509958

The Company was incorporated on 02.10.2018, entry No. 1 070 102 0000 078380.

Financial institution certificate CT No. 649 issued on 24.01.2019 as per the Order of the National Commission for Regulation of Financial Services Markets No. 117 dated 24.01.2019.

Location: 5, building 2, lit. B1, Dilova Street, 03150, city of Kyiv, Ukraine.

Form of incorporation: Additional liability company.

Main activity: 65.12 – Other types of insurance, except for life insurance.

Amount of registered shared (statutory) capital: 37,000 thousand UAH.

Amount of paid shared (statutory) capital as at the end of the period: 37,000 thousand UAH.

Number of staff as at 31.12.2020: 17 persons.

As at 31.12.2021, the Company has got no branches.

The main activity of ALC "IC "EKTA" (hereinafter – the Company) is receiving profit as the result of conduction of activity at the financial services market. The subject of the Company's direct activity is insurance, re-insurance, and financial activity connected with the formation, placement of insurance reserves, and their management.

The insurance activity is carried out in accordance with the licenses obtained. In total, the Company obtained 10 licenses.

Name	License No.
Insurance of property (other than stipulated by clauses 5-9 of Article 6 of the Law of Ukraine "On Insurance")	Order of the National Commission for Regulation of Financial Services Markets No. 427 dated 21.03.2019
Insurance from fire-related risks and risks of natural disasters	Order of the National Commission for Regulation of Financial Services Markets No. 427 dated 21.03.2019
Financial risks insurance	Order of the National Commission for Regulation of Financial Services Markets No. 427 dated 21.03.2019
Insurance of cargo and luggage (cargo-luggage)	Order of the National Commission for Regulation of Financial Services Markets No. 427 dated 21.03.2019
Third party liability insurance (other than stipulated by clauses 12-14 of Article 6 of the Law of Ukraine "On Insurance")	Order of the National Commission for Regulation of Financial Services Markets No. 427 dated 21.03.2019
License for conduction of economic activity on financial services rendering (except for professional activity at the securities market) in terms of voluntary health insurance (uninterrupted health insurance).	Order of the National Commission for Regulation of Financial Services Markets No. 517 dated 02.04.2019
License for voluntary accident insurance.	Order of the National Commission for Regulation of Financial Services Markets No. 521 dated 04.04.2019
License for voluntary medical expenses insurance	Order of the National Commission for Regulation of Financial Services Markets No. 521 dated 04.04.2019
License for voluntary land-based transport insurance (except for railway transport)	Order of the National Commission for Regulation of Financial Services Markets No. 1873 dated 26.09.2019
License for voluntary sickness insurance	Order of the National Commission for Regulation of Financial Services Markets No. 1873 dated 26.09.2019

Throughout the reporting period, the Company conducted financial and economic activity only within the frames of the Ukrainian legislation.

The Company is income tax payer and is not VAT payer.

The functional currency of the Company is the Ukrainian hryvnia, which is the national currency of Ukraine and reflects in the best way the economic substance of most transactions conducted by the Company and associated circumstances affecting its activity.

The Ukrainian hryvnia is also the presentation currency of the financial statements prepared under the IFRSs. All data of the financial statements are formed in thousand UAH.

Operational environment in Ukraine

The rapid spreading of the COVID-19 pandemic and the restrictions implemented to hold it, continued to determine the situation at the global commodity and financial markets throughout the year 2021. During the first months of 2021, the macroeconomic situation facilitated the stabilization of Ukraine's financial system. The losses resulting from the strengthening of the quarantine measures in winter and spring were considerably weaker for Ukraine (approximately 0.6% of the GDP), compared to the preceding year. Business in Ukraine adapted itself to conduction of activity in the new realities by organizing the remote mode of work, supplies, and sales.

The National Bank of Ukraine (NBU) continued to conduct its interest policy corresponding to the target inflation figures, and held the floating exchange rate of the UAH. Due to the increase of prices for energy resources and fuel, which affected all sectors of the economy, the inflation speed in Ukraine grew to 10.0% for the year 2021 (compared to 5.0% in 2020), which forced the NBU to commence the implementation of the policy on the increase of the accounting rate after the long period of its decrease – from 6.0% since June 2020 to 6.5% since March 2021, 7.5% since April 2021, 8.0% since June 2021, 8.5% since September 2021, 9.0% since December 2021 and further till 10.0% since January 2022. As at December 31, 2021, the official UAH to EUR exchange rate set by the NBU comprised 30.92 UAH per 1 EUR compared to 34.73 UAH per 1 EUR as at December 31, 2020; as at December 31, 2021, the official UAH to USD exchange rate set by the NBU comprised 27.28 UAH per 1 USD compared to 28.27 UAH per 1 USD as at December 31, 2020. The official average UAH to EUR exchange rate for the year 2021 comprised 32.3 UAH per 1 EUR compared to 30.8 UAH per 1 EUR for 2020; the official average UAH to USD exchange rate for the year 2021 comprised 27.28 UAH per 1 USD compared to 26.96 UAH per 1 USD for 2020.

The conflict on separate areas of Donetsk and Lugansk regions, which broke out in spring of 2014, remains unsettled. In December 2021 – February 2022, the news on the growth of the Russian armed forces along the Russian-Ukrainian border caused the increase of concern over the possible open invasion of the Russian armed forces into Ukraine. On February 21, 2021, it was announced that Russia recognized the independence of the non-controlled areas of Donetsk and Lugansk regions.

On February 24, 2022, the Russian Federation commenced the unprovoked full-scale military aggression against Ukraine. As the result, the future condition of Ukraine's economy is a factor of considerable uncertainty. With a view to the dynamic nature of the situation and the unpredicted course of the war, certain time would most probably be required to measure the economic downfall. Currently the government established the priority of the defense and social sphere expenses and continued to fulfill its liabilities on the repayment of the external debt. Companies are continuing to operate to the extent possible in the conditions of the war, and to pay taxes, while the financial system is ensuring cash flows as before.

In the course of March-April 2022, active military actions were in progress in the directions of large cities of Ukraine, including Kharkiv, Chernihiv, Sumy, Kyiv, Kherson, Zaporizhzhia, Mariupol, Severodonetsk, and others, while various cities of Ukraine were constantly shelled with missiles, including Western Ukraine. Tens of thousands of civilians and military people have already been killed or wounded, while a large number of military and civilian infrastructure objects have been destroyed, namely airports, military bases, residential houses, hospitals, schools, warehouses and production facilities etc. The operation of all ports at the Black Sea and the Sea of Azov was temporarily suspended, air transportation was suspended prior to the commencement of the full-scale invasion, a considerable number of transport routes in the northern, southern, and eastern regions was damaged, thus railway transport remains the principal way of transportation inside Ukraine. By September, the Ukrainian military managed to liberate a part of the previously occupied territories from the occupational troops of the aggressor. On the temporarily occupied areas of Lugansk, Donetsk, Zaporizhzhya, and Kherson regions, fake referendums on joining the RF were held in late September.

Since the start of the military actions, the Ukrainian government received financing from international organizations and various countries (IMF, EU, and directly from a number of countries) to support the financial stability, as well as to finance the social payments and military needs. In early March, the Board of the European Bank for Reconstruction and Development (EBRD) announced the next package of measures on provision of assistance to Ukraine in the amount of 2 billion EUR, channeled to support citizens and companies, who suffered from the war in Ukraine, as well as countries affected by the influx of Ukrainian refugees.

The National Bank of Ukraine (NBU) held its accounting rate unchanged on the 10% level until June. The accounting rate was increased to 25% since June 03, 2022. Apart from that, at the beginning of the war, the NBU established restrictions on cash withdrawal and exchange of UAH into foreign currencies to support the stable functioning of Ukraine's financial system, and switched from the flexible exchange rate formation to the fixed exchange rate of 29.25 UAH per 1 USD at the currency market. Since July 21, 2022, the NBU adjusted the official UAH to USD exchange rate by 25% till 36.5686 UAH/USD, the NBU is continuing to implement restrictions regarding foreign currency transactions.

Apart from that, the NBU established a ban on transactions in Ukraine using accounts of residents of Russia and Belarus and with legal entities, whose end beneficiaries are based in these countries (except for companies and institutions ensuring the implementation of the government's mobilization plans and entities having special permit from the NBU). In spite of the current unstable situation, the banking system remains stable, with sufficient liquidity, even in the conditions of the extended martial law, and all banking services are accessible to its clients – both legal entities and individuals.

On March 15, 2022, the Verkhovna Rada of Ukraine adopted the Law of Ukraine No. 2120-IX "On Amending the Tax Code of Ukraine and Other Legislative Acts regarding the Effect of Norms for the Period of the Martial Law", which implemented the following norms:

- the right for the application of the simplified taxation system for group 3 single tax payers – entities with annual income of not more than 10 billion UAH at the 2% tax rate; apart from that, the effect of the condition on the number of employees was terminated;
- the norms on the release from VAT payment in case of goods supply for the needs of the Armed Forces of Ukraine, the National Guard, and other territorial defense forces of Ukraine, including health care institutions, save cases when such transactions on the supply of goods and services rendering are taxed at the zero VAT rate;
- owners of land plots are released from payment of the land tax and payment for lease of land plots being in state and municipal property, located at the temporarily occupied areas as per the definition implemented by the Cabinet of Ministers of Ukraine and specified as contaminated with explosive objects and/or containing fortification structures;
- until the expiry of the martial law, as well as within twelve months following its expiry, individual entrepreneurs and persons conducting independent professional activity, have the right not to pay the single social contribution for themselves;
- conduction of tax examinations was suspended until the expiry of the martial law (save cases of submission of applications for budgetary reimbursement);
- and a number of other amendments, which have far smaller impact onto the Company activity.

The Company continues to conduct its activity in these circumstances. For more detailed information on the impact of the military invasion onto the Company activity see Note 6.32 to these financial statements.

1. Basis for preparation of the financial statements

The financial statements for the year 2021 are the third annual financial statements prepared under the IFRSs. The Company activity actually commenced in the year 2019. The Company first adopted the IFRSs in the year 2019, the date of the shift to the IFRSs was determined as January 1, 2019.

In the reporting year, the Company applied the requirements of all standards effective as at 01.01.2021.

These financial statements were prepared in accordance with the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine" as amended and supplemented, and the International Financial Reporting Standards (hereinafter – the IFRSs).

The Company maintains its financial accounting in accordance with the IFRSs and prepares its financial statements on their basis.

The main principles of the accounting policy, used in the preparation of these financial statements, are described below. Such principles are applied in a coordinated way to all reporting periods, if not specified otherwise.

Going Concern

These financial statements were prepared on the going concern basis (please see the "Operational environment" and "Subsequent events" notes, which contain the information on the uncertainty factors connected with the events and conditions, which may cast substantial doubt onto the Company's ability to continue as a going concern.

The Company's financial statements as at December 31, 2021 reflect its financial position, financial performance, and cash flows for the period then ended, as well as other explanatory information as per the IFRSs issued by the International Accounting Standards Board (IASB), which are determined in Ukraine as the applicable conceptual framework for financial reporting under the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine" and constitute for the Company the appropriate general conceptual framework, which is also the conceptual framework for **reliable** presentation.

The financial statements were approved on 09.11.2022.

2. Accounting policy principles

Basis for evaluation of financial statements' preparation. The Company's accounting policy is based on the following principles:

- completeness – means that all transactions are recorded at the relevant financial accounts. The financial statements contain all the information on the actual and possible results of transactions, which can affect the decision taken on a specific transaction;

- prevalence of substance over form – the financial accounting of transactions is performed in accordance with their substance and economic contents (prevalence of substance over form);

- assets and liabilities are recorded at prime (historical) cost. Assets are measured at the amount of funds actually paid for them at the acquisition date, liabilities – at the amount of funds mobilized in exchange for the liability.

- income and expenses are recorded in the accounting and financial statements according to the accrual and matching principles, which means that income and expenses have to be recorded when they actually exist, rather than in the periods when funds are actually received or paid; to determine the financial result of a reporting period, it is necessary to compare the recognized income of the reporting period and the expenses incurred to receive such income.

In the reporting period, the Company recognizes assets and liabilities, income and equity, if they meet the following criteria:

Assets constitute resources appearing as the result of prior events, usage of which is expected to lead to receipt of economic benefits in future.

Liabilities constitute the debt appearing as the result of prior events, the repayment of which in future is expected to lead to decrease of resources embodying economic benefits.

Income constitutes the increase of economic benefits throughout the reporting period in the form of receipt or increase of the usefulness of assets or decrease of liabilities, resulting in the increase of equity, except for its increase through contributions by shareholders.

Expenses constitute the decrease of economic benefits throughout the reporting period in the form of the disposal or depreciation/amortization of assets or emergence of liabilities, which leads to the decrease in the equity and does not constitute distribution between shareholders.

Equity constitutes the remaining part in the assets after the deduction of all the liabilities;

During financial accounting maintenance and financial statements' preparation, assets and liabilities are capitalized and recorded at:

1) the cost of their acquisition or emergence – at the historical or prime cost:

- assets – at the amount of cash and cash equivalents or other forms of reimbursement paid for them;
- liabilities – at the amount of cash mobilized in exchange for such liabilities or the amount of cash and cash equivalents to be paid for the repayment of liabilities in normal course of business;

2) fair (market) value:

- assets – at the amount to be paid for the acquisition (exchange) of such assets;
- liabilities – at the amount such a liability can be repaid with as the result of an arm's length transaction.

The value of assets is aligned with their fair value through their re-measurement and evaluation for impairment and available credit risks.

The criteria for the recognition and measurement of specific types of assets and liabilities, income and expenses are described in the following notes.

Cash and cash equivalents. Cash and cash equivalents constitute assets, which are freely convertible into ready cash and subject to insignificant risk of value change. The amounts connected with cash having limited usage, are excluded from cash and cash equivalents. Cash and cash equivalents include cash on hand and balances at correspondence accounts.

Financial instruments: main terms connected with measurement. Depending on their classification at recognition or in further accounting, financial instruments are recorded as:

- those measured at fair value through profit and loss;
- investments held till maturity and recorded at amortized cost;
- loans and receivables;
- available-for-sale financial assets recorded at cost.

The fair value means the amount an asset can be exchanged or a liability can be fulfilled for under an arm's length transaction. Fair value is the buyer's current price for financial assets and the seller's current price for financial liabilities quoted at an active market. A financial instrument is considered quoted at an active market, if the quotation prices are regularly communicated by the stock exchange or another institution and if such prices reflect the actual and regular market transactions between independent parties.

The amortized cost means the cost a financial asset or liability is measured at, and consists of the acquisition cost less the amount of repayment of the debt principal increased (reduced) by the amount of the accumulated amortization of any difference between the historical cost and the repayment cost, calculated using the effective interest rate, less the amount of partial write-off as the result of impairment.

The effective interest rate method means the method of distribution of interest income or expenses within the relevant period to achieve constant periodical interest rate (effective interest rate) on the amortized cost of an instrument. Effective interest rate is the rate, which precisely discounts expected cash payments throughout the estimated useful life of a financial instrument or, depending on the circumstances, throughout a shorter period till the net carrying amount of such a financial asset.

The cost means the amount of paid cash or cash equivalents, or the fair value of other consideration given for the acquisition of an asset as at the moment of its acquisition, and includes the transaction costs. Measurement at cost is applied only to investments in equity instruments, which have no quoted market price and whose fair value cannot be reliably measured, as well as derivatives associated with them, which have to be repaid through the provision of such non-quoted equity instruments.

Financial assets impairment. At each reporting date, the insurance company adjusts the amount of financial assets by the amount of the impairment of a financial asset. The features of impairment are the availability of negative financial as well as non-financial information on the issuer's activity, which would demonstrate the unreasonableness of the prior expectations regarding the recoverable amount of the acquired asset.

Investments held till maturity. Acquired debt securities with fixed or measurable payments as well as with fixed maturity period, are recorded in the portfolio held till maturity. Debt securities belong to the portfolio held till maturity, if the Company intends and is capable to hold them till maturity for receiving interest income. The Company classifies securities into portfolios till maturity at their purchase and further revises its intent regarding them at each balance sheet date.

Acquired securities held till maturity are initially recognized at cost and further – at amortized cost. Interest income under securities held till maturity is calculated using the effective interest rate and is attributed to profits and losses for the year.

Impairment losses are recognized in profits or losses for the year they were incurred in as the result of one or more events, which occurred after the initial recognition of securities in the portfolio held till maturity.

Subsidiaries and associates. An associate is an entity under material control of an investor, that is neither a subsidiary nor an interest in a joint venture.

A subsidiary is an entity controlled by another entity (known as the parent).

Control means the powers to manage the financial and operational policies of another entity with the purpose of receiving benefits from its activity.

The equity method is the accounting method, under which an investment is initially recognized at cost and then adjusted according to the change of the investor's share in the net assets of the investment object after acquisition. The investor's profit and loss includes the investor's share in the profit or loss of the investment object.

Material impact means the powers to take part in decision making on the financial and operational policies of the object of investment, but not control or joint control over such policies.

The Company determines the materiality of the impact, if the Company directly or indirectly (via subsidiaries) owns 20 or more percent of the voting rights in the object of investment, if the contrary is not clearly proved. If the Company owns less than 20% of the voting rights in the object of investment, then the following factors are applied to determine the materiality of the impact:

- representation in the board of directors or a similar management body of the object of investment;
- participation in the processes of policy development, including participation in decision making on dividends and other payments;
- material transactions between the investor and the object of investment;
- mutual exchange with management staff;
- provision of the necessary technical information.

For accounting of investments into subsidiaries and associates, the Company uses the equity method, under which an investment is initially recorded at cost and then its carrying amount is increased or reduced in order to recognize the Company's share in the profit or loss of the object of investment after the acquisition date. The Company's share in the profit or loss of an object of investment is determined in the Company's profit or loss.

Investment property. The unit of accounting of investment property is a land plot, a building, or a part of a building, or a land plot and a building, managed by the owner or lessee under a finance lease contract with the purpose of receiving lease payments, gain from equity increase or both rather than rendering services or administrative purposes.

Investment property covers: (a) land held to receive rewards from the increase of the equity in the long-term perspective rather than from sale in the short-term perspective in the course of activity; (b) land, the further usage of which is currently not defined; (c) a building owned or managed by the Company under a finance lease contract and provided into lease under one or multiple operating lease contracts; (d) a building currently not occupied and designated for lease under one or multiple operating lease contracts.

The Company recognizes immovable property objects held with the purpose to receive lease payments and/or increase of the equity, as investment property. When organizing the accounting of investment property objects, the Company is guided by the requirements of IAS 40 "Investment Property".

Property is shifted to the investment property or property occupied by the owner, if the change in the usage of the immovable property occurs, which is evidenced, respectively, with the commencement of the operating lease to another party or the commencement of its usage as operating property.

Until the date of the change of the usage, namely switching from property occupied by the owner to investment property, IAS 16 "Property, Plant and Equipment" is applied.

IAS 16 "Property, Plant and Equipment" is applied from the date of the change of the usage, namely shifting of investment property to property occupied by the owner.

Investment property is recorded at fair value.

Fair value is determined with involvement of an independent appraisal entity.

The change of the fair value is recorded in financial instruments.

An object of investment property is not depreciated in financial accounting.

When an object is shifted to investment property, the amount of depreciation accumulated as at the date of shifting, is written off in correspondence with the account where the historical cost of such an object is recorded.

If an investment property object includes a part held for receiving lease payment and/or increase of equity, and another part, which is held for production needs, and these parts can be sold or leased separately, then such parts are recorded separately. The cost of such immovable property needs to be divided by the cost of the operating (occupied by the owner) and that of the investment property. The gross area of such property is taken as the basis for the division.

When an operating property object is switched to investment property, the amount of the preceding increases of the value of such an object (if available) is recorded in equity.

Property, plant and equipment. The Company capitalizes its property, plant and equipment at historical cost, records them in the Balance Sheet at historical cost less accumulated depreciation and accumulated impairment losses.

The historical cost of the property, plant and equipment is increased by the amount of the costs associated with the improvement of an object (upgrade, modification, addition, additional equipment, reconstruction etc.), which results in the increase of the future economic rewards initially expected from the usage of this object.

The costs incurred to support an item of property, plant and equipment in a condition suitable for usage (overhaul and current repair), are included into the costs of the reporting period and do not affect the depreciated cost of such an item of property, plant and equipment. The Company applies the straight-line basis for monthly depreciation accrual.

After recognition as an asset, the "Buildings and structures" group of property, plant and equipment (whose fair value can be reliably measured) should be measured at revaluated cost which is its fair value as at the revaluation date less any further accumulated depreciation and further accumulated impairment losses.

The useful lives of property, plant and equipment are established as follows:

Object type	Useful life (years)

Buildings and structures	20
Security and alarm equipment	5
Computers and equipment to them, printers, ATMs, telephones	5
Copying machines	12
Air-conditioners, refrigeration equipment, audio and video equipment	4
Cash desk equipment	4
Vehicles	5
Furniture, safety boxes	4
Fascias	5
Other	4

Land and capital investments in progress are not depreciated.

Capital investments into leased premises are used throughout the lease term of the premises.

At recognition and accounting of property, plant and equipment, the Company is guided by IAS 16 "Property, Plant and Equipment". The Company recognizes a tangible object as an item of property, plant and equipment, if it is held with the purpose of its usage in the Company's activity, services rendering, administrative functions, and its expected useful life is over one year. Items of property, plant and equipment meeting the criteria of recognition as an asset, are measured at cost when recorded to the Balance Sheet. The measurement unit of property, plant and equipment is a separate inventory number.

The cost criterion of recognition of property, plant and equipment is established on the level of 20,000.00 UAH and is gradually reduced because of physical wear and obsolescence.

Items of property, plant and equipment with cost not exceeding 20,000.00 UAH are recognized in the Company's financial statements as inventories, and if they are transferred for operation, depreciation is accrued in the amount of 100%.

The depreciation of the Company's property, plant and equipment is accrued on straight-line basis throughout the useful life of an asset.

In the course of the year 2021, the Company did not change the depreciation method, the depreciation norms and useful lives remained unchanged as the result of their revision.

Property objects are subject to revaluation on a sufficiently regular basis to ensure that the carrying amount does not differ from the one, which would have been determined using the fair value as at the end of the reporting period. The Company may revaluate an item of property, plant and equipment, if the depreciated cost of such an item is materially different from its fair value at the balance sheet date.

The increase of the carrying amount appearing in case of revaluation, is credited to the other comprehensive income account and increases the growth of the value of equity in case of revaluation. The reductions reimbursing the preceding increases of the same asset, are recognized in other comprehensive income and decrease the earlier recognized growth of the equity in case of revaluation; all other reductions are credited to the account of profits or losses for the year.

The Company revaluates its property based on reports on independent appraisal of immovable property, prepared by professional appraisers. Based on the results of revaluation, the Company adjusts the historical cost and the accumulated wear by the revaluation coefficient determined as the ratio of the fair value and depreciated cost of an object.

At the end of each period, the management evaluates whether there is any evidence of impairment of property, plant and equipment.

If there is any such evidence, the management measures the recoverable amount, which is determined as the fair value of an asset less sales costs and its fair value in use, depending on which is larger. The carrying amount is reduced to the recoverable amount, while the impairment loss is recognized in profits or losses for the year. The impairment loss recognized for an asset in prior years, is reclassified, if changes have occurred in the estimates used to determine the value in use or fair value of an asset less sales costs.

The gain or loss resulting from disposal, determined through comparison of proceeds with the carrying amount, is recognized in profits or losses for the year (within other operating income or expenses).

Intangible assets. The Company capitalizes intangible assets at historical costs, which consists of the acquisition cost, state duty, indirect taxes, and other costs associated with bringing the intangible assets to the condition suitable for usage, records them in the Statement of Financial Position at historical cost less accumulated amortization and accumulated impairment losses. The historical cost of intangible assets is increased by the amount of the costs associated with the improvement of such intangible assets and increase of their possibilities and useful life, which would facilitate the increase of the initially expected future economic rewards.

Intangible assets are amortized on straight-line basis.

The Company established the following useful lives of intangible assets:

Group name	Useful life (years)
Rights for industrial property objects	5
Other intangible assets	10
Author's and related rights	5
Licenses for implementation of insurance activities	Indefinite

Licenses for the conduction of insurance activity are assets with an indefinite useful life, thus they are recorded without amortization accrual.

In the course of the year 2020, the Company did not change the amortization norms and method, as well as did not revaluate the historical cost of its intangible assets and did not change the useful lives of intangible assets.

The Company revises the useful lives of intangible assets if an intangible asset was elaborated, thus causing higher economic rewards from its usage.

Non-current assets held for sale and disposal groups. Non-current assets and disposal groups, which can include both current and non-current assets, are classified in the Statement of Financial Position as "non-current assets held for sale and disposal groups", if their cost is recovered mainly through sales transactions throughout 12 months following the completion of the reporting period. Assets are subject to revision, if all of the following conditions are met: (a) assets are ready for immediate sale in their current condition; (b) the Company management approved the sales plans and initiated the program on active search for buyers; (c) sale is expected within 1 year; and (d) no material changes are expected to the intentions to sell the assets or to cancel the sales plan. Non-current assets held for sale and disposal groups belonging to this category in the Statement of Financial Position for the reporting period do not require reclassification for the prior periods.

Attracted funds. Other attracted funds include received bank loans, finance lease liabilities, other loan liabilities. Long-term liabilities are recorded at discounted cost using effective interest rate.

Financial assets.

Financial assets are classified according to the following criteria:

- financial assets recorded at fair value through profits and losses;
- financial assets held with the purpose of repayment;
- financial assets held for sale.

Trade securities will be classified as measured at fair value through profits or losses.

For debt securities - bills of exchange meeting the SPPI criterion, the classification at initial recognition is determined based on the business model, under which such instruments are managed, namely:

- instruments held in order to receive contractual cash flows, are measured at amortized cost.

Equity financial assets not belonging to the trade portfolio, will be measured at fair value through profit or loss as per IFRS 9.

Fair value is the amount an asset can be exchanged for or a liability can be settled for in an arm's length transaction. Fair value is the present value of financial assets at active markets or the contractual value of such assets under the terms of the latest transaction with them in case of the absence of open quotations.

To determine the fair value of certain financial instruments, on which there is no information on market prices from external sources, such measurement models are used as discounted cash flows or the last (carrying) value of a financial asset (historical cost). In these financial statements, the relevant disclosures are made, if the changes of any assumption lead to material changes of the profit, income, total amount of assets or liabilities.

During the primary recognition of a financial asset or liability, the Company measures them at fair value, plus operating costs directly related to the acquisition or issuing of a financial asset or liability.

The main events that evidence the impairment of a financial asset, can be:

a) financial difficulties of issuers of shares or corporate rights;

b) breach of the contractual terms (non-fulfillment of liabilities, delay in payment of the accrued income and/or debt principal);

c) high probability of bankruptcy or financial reorganization of the issuer of the financial instrument;

d) adoption by the National Securities and Stock Market Commission of a decision on the cancellation of the registration of the issue of the package of issuers' shares.

Impairment of securities into portfolios till maturity.

The Company individually measures whether there exists any evidence of impairment under securities in the portfolio till maturity. If there is evidence of impairment, the amount of losses is determined as the difference between the carrying amount of an asset and the present value of future cash flows. The carrying amount of an asset is reduced, while the amount of the loss is recorded in the Statement of Profits and Losses and Other Comprehensive Income.

If in the subsequent year, the amount of measured impairment losses is reduced due to an event occurring after the impairment losses are recognized, then the earlier recognized amounts of losses are recorded in the Statement of Profits and Losses and Other Comprehensive Income.

The fair value of securities in circulation at organized markets is determined according to their market value.

If the market quotations for securities are unavailable, the Company applies the following methods to determine the fair value:

- reference to the market price of another similar instrument;
- depreciated market value of such a financial asset calculated for the preceding period;
- analysis of discounted cash flows. Applying the discounted cash flows analysis, the Company uses the discounting rate equal to either the current rate of return of a similar financial investment that has mainly the same conditions and characteristics (time remaining till maturity; structure of cash flows; currency; issuer's credit rating, interest rate), and in case of its absence – the amount of the discounting rate approved in the Company's accounting policy;
- other methods ensuring the reliable determination of the fair value of securities.

At the same time, the revaluation of securities, under which a sales contract with a defined sales price was entered, is not recorded in financial accounting between the transaction date and the settlement date.

Income tax. Income tax is recorded in the financial statements in accordance with the legislation enacted or substantively enacted by the end of the reporting period. Income tax gain or loss include the current and deferred tax and are recorded in profits or losses for the year, except for cases, when they are recognized in other comprehensive income or directly in equity, because they are connected with transactions, which are also recognized in the same or another period, in other comprehensive income or directly in equity.

Current income tax is the amount payable to or recoverable from the tax bodies with regard to the taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates, if the financial statements were approved prior to the submission of the relevant tax returns. Taxes other than the income tax, are recorded in administrative and other operating costs.

Deferred income tax is calculated using the balance sheet liabilities method for transferred tax losses and temporary differences appearing between the tax bases of assets and liabilities and their carrying amount for the purposes of the financial statements. The balances of deferred tax assets and liabilities are measured at the tax rates approved or substantively approved at the end of the reporting period, which have to be applied to the period when the temporary differences are reclassified or the transferred tax losses are used. The deferred tax asset for temporary differences to be deducted and transferred tax losses is recorded only if it is probable that the future taxable profit is available, under which the deductions can be made.

The income tax rate in 2021 was: 3% from insurance activity and 18% from other activity.

Registered and additional capital.

The Company's registered capital is formed by the contributions of the Company shareholders. The amount of the registered capital is recorded in the Company Charter.

The amount of the registered capital is changed under the decision of the General Meeting of the Company shareholders and in accordance with the Company Charter.

The reserve capital is formed from retained earnings under the decision of the General Meeting of the Company shareholders and in accordance with the Company Charter.

Recognition of income and expenses.

The main principles of financial accounting of income and expenses are:

• accrual principle (income and expenses are recorded when they appear rather than upon the receipt or payment of cash);

• matching principle (to determine the reporting period financial result, it is necessary to compare the reporting period income and expenses incurred to receive such income).

Expenses which cannot be related directly to gain of a certain period are shown as a part of expenses of the period they were incurred in.

Expenses, the amount of which cannot be reliably measured as at the end of the reporting period, are recorded in the reporting period when the measurement of such expenses is possible and reliable;

• prudence (application of measurement methods in financial accounting, which are to prevent understatement of the Company's liabilities and expenses measurement and overstatement of its assets and income).

Income/expenses are to be accrued and recorded in the Company's financial statements, if the following conditions are met:

• on assets and liabilities – the actual debt exists;

• on services rendered (received) – the financial result is precisely measurable, while the contract for services rendering (receiving) or documents confirming their complete (partial) rendering, are available.

The estimated period for the application of the matching principle is the calendar month i.e. the matching of the expenses incurred by the Company, with the earned income is measured based on the results of the activity for a month.

Income and expenses appearing as the result of transactions, are determined by contracts between their participants or other documents executed as per the requirements of the Ukrainian legislation.

The income and expenses recognition criteria are applied separately to each transaction of the Company. Each type of income and expenses is recorded separately.

The amount of income (expenses) under transactions on exchange with non-similar assets is determined according to the fair value of assets, services received (rendered) or to be received (rendered), reduced or increased, respectively, by the amount of cash and cash equivalents transferred.

If the fair value of assets, works, services received (rendered) or to be received (rendered) under exchange transactions, is not reliably measurable, then the income (expenses) is determined according to the fair value of assets, works, services (except for cash and cash equivalents) transferred (received) under such contracts.

If an asset provides economic benefits receiving during several reporting periods, expenses are recognized by allocating its value on a systematic basis (for instance, as depreciation) over respective reporting periods.

The expenses for the acquisition or creation of an asset, which cannot be recognized as an asset, are recognized as expenses.

When recognizing income, the Company is guided by the requirements of IFRS 4 "Insurance Contracts" (in terms of income from insurance activity), IASs and IFRSs governing the issue of recognition of income from activity other than insurance.

In the tax accounting, the date of receiving income is the date of its recognition, as per the IFRSs and IASs, if the Tax Code of Ukraine does not specify otherwise.

Recognized income is classified in financial accounting into the following groups:
• income (revenue) from sale of products (goods, works, services);
• net income from sale of products (goods, works, services);
• other operating income;
• financial income;
• other income.

The income (revenue) from sale of products (goods, works, services) comprises the total income (revenue) form the sale of goods, works, or services without the deduction of the discounts given, goods returns under early terminated insurance contracts as at the Balance Sheet date, and indirect taxes and duties (value added tax etc.).

The net income from the sale of products (goods, works, services) is determined through the deduction from the income from the sale of goods, works, and services of the discounts given, goods returns under early terminated insurance contracts, income belonging to the consignors (principals etc.), and taxes and duties.

The other operating income includes the amounts of other operating income of the Company, except for the net income from sales of products (goods, works, services), namely: income from the operating lease of assets; operating exchange gain; reimbursement of earlier disposed assets; royalty income, interest income received on the balances of cash at current bank accounts, income from the sale of current assets (except for financial investments), non-current assets held for sale, and disposal groups etc.

Financial income includes dividends, interest and other income received from financial investments (except for income recorded according to the equity method).

Other income includes, namely, income from the sale of financial investments; non-operating exchange gain and other income appearing in the course of economic activity, but not connected with the Company's operating activity.

As the result of the usage of the Company's assets by other parties, the income is recognized in the form of lease payment, interest, royalty, and dividends:

• interest is recognized in the reporting period it belongs to, and calculated according to the base of their accrual and timing of the usage of the relevant assets;

• royalty is recognized according to the accrual principle as per the economic substance of the relevant contract;

• dividends are recognized in the period, when the decision on their payment was taken.

If the income from services rendering is not reliably measurable, it is recognized and recorded in the amount of the incurred expenses to be recovered.

Income is recognized if an asset is increased or a liability is reduced, which causes the increase of the equity (except for the increase of equity due to contribution by the Company shareholders), provided that the income is reliably measurable.

The financial accounting of expenses is based on the accrual and matching principles, and is maintained as per the IASs and IFRSs according to the relevant classification of expenses.

Expenses are recorded simultaneously with the reduction of assets or increase of liabilities.

Either decrease of assets or increase of liabilities leading to decrease of the Company's equity (except for equity reduction due to its seizure or distribution by owners), is recognized as expenses, provided that such expenses can be reliably measured.

In tax accounting, expenses are recognized according to the financial accounting rules, with consideration of the restrictions stipulated by the Tax Code of Ukraine, based on supporting documents.

Insurance

Income from rendering insurance services includes:

- income under insurance (re-insurance) contracts;
- income from insurance amounts and insurance compensations payable by re-insurers;
- reimbursement of expenses under recourse claims;
- increase of the re-insurers' share in insurance reserves;
- commission fee under re-insurance contracts;
- decrease of the insurance reserves amount;
- agency remuneration for the Company's agency services.

Income under insurance (re-insurance) contracts

The financial accounting of transactions associated with entering insurance (re-insurance) contracts, has to ensure timely and complete recording of liabilities and assets appearing in connection with them, at financial accounts and according to financial statements' items corresponding to the actual status of the insurance portfolio, creation of conditions required for prompt control over timely payment by the Company of the relevant income within the timing established by insurance contracts.

The financial accounting of income from transactions associated with entering insurance (re-insurance) contracts, is based on the accrual and matching principles.

Income from insurance (re-insurance) services rendering is recognized, if the following conditions are met:

- income is reliably measurable;
- there exists confidence that as the result of the transaction, the Company's economic rewards will increase, while the expenses associated with such a transaction, can be reliably measured, i.e. the Company is confident that insurers (re-insurers) will make insurance payments as per the insurance contracts.

Insurance premiums in the context of the Company's income are treated in terms of the receipt from the insured entities in favor of the Company of a certain amount of money as payment for insurance services. Income under an insurance (re-insurance) contract constitutes an insurance (re-insurance) premium under an insurance (re-insurance) contract, which the insured (re-insured) entity shall pay to the Company.

The Company's income in the financial accounting and financial statements for the reporting period constitutes the insurance premiums earned. Insurance premiums earned are determined by the increase of the amount of insurance payments received for the reporting period by the amount of unearned insurance premiums as at the beginning of the reporting period, the decrease of the result obtained by the amount of unearned insurance premiums as at the end of the reporting period and insurance premiums transferred for re-insurance in the reporting period. Unearned insurance premiums constitute the parts of the amounts of insurance premiums received that correspond to the insurance risks not expired as at the reporting date.

Insurance premiums under insurance (re-insurance) contracts are recognized as income in the period of the commencement of the effect of insurance (re-insurance) contracts as per the insurance contract.

Income under insurance (re-insurance) contracts is recorded in financial accounting in the national currency of Ukraine.

An insurance contract may be early terminated upon the demand of the insured entity or the Company, if this is stipulated by the insurance contract, or upon agreement between the parties. In case of early termination of an insurance contract, the Company returns to the insured entity the insurance premiums paid for the period remaining till the expiry of the insurance contract, less the regulatory expenses for the maintenance of the file, determined at the calculation of the insurance tariffs, the actual payments of the insurance compensations made under the contract. If the demands of the insured entity are caused by the breach by the Company of the insurance contract, then the Company returns to the insured entity the paid insurance premiums in full under the order on the termination of the insurance contract. The contract expires and loses its effect upon the agreement between the parties and in cases stipulated by the current legislation of Ukraine.

An insurance contract may be early terminated upon the demand of the insured entity or the insurer, if this is stipulated by the terms of the insurance contract.

Foreign currency revaluation. The functional currency of the Company is the currency of the main economic environment the Company operates in. The functional and presentation currency of the Company is the national currency of Ukraine – the hryvnia (hereinafter – the hryvnia or UAH).

The Company conducts the financial accounting of foreign currency transactions in double measure, namely in the nominal amount in foreign currency, on which the official UAH exchange rate is set, and in the amount of the relevant UAH equivalent.

During initial recognition, foreign currency transactions are recorded in the reporting currency through conversion of the amount in a foreign currency, using the official exchange rate of the UAH to foreign currencies as at the date of the transaction (date of recognition of assets, liabilities, equity, income, and expenses).

Monetary assets and liabilities are converted into the functional currency at the NBU official exchange rate as at the end of the relevant reporting year. Profits and losses appearing as the result of the settlement of liabilities under contracts and as the result of the conversion of the value of monetary assets and liabilities into the functional currency at the official NBU rates as at the end of the year, are recognized in the "Result from foreign currency revaluation" item in profits or losses for the year. Translation at the official rate as at the end of the year is not applied to non-monetary items measured at initial value. Non-monetary items measured at fair value in foreign currency, including equity investments, are translated using the exchange rates as at the date of determining the fair value. The outcome of the change of exchange rates for non-monetary items measured at fair value in foreign currency, is recorded as a part of the profit or loss from the change in fair value.

Income and expenses in foreign currency are recorded in the Statement of Financial Result at the NBU rate as at the date of their accrual.

Reserves. Insurance reserves are formed to secure the future payments of insurance amounts and insurance compensation depending on the types of insurance (re-insurance). The technical reserves and share of re-insurers in them are formed and recorded as per Article 31 of the Law of Ukraine "On Insurance" and Order No. 850 dated 07.06.2018 "On the Approval of the Provision on Mandatory Criteria and Norms for the Sufficiency of Equity and Solvency, Liquidity, Profitability, Quality of Assets, and Riskiness of the Insurer's Transactions".

The Company forms and records such technical reserves by insurance types:

a) reserve for unearned premiums using the 1/365 method – by all types of insurance;

b) provision for losses claimed but not paid; which include the reserved unpaid insurance amounts and insurance compensations under known demands of the insured entities, on which the decision has not been taken on payment or refusal from payment of the insurance amount or insurance compensation. The amount of losses claimed but not paid corresponds to the amount of claimed losses in the reporting period, increased by the amount of unpaid losses as at the beginning of the reporting period for the prior periods, reduced by the amount of paid losses in the reporting period plus costs for the settlement of losses in the amount of 3 percent of the unpaid losses as at the end of the reporting year.

c) provision for losses incurred but not claimed, which is formed using the fixed interest mathematical-statistical method.

The analytical accounting of the reserves is conducted by insurance type.

The examination of the adequacy of the Company's insurance liabilities verifies as at the end of each reporting period, whether its recognized insurance liabilities are adequate.

The examination of the adequacy of liabilities has to be understood as the evaluation of the need to increase the carrying amount of an insurance liability based on the analysis of future cash flows.

This examination takes account of the current estimates of all future cash flows under current insurance contracts (for instance, payments, administrative costs, settlement costs, income from recourse etc.).

Estimated reserves are posted based on the statistical analysis of insurance liabilities formed in the prior reporting periods, and actually posted insurance payments under such liabilities.

If such an evaluation shows that the carrying amount of its insurance liabilities less the relevant deferred acquisition costs and relevant intangible assets, is inadequate in the context of the estimated figures of future cash flows, the shortage needs to be fully recognized in the Statement of Profits and Losses.

Insurance liabilities are taken as equal to the volume of the insurance reserves, which the insurer shall form in the procedure stipulated by the Law of Ukraine "On Insurance".

Under the IFRSs requirements, the unearned premiums reserve, the provision for losses claimed but not paid, provision for losses incurred but not claimed, and other reserves of the Company, if their formation is required, are subject to the evaluation of the adequacy of insurance liabilities.

The Company excludes an insurance liability from the financial statements only if it is repaid i.e. when the contractual liabilities are fulfilled or canceled, or expired.

As required in the IFRSs, certain restrictions are applied with regard to accounting and recording of liabilities in the financial statements, namely under paragraph 14 of IFRS 4 "Insurance Contracts", the insurer:

a) shall not recognize as liabilities any reserves concerning the probable future insurance payments, if such insurance payments appear under insurance contracts not existing as at the end of the reporting period (such as the provision for disasters and unprofitableness fluctuations);

b) shall conduct the examination of the adequacy of liabilities;

c) shall not offset: on re-insurance assets against the relevant insurance liabilities; or income/expenses under re-insurance assets against the expenses or income under the relevant insurance contracts;

d) shall track whether its re-insurance assets have impaired.

Under the requirements of paragraph 15 of IFRS 4 "Insurance Contracts", the insurer shall at each reporting date evaluate the adequacy of its insurance liabilities, using current estimates of future cash flows under insurance contracts. If such an evaluation shows that the carrying amount of its insurance liabilities less the relevant deferred acquisition costs and relevant intangible assets, is inadequate in the context of the estimated figures of future cash flows, the shortage needs to be fully recognized in the Statement of Profits and Losses.

Under the requirements of the legislation, insurance liabilities are taken as equal to the volume of the insurance reserves, which the insurer shall form in the procedure stipulated by the Law of Ukraine "On Insurance".

Under the IFRSs requirements, the unearned premiums reserve, the provision for losses claimed but not paid, and the provision for losses incurred were subject to the evaluation of the adequacy of insurance liabilities.

The examination of the adequacy (matching) of the Company's liabilities was carried out using the Liability Adequacy Test (LAT) of liabilities under insurance contracts.

The test is conducted for each separate type of insurance. The test is conducted through the comparison of the amount of the Company's insurance liabilities (unearned premiums reserve) formed as at the end of the period, with the future cash flows under insurance contracts effective as at the end of the year, which include future insurance payments, expenses to settle such losses, deferred acquisition expenses.

Based on the results of the test on the adequacy of formed unearned premiums reserve, it is stated whether the amounts of the liabilities formed by the Company are quite sufficient to cover the future cash flows under insurance contracts effective as at the end of the period.

Information by operating segments. The accounting segments of the Company are the types of insurance. The income and expenses of the segments are analyzed by the management on regular basis, and the relevant information is provided to the regulatory body. At the same time, it is worth mentioning that the Company does not calculate the information on assets and liabilities by segments and does not provide it to the managing body responsible for decision making. Considering the absence of such information and the high cost of obtaining it, the information on the assets and liabilities by segment is not provided in the financial statements.

Operating lease. A contract is lease-related or contains a lease, if it conveys the right to control the use of an identified asset throughout a certain period of time in exchange for consideration (*paragraph 9 of IFRS 16*).

In contracts where the Company acts as the lessee, the lease liability is initially recognized as the present (discounted) cost of lease payments not paid as at the lease commencement date.

As at the lease commencement date (signing of the act of transfer and acceptance of the object into lease), the lessee recognizes a right-of-use asset including the following payments:

— the amount of initial measurement of a lease liability;

— lease payments paid in advance as at the lease commencement date or prior to it;

— initial direct costs incurred by an entity (additional costs for entering the contract, which would not have been incurred, had the contract not been entered);

— provision for dismantlement.

The variable part of lease payments, such as the accrual of utilities, increase of the lease payment by the inflation index etc, are incorporated into expenses as soon as the liabilities before the lessor are recognized.

The Company may apply the practical expedient and not be guided by IFRS 16 (i.e. not to recognize the right-of-use asset) regarding:

(1) short-term lease (for the period of < 12 months) irrespective of the cost of the leased object. If a contract envisages the possibility of its extension and there is confidence that the lessee will make use of the right for extension, the lease term needs to be calculated with account of the extension period;

(2) lease, in which the underlying asset (asset being the object of lease) is of low value. The lessee measures the cost of the leased asset based on the cost of the asset when it is new, irrespective of the age of the leased asset. The cost of such measurement is envisaged by the rules of measurement of property, plant and equipment.

If the Company uses the practical expedients, then a right-of-use asset is not recognized and lease payments are recorded as the expenses of the period.

The Company uses two ways of determining the discounting rate. The first one lies in the usage of the rate embedded into the lease contract. If it appears impossible to determine the rate embedded into the lease, the lessee instead uses the average loan rate of banks as at the date of entering the contract.

A leased asset is further recorded according to the rules stipulated by IFRS 16 and is subject to depreciation, which belongs to current expenses on straight-line basis for the period established by the contract.

3. Significant judgments, assumptions, and basis for estimates, and main sources of uncertainty in the course of accounting policy application

The management uses a series of estimates, judgments, and assumptions concerning the presentation of assets and liabilities and disclosure of contingent assets and liabilities, when preparing the financial statements as per the IFRSs requirements. The actual results may differ from the mentioned estimates. Assumptions and estimates made on their basis are constantly analyzed for the need of their change.

Changes in estimates are recorded in the period an estimate was revised in, if the change affects only this period, or in the period the change refers to, and in future periods, if the change affects both the current and future periods.

In the process of application of the Company's accounting policy, the management made certain professional judgments, except for those, which require usage of estimates, which have the most significant impact onto the amounts recognized in the present financial statements. Among other things, such judgments include the lawfulness of application of the assumption on the Company's ability to continue as a going concern.

Main sources of estimates' uncertainty.

The key assumptions on the future, as well as the main sources of uncertainty of estimates as at the end of the reporting period, which are subject to significant risk of material adjustment to the carrying amount of assets and liabilities throughout the subsequent financial year, are described below:

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful lives of assets, management considers the expected usage, obsolescence, physical wear and tear, and the physical environment in which the asset will be operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets. The current Tax Code of Ukraine and amendments made to it, materially change the tax laws and taxation rates. The amounts and timing of the reversal of temporary differences depend on the adoption of significant judgments by the Company management based on the estimation of the future accounting and tax value of property, plant and equipment.

Deferred tax assets are recognized for all unused tax losses to the extent that the receipt of a taxable profit is probable, from which such losses can be covered. The Company management is required to take a significant professional judgment when determining the amount of deferred tax assets, which may be recognized, based on the expected timing and level of taxable profits, with account of the future tax planning strategy.

4. Adoption of new and revised standards and interpretations

Amendments to IFRS 16 "COVID-19-Related Rent Concessions" (issued on May 28, 2020, effective for annual periods beginning on June 01, 2020 or thereafter). The amendment provides the lessees a concession in the form of optional release from the estimation of whether a COVID-19-related lease concession constitutes a lease modification. Lessees can choose the option of lease concessions as if such a lease concession were not a lease modification. This practical expedient is applied only to lease concessions provided in connection with the COVID-19 pandemic and only if all of the following conditions are met: the change of lease payments leads the revision of the lease consideration so that it does not exceed the amount of the lease consideration directly until the change; any decrease in lease payments affects only the amounts payable not later than June 30, 2021; and the absence of material changes in other lease conditions.

The Company concluded that it would not apply the practical expedient in the accounting of concessions given by lessors, as stipulated in the amendment to IFRS 16.

The following amended standards became effective for the Company from January 1, 2021, but had no material impact onto the Company:

Interest Rate Benchmark Reform (IBOR) – amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4, and IFRS 16 – Stage 2 (issued on August 27, 2020, effective for annual periods beginning on January 01, 2021 or thereafter). The amendments to Stage 2 are aimed at resolving the issues arising as the result of the implementation of reforms, including with regard to the replacement of one benchmark interest rate with an alternative one. The amendments cover the following spheres:

- *Procedure of accounting of amendments in the basis for determining contractual cash flows resulting from IBOR reform:* In accordance with the amendments to the instruments measured at amortized cost, as a practical expedient, entities have to account the amendment in the basis for determining contractual cash flows resulting from the IBOR reform through the update of the effective interest rate as per the guidelines contained in paragraph B5.4.5 of IFRS 9. Thus, profit or loss are not recognized at the relevant moment. The mentioned practical expedient is applied only to such a change and to such an extent, to which it is necessary as the direct outcome of the IBOR reform, while the new basis is economically equivalent to the preceding basis. Insurance companies applying the temporary release from the application of IFRS 9, also have to apply the same practical expedient. An amendment was also made to IFRS 16, under which lessees shall use a similar practical expedient to record lease modifications, which change the base for determining future lease payments resulting from the IBOR reform.
- *Date of expiry of the release under Stage 1 for risk components not defined in a contract in hedge relations:* In accordance with the Stage 2 amendments, entities need to prospectively cease to apply the Stage 1 releases on risk components not defined in a contract, as at the earlier of the two dates: date of amendment of the risk component not defined in the contract, or the date of termination of hedge relations. The Stage 1 amendments do not specify the date of expiry of risk components.
- *Additional temporary exclusions from the application of specific requirements to hedge accounting:* The Stage 2 amendments envisage additional temporary releases from the application of special requirements to hedge accounting, stipulated by IAS 39 and IFRS 9, with regard to hedge relations directly affected by the IBOR reform.
- *Additional disclosures stipulated by IFRS 7, relevant for the IBOR reform:* The amendments require the disclosure of the following information: (i) how the entity manages the process of the transfer to alternative benchmark rates; its progress and risks appearing as the result of such transfer; (ii) quantitative information on derivative and non-derivative financial instruments planned before the transfer, with breakdown by material benchmark interest rates; and (iii) description of all changes in the risk management strategy as the result of the IBOR reform.

Effect of IBOR reform. The reform and replacement of various supply rates at the inter-bank market (IBOR) became a priority for regulator bodies. Most IBOR rates will no longer be published since December 31, 2021, while certain LIBOR rates in USD will no longer be published since June 30, 2023.

The Company has no traditional IBOR-based financial instruments in its portfolio.

New financial accounting provisions

Certain new standards and interpretations were issued, which are mandatory in the annual periods commencing since January 1, 2021 or thereafter, and not early applied by the Company.

"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – Amendments to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods starting from or after the date determined by the IASB). These amendments eliminate the discrepancy between the requirements of IFRS 10 and IAS 28 regarding the sale or contribution of assets by an investor into an associate or joint venture.

The main consequence of the application of these amendments lies in the recognition of profit or loss in full, if a transaction refers to business. If assets do not constitute a business, even if owned by a subsidiary, only a part of the profit or loss is recognized. The Company is evaluating the impact of these amendments onto its separate financial statements.

IFRS 17 "Insurance Contracts" (issued on May 18, 2017 and effective for annual periods starting from January 1, 2021 or thereafter; the effective date was further moved to January 1, 2023 under the Amendments to IFRS 17, as specified below). IFRS 17 supersedes IFRS 4, which allowed entities to apply the existing practice of insurance contracts accounting. Thus, it was difficult for investors to compare the financial results in

other relations of similar insurance companies. IFRS 17 is the sole principle-based standard of accounting of all types of insurance contracts, including the insurer's re-insurance contracts available. Under this standard, groups of insurance contracts shall be recognized at: (i) the present value of future cash flows (cash flows after the fulfillment of contracts), adjusted with account of the risk, incorporating all the existing information on the cash flows after the fulfillment of contracts, which corresponds to the observed market information, plus (if the value is a liability) or minus (if the value is an asset); (ii) the amount comprising unearned profit on a group of contracts (service margin under contracts). Insurers shall record profit from a group of insurance contracts for the period, during which they provide insurance coverage, and to the extent that they are released from risk. If a group of contracts is or becomes unprofitable, the entity immediately records a loss. The Company is evaluating the impact of these amendments onto its separate financial statements.

Amendments to IFRS 17 and IFRS 4 (issued on June 25, 2020, effective for annual periods beginning on January 01, 2023 or after this date). The amendments include clarifications for easing the implementation of IFRS 17 and simplification of certain requirements of the standard and transitional provisions. These amendments refer to eight spheres of IFRS 17 and do not stipulate the change of the fundamental principles of the standard. The following amendments were made to IFRS 17:

- *Effective date:* The effective date of IFRS 17 (as amended) was postponed for two years. This standard is applied in respect of periods starting on January 01, 2023 or thereafter. The effective period of temporary exemption from the application of IFRS 9, established in IFRS 4, is also postponed to annual periods starting on January 01, 2023 or thereafter.
- *Expected recovery of insurance acquisition cash flows:* Entities shall attribute a part of their acquisition expenses to the relevant contracts, which are expected to be extended, and recognize such expenses as assets until the entity recognizes the extension of a contract. Entities shall measure the probability of recovery of an asset as at each reporting date and provide information on a specific asset in the notes to the financial statements.
- *Margin for contractual services, attributed to investment services:* Units of coverage should be identified with account of the extent of rewards and the expected period of the insurance coverage and investment services under contracts with variable payments and other contracts with services on the receipt of investment income as per the general model. Expenses connected with investment activity, should be included as cash flows in frames of an insurance contract in cases when the entity conducts such activity to increase the rewards from the insurance coverage for the owner of the insurance policy.
- *Held re-insurance contracts – recovery of losses:* When an entity recognizes loss at initial recognition of an onerous group of underlying insurance contracts or when adding onerous underlying insurance contracts to a group, the entity shall adjust the margin for the

contractual services of the relevant group of held re-insurance contracts and recognize profit under such re-insurance contracts. The amount of loss recovered under held re-insurance contract, is determined through multiplying the loss recognized under the underlying insurance contracts, by the percentage of demand under underlying insurance contracts, which the entity expects to recover under the held re-insurance contract. This requirement will be applied only when a held re-insurance contract is recognized prior to the recognition of loss from the underlying insurance contract, or simultaneously with such recognition.

- *Other changes:* Other changes include exceptions from the sphere of application for certain credit card contracts (or similar contracts) and for certain loan agreements; presentation of assets and liabilities under insurance contracts in the statement of financial position in portfolios rather than groups; applicability of the option of the decrease of risk in case of the decrease of financial risks with the help of held re-insurance contracts and non-derivative financial instruments at fair value through profit or loss; choice of the accounting policy for changing estimates made in the preceding interim financial statements, with application of IFRS 17; inclusion of payments and additions on income tax, attributed to a specific owner of an insurance policy, as per the terms of an insurance contracts, into cash flows; and selective waiver during the transitional period, and other insignificant changes.

The Company is evaluating the impact of these amendments onto its financial statements.

"Classification of Liabilities as Current or Non-current" – amendments to IAS 1 (issued on January 12, 2020, effective for annual periods beginning on January 01, 2022 or thereafter). These changes of the restricted sphere of application clarify that liabilities are classified as short-term or long-term, depending on the rights, which exist as at the end of the reporting period. A liability is long-term, if as at the end of the reporting period, the entity has a material right to postpone its repayment for at least 12 months. The guidelines no longer contain the requirement that such a right has to be unconditional. Management's expectations on whether management will further use its right to postpone the repayment, do not affect the classification of liabilities. The right to postpone repayment appears only if the entity fulfills all the applicable conditions as at the end of the reporting period. A liability is classified as short-term, if the condition is breached at or before the reporting date, even if after the completion of the reporting period, a waiver from the obligation to fulfill the condition has been received from the lender. At the same time, a loan is classified as long-term, if a condition of the loan agreement was breached only after the reporting date. Apart from that, the amendments precise the requirements to the classification of the debt, which an entity can repay through its conversion into equity. "Repayment" is defined as the termination of a liability through its settlement in the form of cash, other resources, which contain economic rewards, or the entity's own share-based instruments. An exemption is envisaged for convertible instruments, which can be converted into equity, but only for those instruments, where the conversion option is classified as a share-based instrument being a separate component of a combined financial instrument.

The Company is evaluating the impact of these amendments onto its financial statements.

"Classification of Liabilities as Current or Non-current – Deferral of Effective Date" – amendments to IAS 1 (issued on July 15, 2020, effective for annual periods beginning on January 01, 2023 or thereafter). The amendments to IAS 1 concerning the classification of liabilities into short- and long-term were issued in January 2020, their effective date being January 1, 2022. However, due to the COVID-19 pandemic, the effective date was postponed for one year to give more time for entities to implement the changes connected with the classification, as the result of the incorporation of the amendments.

The Company is evaluating the impact of these amendments onto its financial statements.

Proceeds before Intended Use, Onerous Contracts – Cost of Fulfilling a Contract, References to Conceptual Framework – changes of the restricted sphere of application to IAS 16, IAS 37 and IFRS 3, and i Annual Improvements to IFRS Standards 2018–2020 – amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41 (issued on May 14, 2020 and effective for annual periods commencing from January 01, 2022 or thereafter). The amendment to IFRS 16 prohibits entities to deduct any revenue received from sale of ready products produced during the period of the preparation by the entity of such an asset for the planned usage, from the cost of an item of property, plant and equipment. Currently, the revenue from the sale of such ready products, together with their production costs, is recognized in profit or loss. An entity shall apply IAS 2 for measuring the cost of such ready products. The cost does not include the depreciation of such an asset being tested, because it is not yet ready for the planned usage. The amendment to IAS 16 also clarifies that an entity "checks the proper functioning of an asset" by evaluating its technical and physical characteristics.

The financial figures of such an asset do not matter for this evaluation. Thus, an asset can function in accordance with the management's intentions and be subject to depreciation until it reaches the level of operational activity expected by the management.

The amendment to IAS 37 clarifies the meaning of "costs to fulfill a contract". The amendment explains that the direct costs to fulfill a contract include additional costs for fulfillment of such a contract, and the distribution of other costs directly connected with fulfillment of a contract. The amendment also explains that prior to the creation of a separate provision for an onerous contract, an entity recognizes all the loss from the impairment of assets used in the course of fulfillment of the contract, rather than assets designed for fulfillment of the contract.

IFRS 3 was amended through the inclusion of the reference to the 2018 Conceptual Framework for Financial Reporting, which allows determining what is an asset or liability in business combination. Prior to this amendment, IFRS 3 included the reference to the 2001 Conceptual Framework for Financial Reporting. Apart from that, IFRS 3 includes a new exemption on liabilities and contingent liabilities. This exemption envisages that regarding certain categories of liabilities and contingent liabilities, an entity, which applies IFRS 3, shall refer to IAS 37 or the IFRIC 21, rather than the 2018 Conceptual Framework for Financial Reporting.

Without this new exemption, an entity would have to recognize certain liabilities in business combination, which it would not recognize under IAS 37. Thus, immediately after acquisition, the entity would have to derecognize such liabilities and recognize income, which does not reflect the economic reward. It was also clarified that the buyer entity is not obliged to recognize contingent assets in accordance with the definition given in IAS 37 at the acquisition date.

The amendment to IFRS 9 considers the issue of which payments should be included into the "10% testing" for derecognition of financial liabilities. Expenses and payments may be made in favor of third parties or the creditor. According to this amendment, expenses or payments in favor of third parties will not be included into the "10% testing".

Changes were made into the illustrative example 13 to IFRS 16: the example of lessor's payments connected with improvements of leased property, was excluded. This amendment was introduced to avoid the potential uncertainty concerning the method of accounting of rent concessions.

IFRS 1 allows applying the exemption, if the subsidiary starts to apply the IFRSs from a later date than the parent. A subsidiary may measure its assets and liabilities at the carrying amount, at which they would be included into the consolidated financial statements of the parent, based on the date of the transition of the parent to accounting under the IFRSs, as if no adjustments had been made for the purposes of consolidation and recording the result of business combination, within which the parent acquired the mentioned subsidiary. The amendment to IFRS 1 allows entities, which applied this exemption under IFRS 1, to also measure the accumulated exchange differences using numeric values of the figures recorded by the parent, based on the date of the transition of the parent to accounting under the IFRSs. This amendment to IFRS 1 extends the effect of this exemption to accumulated exchange differences for decreasing the expenses of entities first applying the IFRSs. This amendment also applies to associates and joint ventures, which used the same exemption envisaged by IFRS 1.

The requirement, under which entities were to exclude cash flows for taxation purposes in the process of fair value measurement under IAS 41, was canceled. This amendment is to ensure consistence with the requirement contained in the standard, on discounting cash flows after taxation.

The Company is evaluating the impact of these amendments onto its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: "Disclosure of Accounting Policies" (issued on February 12, 2021, effective for annual periods beginning on January 01, 2023 or thereafter). Amendments were made to IAS 1, which require from entities to disclose material accounting policy information instead of significant accounting policies. The amendments contain the definition of material accounting policy information. The amended standard also clarifies that accounting policy information is treated as material, if without it, users of financial statements were unable to understand the other material information presented in the financial statements. The amended standard gives illustrative examples of accounting policy information, which will possibly be considered material for the financial statement of an entity. Apart from that, the amended IAS 1 precises that non-material accounting policy information should not be disclosed. However, if disclosed, it shall not complicate familiarization with material accounting policy information. To support this amendment, amendments were made to IFRS Practice Statement 2 "Making Materiality Judgments", which contain recommendations on the application of the materiality concept to the disclosure of accounting policy information.

The Company is evaluating the impact of these amendments onto its financial statements.

Amendments to IAS 8: "Definition of Accounting Estimates" (issued on February 12, 2021, effective for annual periods beginning on January 01, 2023 or thereafter). The amendments to IAS 8 clarify, how companies have to distinguish changes of accounting policy from changes of accounting estimates. The Company is evaluating the impact of these amendments onto its financial statements.

"COVID-19 Related Rent Concessions" – amendments to IFRS 16 (issued on March 31, 2021, effective for annual periods beginning on April 01, 2021 or thereafter). In May 2020, amendments to IFRS 16 were issued, which give lessees an optional practical expedient concerning the evaluation of whether the COVID-19 related rent concessions leading to the decrease of lease payments due on June 30 or thereafter, constitute lease modification. The amendments issued on March 31, 2021, extended the duration of the practical expedient from June 30, 2021 to June 30, 2022.

"Deferred Tax related to Assets and Liabilities arising from a Single Transaction" – amendments to IAS 12 (issued on May 07, 2021, effective for annual periods beginning on January 01, 2023 or thereafter). The amendments to IAS 12 refer to deferred tax accounting under such transactions as lease, and liabilities on decommissioning assets. In certain circumstances, entities are released from the requirement to recognize deferred tax, when they first recognize assets or liabilities. Earlier, there existed the uncertainty on whether the release refers to such transactions as lease and liabilities on decommissioning assets, under which both an asset and a liability are recognized simultaneously. The amendments precise that the release is not applied, and entities have to recognize deferred tax under such transactions. The amendments require from companies to recognize deferred tax under transactions, on which amounts of temporary differences increasing or decreasing the taxable amount, appear at initial recognition.

The Company is evaluating the impact of these amendments onto its financial statements.

Transition option to insurers applying IFRS 17 – amendments to IFRS 17 (issued on December 09, 2021, effective for annual periods beginning on January 01, 2023 or thereafter). The amendment to the transition provisions of IFRS 17 gives insurance companies an option aimed at the increase of the usefulness of information provided to the investor at initial application of IFRS 17. The amendment refers only to the transition of insurance companies to accounting under IFRS 17 and does not affect any other requirements of IFRS 17. The transitional provisions of IFRS 17 and IFRS 9 are applied at different dates and will lead to the following single-time differences in the classification of comparative information presented as at the initial recognition of IFRS 17: accounting discrepancy between liabilities under insurance contracts, measured at present value, and the relevant financial assets measured at amortized cost, and also if the entity decided to adjust the comparative information as per the requirements of IFRS 9, the differences between the classification of financial assets derecognized for the comparative period (to which IFRS 9 does not apply), and other financial assets (to which IFRS 9 applies). The amendment to the standard will assist insurance companies to avoid such temporary accounting differences, and therefore, will increase the usefulness of comparative information for investors. For this purpose, insurance companies are provided with an option concerning the presentation of comparative information on financial assets. At initial application of IFRS 17, for purposes of financial information presentation, entities may apply the overlay approach in case of classification of financial assets, under which the entity does not adjust the comparative information under IFRS 9. The transitional option can be applied separately per each instrument, allows an entity to present the comparative information so as if the requirements of IFRS 9 applied to this financial assets, but does not require from an entity to apply the requirements of IFRS 9 to impairment, as well as requires from entities, which apply the overlay approach in classifying a financial asset, to use justified and confirmed information, available as at the date of transition to accounting in accordance with the mentioned standard, to determine how the entity expects to classify this financial asset using IFRS 9. The Company is evaluating the impact of these amendments onto its separate financial statements.

The Company is evaluating the impact of these amendments onto its financial statements.

5. Effect of changes in the accounting policy, accounting estimates, and correction of material errors

Effect of changes in the accounting policy, accounting estimates, and correction of material errors.

In the reporting period, the Company did not change its accounting policy, there were no changes in the approaches to estimates and no material errors.

6. Disclosures

6.1. Property, plant and equipment.

The movements in property, plant and equipment for the period ended December 31, 2020 are presented as follows:

(in thousand UAH)	**Right-of-use asset**	**Land and buildings**	**Machinery and equipment (office equipment)**	**Total**
Historical cost as at January 01, 2019	-	-	-	

Additions	3,441			**3,441**
Historical cost as at December 31, 2019	3,441	-	-	**3,441**
Accumulated wear as at January 01, 2019	-	-	-	**-**
Depreciation	229	-	-	**229**
Accumulated wear as at December 31, 2019	229	-	-	**229**
Depreciated cost as at December 31, 2019	3,212	-	-	**3,212**
Historical cost as at January 01, 2020	3,441	-	-	**3,441**
Additions	-	52,222	24	**52,246**
Historical cost as at December 31, 2020	3,441	52,222	24	**55,687**
Accumulated wear as at January 01, 2020	229	-	-	**229**
Depreciation	1,377	-	-	**1,377**
Accumulated wear as at December 31, 2020	1,606	-	-	**1,606**
Depreciated cost as at December 31, 2020	**1,835**	**52,222**	**24**	**54,081**
Historical cost as at January 01, 2021	1,835	52,222	24	54,081
Additions/Disposals	(1,835)	5,503	133	3,801
Revaluation surplus/write-down		(13,772)		(13,772)
Depreciation	(1,606)	1,958	32	384
Accumulated wear as at December 31, 2021	-	1,958	32	1,990
Depreciated cost as at December 31, 2021	-	41,995	125	42,120

As at December 31, 2021, for the period from 01.10.2020, under Minutes of the meeting of the Company shareholders No. 05/08/2020 dated 05.08.2020, the Company assets were increased by several immovable property objects through the contributions of the shareholders into the additional capital for the formation of the Company warranty fund. These immovable property objects were capitalized at the value as per the independent appraisal reports on the cost of the immovable property and acts of transfer and acceptance of these objects into the Company's property. In the reporting period, the fair value of the immovable property was revaluated as per the Independent Appraisal Reports on the cost of the immovable property.

The following was recorded at fair value into "Property, plant and equipment" as at 31.12.2021:

1. Non-residential building with the area of 2,970.3 sq. m, located at: 7 Drohobytska Street, city of Boryslav, Lviv Region, with the cost of 24,523,268.94 (twenty-four million five hundred twenty-three thousand two hundred sixty-eight UAH 94 kop.), contributed as additional capital on 16.12.2020.
2. Non-residential building with the area of 1,309.1 sq. m, located at: 7P Drohobytska Street, city of Boryslav, Lviv Region, with the cost of 11,350,214.50 (eleven million three hundred fifty thousand two hundred fourteen UAH 50 kop.), contributed as additional capital on 24.12.2020.
3. Land plot with the total area of 0.1000 hectares, located at: 2-a Kovpaka Street, city of Horodok, Khmelnytskyi Region, with the cost of 233,300.00 (two hundred thirty-three thousand three hundred UAH 00 kop.), contributed as additional capital in the year 2020.
4. Residential house with the gross area of 61.1 sq. m, located at: 2-a Kovpaka Street, city of Horodok, Khmelnytskyi Region, with the cost of 306,957.42 (three hundred six thousand nine hundred fifty-seven UAH 42 kop.), contributed as additional capital in the year 2020.
5. Apartment with the gross area of 45.4 sq. m, located at: Shevchenka Street, city of Horodok, Khmelnytskyi Region, with the cost of 215,747.22 UAH (two hundred fifteen thousand seven hundred forty-seven UAH 22 kop.), contributed as additional capital in the year 2020.
6. Non-residential building with the area of 444.8 sq. m, located at: 7 Drohobytska Street, city of Boryslav, Lviv Region, with the cost of 5,375,672.14 (five million three hundred seventy-five thousand six hundred seventy-two UAH 14 kop.), contributed as additional capital on 15.12.2021.

The Company's items of property, plant and equipment are not pledged, their usage is not restricted in any other way.

6.2. *Intangible assets*

The "Intangible assets" item includes the cost of licenses for voluntary types of insurance received in the reporting year, issued by the National Commission for Regulation of Financial Services Markets, in the amount of 19.4 thousand UAH. The mentioned assets are not amortized, because their timing of usage is unlimited. The amortized cost of the "Insurance Company Accounts" software was also recorded in the amount of 32.6 thousand UAH. There was no impairment of intangible assets.

6.3. *Long-term financial assets*

Long-term financial assets were represented in the form of contributions into the corporate rights of separate legal entities. The ownership interest is 100%. The mentioned assets have no maturity, as at the acquisition date, they were measured and recorded at cost and comprised 12,000 thousand UAH. Such assets were not revaluated because the period of their possession is immaterial (they were acquired in November 2019), and this fact does not materially affect the fair value of an asset. In the first half-year of the reporting year, these assets were sold with profit in the amount of 870 thousand UAH. The Company has no long-term assets as at 31.12.2021.

In thousand UAH

Investment objects	**USREOU code**	**31.12.2020**	**31.12.2021**
"E-TURSVIT" LLC KVED 55.10 Activity of hotels and similar means of accommodation	43343158	4,000	0
"E-INNOVATION" LLC KVED 71.12 Activity in the fields of engineering, geology, geodesy, rendering technical consultations services in these fields	43343027	4,000	0
"E-COMMUNICATION" LLC KVED 61.20 Activity in the field of wireless electrical communication	43343357	4,000	0
Total		**12,000**	**0**

6.4. *Inventories*

The inventories as at 31.12.2019 and 31.12.2020 included insurance certificate forms for the amount of 3 thousand UAH. There are no inventories as at 31.12.2021.

6.5. *Deferred acquisition costs*

Deferred acquisition costs (DAC) constitute the volume of acquisition costs associated with entering contracts, which occurred during the current and/or prior settlement periods, but the amounts of insurance payments under them belongs to the income of future settlement periods and are recognized in expenses simultaneously with the recognition of the relevant earned insurance premium during the effective period of the contract.

There are no acquisition costs as at 31.12.2021.

6.6. Accounts receivable for goods (works, services), on issued advances, and on accrued income

The accounts receivable as at 31.12.2021 include:

- insurance premiums under insurance contracts entered by insurance agents for the period from 21.12.2021 to 31.12.2021 and subject to transferring to the Insurer's bank account until 10.01.2022 in the amount of 6,716 thousand UAH;
- advance payment to AC CROWE Ukraine in the amount of 115.5 thousand UAH for auditing services rendering and funds paid for the services to be rendered in January 2022 to certain suppliers in the amount of 57 thousand UAH;
- accounts receivable on interest accrued under a deposit agreement in the amount of 2 thousand UAH.

6.7. Other current accounts receivable

The Company's other accounts receivable as at 31.12.2020 and 31.12.2021 are represented by:

In thousand UAH

Indicators	31.12.2020	31.12.2021
Prepayment for securities	8,546	
Debt under right of demand	10,500	
Fee-based financial aid provided		9,487
Debt under corporate rights purchase-sales contract		1,079
Security deposit under assistance contract		30
Total	**19,046**	**10,596**

The Company provided fee-based financial aid to "EKTA SERVICE" LLC, its maturity being 05.07.2022.

There are no doubtful debts.

6.8. Cash and cash equivalents

Cash and cash equivalents as at 31.12.2020 and 31.12.2019 were presented as follows:

Indicators	31.12.2020	31.12.2021
Cash at current bank accounts (UAH)	8,333	2,769
Bank deposits	11,500	41,000
Total	**19,833**	**43,769**

Assets classified by the Company as cash and cash equivalents, have no restrictions in usage and are kept at Ukrainian banking institutions with rating not lower than the investment rating. All cash balances are not overdue or impaired.

The information on the Company's deposits placed (by bank) as at 31.12.2021 is given below:

In thousand UAH

Bank name	USREOU code	Deposit commencement term	Deposit expiry term	Amount	Bank rating
JSC "Bank Alliance"	14360506	28.12.2021	25.01.2022	20,000	ua AAA
JSC "Bank Alliance"	14360506	03.11.2021	04.02.2022	500	ua AAA
JSC "Accord Bank"	35960913	28.12.2021	14.01.2022	20,500	ua AAA
Total				**41,000**	

6.9. Current financial assets

Current financial assets are represented in the form of contributions into sovereign bonds. Current financial assets are acquired with the purpose of further sale for a short-term period and are measured at fair value through profits and losses.

Current financial assets as at 31.12.2020 are represented by:

Investment type	**Issuer**	**USREOU code**	**Cost, thousand UAH**
securities issued by the state, sovereign bonds	Ministry of Finance of Ukraine	00013480	20,028
bonds of companies	"MODERN FACTORING" LLC	35310044	600
mortgage certificates and mortgage bonds	PASCAL ASSET MANAGEMENT COMPANY LLC ("SHEFLER" UNIT INVESTMENT FUND)	32821450	3,378
shares	"TULUM" CLOSED NON-DIVERSIFIED VENTURE CORPORATE INVESTMENTS FUND JSC	41275720	5,827
Total			**29,833**

Current financial investments as at 31.12.2021 are represented by:

Investment type	**Issuer**	**USREOU code**	**Cost, thousand UAH**
securities issued by the state, sovereign bonds	Ministry of Finance of Ukraine	00013480	40,314
Total			**40,314**

6.10. Leases

As at 01.01.2021, the Company recorded the asset on the right of use of a leased premise and the lease liabilities under the office premise lease contract, which were written off due to the termination of the lease contract. A release was applied to the new lease contract as per IFRS 16 "Leases", because it was entered for a short-term period and an option for the extension of the lease term cannot be applied to it.

6.11. Registered and additional capital

The announced and paid Registered Capital comprise 37,000 thousand UAH.

The Company's other additional capital was created from the additional contributions of the shareholders for the formation of the Insurer's Warranty Fund, and comprises 57,841 thousand UAH (under the decision of the extraordinary meeting of shareholders No. 22/01/2019 dated January 22, 2019 and the decision of the extraordinary meeting of shareholders No. 05/08/2020 dated August 05, 2020.

Contributions into the additional capital were made in the year 2019 with cash in the amount of 116 thousand UAH, and in the year 2020 immovable property objects and a land plot were contributed to the additional capital for the total amount of 52,222 thousand UAH, while in the year 2021 an immovable property object for the amount of 5,503 thousand UAH was contributed, their cost is confirmed by the expert appraisal.

6.12. Insurance reserves

Insurance reserves as at 31.12.2021 and 31.12.2020 were presented as follows:

Type of reserves	31.12.2020	31.12.2021
Unearned premiums reserve	25,392	25,488
Provision for losses claimed but not paid	0	113
Provision for losses incurred but not claimed	15,168	23,847
Total	**40,560**	**49,448**

Insurance reserves are formed to secure the future payments of insurance amounts and insurance compensation depending on the types of insurance (re-insurance). The technical reserves and the re-insurers' share in them are formed and recorded as per Article 31 of the Law of Ukraine "On Insurance" and "Provision on the Procedure of the Formation, Placement, and Accounting of Insurance Reserves by Insurance Types Other than Life Insurance", approved with the Order of the National Commission for Regulation in the Field of Financial Services Markets No. 3104 dated 17.12.2004.

Under the requirements of IFRS 4 "Insurance Contracts", the Company shall at each reporting date evaluate the adequacy of its insurance liabilities, using current estimates of future cash flows under insurance contracts. If such an evaluation shows that the carrying amount of its insurance liabilities less the relevant deferred acquisition costs and relevant intangible assets, is inadequate in the context of the estimated figures of future cash flows, the shortage needs to be fully recognized in the Statement of Profits and Losses. The generally accepted actuarial methods, methods of combined unprofitability mathematical models, methods of the theory of probabilities and mathematical statistics are used to evaluate the adequacy of unearned premiums reserve (LAT test). The methods of mathematical statistics, namely the verification of statistical hypotheses and, where a volume of data sufficient for analysis, actuarial methods of evaluation of the provisions for losses, based on the insurance payments' triangles analysis, are used for the evaluation of the adequacy of provisions for losses (incurred but not claimed and claimed but not settled). For those insurance types, where provisions for losses incurred but not claimed and/or provisions for losses claimed but not settled, are formed in zero amount, the correctness was verified through checking the statistical hypotheses.

The conclusion on the confirmation of the adequacy of the Company's insurance liabilities as at 31.12.2021 was prepared by Actuary I.O.Ivanko (Certificate on the right to conduct actuarial calculations and certify them No. 01-017 dated 08.10.2015).

6.13. Other reserves

The Company did not create other reserves, because there are no grounds envisaged by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". No provision for vacations was formed in the reporting period.

6.14. Other long-term liabilities.

There were no other long-term liabilities as at 31.12.2021. As at 31.12.2020, they were represented by lease liabilities calculated as per IFRS 16 "Leases" and comprise 2,187 thousand UAH.

6.15. Current liabilities

The current liabilities of the Company for the years 2020 and 2021 were presented as follows:

Indicators	31.12.2020	31.12.2021
Payables for goods, works, and services	97	4,316

Payables on settlements with the budget	1,665	2,446
Debt on unpaid contributions to the registered capital of subsidiaries	1,200	0
Debt on insurance		19
Payroll debt		68
Debt on received advances (insurance premiums)		3,439
Current debt on insurance compensations		1,433
Total	**2,962**	**11,721**

6.16. *Income from sales of services on insurance types*

The income from sales of services on insurance types of the Company for the years 2020 and 2021 were presented as follows:

Indicators	2020	2021
Income from sales of services on insurance types other than life insurance (insurance payments)	151,676	233,051
Changes in unearned premiums reserves	(19,563)	(96)
Total	**132,113**	**232,955**

The Company conducts only voluntary insurance, except for life insurance. Insurance payments of premiums by insurance types were presented as follows:

Insurance types	2020	2021
Accident insurance	1,060	26,458
Insurance of other property	124,143	161,112
Medical expenses insurance	17,120	27,469
Financial risks insurance	9,331	15,045
Other types of voluntary insurance	22	2,967
Total	**151,676**	**233,051**

6.17. *Expenses attributed to the cost of insurance services*

The expenses attributed to the cost of insurance services of the Company for the years 2020 and 2021 were presented as follows:

Indicators	2020	2021
Insurance payments and insurance compensations	3,202	24,697
Other expenses attributed to the cost of insurance services	562	17,166
Total	**3,764**	**41,863**

6.18. *Administrative costs*

The administrative costs of the Company for the years 2020 and 2021 were presented as follows:

Type of costs	2020	2021
Staff expenses	315	1,801
Depreciation of property, plant and equipment	1,367	2,386
Other administrative costs, of them:	64,255	39,963
- auditing services	55	235
- information and technical support	50,004	604
- legal services	18	1,822
- expenses for advanced training	2	8

- information and consulting services	5,382	4,330
- other administrative services	509	3,282
- royalties (right for usage of licensed software, trademarks)	8,285	19,523
- other advertisement services		10,159
Total	**65,937**	**44,150**

The staff expenses include the costs for:

- payroll to management staff in the amount of 1,476 thousand UAH;
- single social contribution in the amount of 325 thousand UAH.

The amounts of the accrual and payment of the single social contribution are established by the current legislation of Ukraine.

6.19. Sales costs

The sales costs of the Company for the years 2020 and 2021 were presented as follows:

Type of costs	2020	2021
Sales costs, total	47 810	128,216
including - costs associated with entering and extension of insurance contracts (agency, brokerage, commission)	44,866	118,798
- marketing and advertisement costs	2,944	9,418

6.20. Financial and other income

Income type	2020	2021
Interest accrued on deposit transactions	70	406
Other income (result from financial assets)	3,530	966
Total financial and other income	**3,600**	**1,372**

The financial result on transactions on the sale of financial assets is recorded in the Statement of Financial Result. In the year 2021, the income from the sale of financial assets comprised 263,260 thousand UAH, their carrying amount comprised 262,294 thousand UAH.

6.21. Financial and other expenses

Type of expenses	2020	2021
Financial expenses (accrued amortization of the discount on lease liabilities	644	
Other expenses (costs associated with the acquisition and sales of securities)	50	59
Other expenses (write-down of non-current assets and financial investments)		16,301
Financial expenses (deposit interest return in case of early termination)		3
Total financial and other expenses	**694**	**16,363**

6.22. Income tax charge and determining the net profit (loss)

The income tax charge and determining the net profit (loss) for the years 2020 and 2021 were presented as follows:

Income tax	2020	2021
Profit (loss) before tax	**7,754**	**4,875**
Accrued insurance tax liabilities	(4,550)	(6,989)
Accrued liabilities on the tax for other activity	(577)	(688)
Total current income tax	(5,127)	(7,677)
decrease (increase) of deferred tax assets	-	-
decrease (increase) of deferred tax liabilities	-	-
Total income tax charge	(5,127)	(7,677)
Profit (loss) for the current year	**2,627**	**(12,552)**

** With account of the provisions of the Tax Code of Ukraine in terms of the determination of the income tax rates, including those recognized in the norms of Chapter XX "Transitional Provisions", as well as with account of the latest amendments in terms of the taxation of transactions with securities and derivatives, when determining deferred tax assets and liabilities, the amounts of the income tax were calculated using the following rates:

1. When conducting insurance activity – at the 3% rate.
2. The insurer's profit from other activity connected with insurance, at the rate of 18%.

6.23. Contingent liabilities and assets

Potential liabilities of the Company

a) litigations.

There were no litigations.

b) possibility of the emergence of potential tax liabilities.

The Ukrainian tax legislation adopted in the end of the year 2015 and even after that, underwent a number of changes, is subject to various interpretations, including with regard to the Company's transactions and activity. Ukrainian tax bodies can apply event stricter and more difficult interpretations of the tax legislation, which, in spite of their unfair economic nature, are justified by the tax bodies as the need to supply the budget.

In its turn, this can lead to the additional taxation of transactions, which the Company management earlier estimated as not subject to taxation, and, accordingly, to the additional accrual of substantial amounts of taxes as well as penalties.

As at 31.12.2021, there are no other unpredictable liabilities associated with the emergence of tax liabilities. The Company prepares and submits its tax statements as well as pays the relevant taxes and duties to the budget and off-budget funds on time.

c) liabilities under capital investments.

As at 31.12.2021 the Company has contractual liabilities connected with the acquisition of property, plant and equipment and intangible assets.

The Company had already reserved sufficient cash to fulfill the mentioned liabilities. The insurance company is confident that the future income and cash additions will be sufficient to cover the mentioned and other similar liabilities.

d) pledged assets and assets, on which there exists a restriction connected with their ownership, usage, and management.

There are no pledged assets.

6.24. Operating segments.

The accounting segments of the Company are the types of insurance. The income and expenses of the segments are analyzed by the management on regular basis, and the relevant information is provided to the regulatory body. At the same time, it is worth mentioning that the Company does not calculate the information on assets and liabilities by segments and does not provide it to the managing body responsible for decision making. Considering the absence of such information and the high cost of obtaining it, the information on the assets and liabilities by segment is not provided in the financial statements.

As far as the Company has no structural subdivisions, the operational segments are segments by insurance product type.

6.25. Risk management.

The risk management within the Company is carried out by financial risks, operational risks and legal risks. Financial risks include the credit risk, the market risk, the liquidity risk, and the currency risk. The main tasks of financial risks management is the control over exposure to these risks remains within these limits. Operational and legal risks management has to ensure the proper observance of internal policies and procedures with the purpose of the minimization of the operational and legal risks.

Credit risk

Credit risk is the risk of financial loss for the Company in case of non-fulfillment by a client or counterparty of its contractual obligations under a financial instrument, and emerges mainly due to the availability of financial investments and other accounts receivable.

The Company allocates the following to the measures on the minimization of the credit risk impact.
- diversification of the assets' structure;
- analysis of counterparties' solvency;
- employing measures on prevention of the availability of overdue accounts receivable in the Company assets.

The maximum credit risk level is represented by the carrying amount of financial assets. The maximum credit risk level is represented as follows:

	31.12.2020	**31.12.2021**
Cash and cash equivalents	19,833	43,769
Investments into registered capital of other legal entities	12,000	
Accounts receivable for goods (works, services)	408	6,716
Current financial investments	29,833	40,314
Other current accounts receivable	19,046	10,596
Total	**81,120**	**101,395**

As at the reporting dates, the debt for goods (works, services) and other accounts receivable were not impaired.

Cash balances are kept at banks having the rating not lower than the "investment" rating. These balances are neither overdue nor impaired.

Liquidity risk

Liquidity risk is defined as the risk of the entity encountering difficulties in the course of fulfillment of its financial liabilities. The management of the liquidity risk is ensured through an approved assets allocation policy and the observance of the relevant norms. Under the requirements of the current legislation, the Company's assets are allocated mainly at banking institutions of the "investment" level and in highly liquid securities. The observance of the liquidity norms is controlled through the placement of the specialized reporting.

As at December 31, 2021, the maturities of financial liabilities under contracts are presented as follows:

	Total carrying amount	**Total contractual cash flows**	**Up to 1 year**	**From 1 to 5 years**
Payables for goods (works, services)	4,316	4,316	4,316	
Current debt on insurance compensations	1,433	1,433	1,433	
Total	**5,749**	**5,749**	**5,749**	**0**

As at Thursday, December 31, 2020, the maturities of financial liabilities under contracts are presented as follows:

	Total carrying amount	Total contractual cash flows	Up to 1 year	From 1 to 5 years
Payables for goods (works, services)	97	97	97	
Debt on making investments into registered capital of other legal entities	1,200	1,200	1,200	
Lease liabilities	2,187	2,250	1,650	600
Total	**3,484**	**3,547**	**2,947**	**600**

Market risk.

Market risks lies in the fact that changes in market rates, such as currency exchange rates, securities' interest and exchange rates will affect the Company's income or value of the Company's financial instruments. The purpose of market risk management is to control the market risk exposure and to hold it within the acceptable limits, while attempting to optimize the return on investments.

Currency risk

The impact of the currency rate onto the Company's activity is minimal, because there are no non-repaid balances and transactions denominated in foreign currency.

Operating risks are minimized through the standardization of business processes and the relevant control over their fulfillment at each stage.

Legal risk is managed with the help of the lead lawyer, whose functions include the control of the existence of such risks and their settlement.

6.26. Capital management

The Management of the Company capital is aimed at the fulfillment of the following tasks:

- formation of a sufficient capital volume, which would ensure the necessary speed of the Company's economic development;
- achievement of the maximum profitability at the planned financial risk level;
- minimization of the financial risk connected with the usage of the capital, at the planned profitability level.

6.27. Insurer's internal audit.

Under the decision of the meeting of shareholders dated 15.04.2019 (Minutes No. 15/04/2019), the Internal Audit Department was created and the "Provision on the Internal Audit Department" was approved, the Head of the Internal Audit Department was appointed with the order of the Director dated 15.04.2019 No. № 08-k.

Organizationally, the Internal Audit Department is independent from the other subdivisions of the Company (is not subordinate to such subdivisions) and is directly subordinate and reports to the Meeting of Shareholders.

The functions of the Company's Internal Audit Department include:

* overseeing the current activity of the Company;

* control over the observance of laws, regulations of bodies conducting the state regulation of financial services' markets, and decisions of the Company's management bodies;

* verification of the results of the Company's current activity

* analysis of information on the Company's activity, professional activity of its employees, cases of abuse of powers by Company's officials;

* reduction of risks in conduction of transactions connected with the rational and efficient usage of the Company's financial resources;

* fulfillment of other functions stipulated by the legislation, connected with the overseeing and

control over the Company's activity.

The main direction of the work of the Department is the audit of the compliance of the criteria and norms with regard to:

* liquidity;
* capital and solvency;
* profitability;
* quality of assets and riskiness of transactions;
* quality of management systems and management staff;
* observance of the rules of financial services rendering.

The Department conducts the audit of the Company in the form of examinations of financial and economic activity as per the tasks and functions of the Department. Based on the results of the internal audit of the Company's current activity, the Department at least once a year reports to the Meeting of Shareholders of the Company. Immediately following the completion of the examinations, all reports and conclusions on the results thereof and recommendations provided by the employees of the Department, are communicated to the Company management for familiarization, provision of the relevant comments/explanations, and rectification of defects in the work of the Company's subdivisions.

6.28. Related parties' transactions.

As a rule, parties are considered related if they are under common control or one of the parties has a possibility to control the other or can considerably influence the other party in financial and operating decision making. When viewing each possible related parties, we pay special attention to the substance of relations rather than just their legal form.

The Company's related parties are its shareholders possessing shares in the Company's registered capital, and top management.

1). HOPESA LIMITED, company incorporated and properly registered under the laws of Cyprus
Share in the registered capital – 99%
Company number HE 387816
Address: Kinira, 19 Michael Kyprianou House, 8011, Paphos, Cyprus
<u>Information on persons</u>
Menelaos Kyprianou, citizenship – Cyprus, share in the registered capital – 31.6%, date of birth 23.05.1970, passport series E412723, date of issue 20.05.2010, issued by: Nicosia District Office, place of residence: Cyprus, identification number: none;
Lambros Soteriou – Cyprus, share in the registered capital – 22.8%, date of birth 10.04.1979, passport series K00033012, date of issue 18.07.2011, issued by: Civil Registration and Migration Office, place of residence: Cyprus, identification number: none;
Tonia Antoniou – Cyprus, share in the registered capital – 22.8%, date of birth 28.05.1979, passport series K00273705 Date of issue 12.05.2016, issued by: Civil Registration and Migration Office, place of residence: Cyprus, identification number: none;
Savvas Savvides – Cyprus, share in the registered capital – 22.8%, date of birth 13.08.1978, passport series K00402495 Date of issue 26.06.2018, issued by: Paphos District Office, place of residence: Cyprus, identification number: none.
2). Zhyrnova Olena Kostiantynivna
Citizenship: Ukraine
Share in the registered capital (0.5%)
Place of residence (or temporary stay of non-residents): 5, apt 10, Saksaganskogo Street, city of Pryluky, Pryluky District, Chernihiv Region.
3). Spazhuk Vitalii Valeriiovych
Share in the registered capital (0.5%)
Place of residence (or temporary stay of non-residents): 29, apt 19, Lenina Street, city of Horodok, Horodok District, Khmelnytskyi Region.
4). "EKTA SERVICE" LLC, 5, building 2, Letter B1, Dilova Street, city of Kyiv, is under common

control with ALC "IC "EKTA".

As at December 31, 2021 and 2020, the balances on related parties' transactions comprised:

Item name	31.12.2021	31.12.2020
Other accounts receivable (fee-based financial aid)	9,487	-
Prepayment for trade marks used	37	-

As at the end of the year, the related parties' balances are not secured and are repaid with cash. Non-repaid related parties' balances are interest-free.

Related parties' transactions are conducted on the terms specified in the relevant agreements.
Related parties' transactions are presented as follows:

Transactions	31.12.2021	31.12.2020
Provision of fee-based financial aid	93,087	-
Transactions on sale of securities and corporate rights	88,993	-
Transactions on purchase of securities and corporate rights	61,021	
Transaction on sale of rights of demand	59,210	
Transaction on purchase of rights of demand	72,210	
Payment for trade mark used	4,875	-

Apart from that, throughout the reporting period, Company shareholder V.V.Spazhuk contributed additional capital in the form of immovable property objects for the formation of the Insurer's Warranty Fund, for the overall amount of 5,502.9 thousand UAH.

Transactions with management
In the reporting period, transactions with management are represented by the payment of the remuneration connected with labor payment and included into administrative costs in the amount of 1,183 thousand UAH.

6.29. Other proceeds and expenditures in the Statement of Cash Flows

In the reporting period, "Other proceeds" in the amount of 59,213 thousand UAH and "Other expenditures" in the amount of 72,210 thousand UAH as the result of financial activity are recorded in the Statement of Cash Flows
in connection with assigning the right of demand.

6.30. Fair value of financial instruments

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments using the measurement method:

– Level 1: quotation prices (without quotations) at the open market for identical assets or liabilities;

– Level 2: fair value can refer to underlying data of Level 1, but, as far as the relevant asset or liability is not identical, required additional price adjustments; and

– Level 3: uses a limited volume or potentially does not use at all the input data based on market data, therefore the relevant estimates on the whole are more subjective in their nature.

The table below shows the analysis of financial instruments according to the fair value hierarchy levels as at December 31, 2021:

Assets measured at fair value	Level 1	Level 2	Level 3	Total
Securities issued by the state, sovereign bonds	40,314			**40,314**
Total financial assets measured at fair value	**40,314**			**40,314**
Property, plant and equipment			42,120	
Total non-financial assets measured at fair value			**42,120**	**42,120**
Total assets measured at fair value on periodical basis	**40,314**		**42,120**	**82,434**

The table below shows the analysis of financial instruments according to the fair value hierarchy levels as at December 31, 2020:

Assets measured at fair value	Level 1	Level 2	Level 3	Total
Securities issued by the state, sovereign bonds	20,029			**20,029**
Shares, bonds of Ukrainian issuers			9,804	**9,804**
Investments into the Ukrainian economy			12,000	**12,000**
Total financial assets measured at fair value	**20,029**		**21,804**	**41,833**
Property, plant and equipment			54,081	**54,081**
Total non-financial assets measured at fair value			**54,081**	**54,081**
Total assets measured at fair value on periodical basis	**20,029**		**75,885**	**95,914**

Investments into debt securities (government bonds of Ukraine)
Investments into government bonds of Ukraine, which as at December 31, 2021 and 2020 are recorded at fair value through profit or loss, were measured using the comparative data from the market.

Non-financial assets measured at fair value.
Items of property, plant and equipment are measured using the comparative and income approaches. According to the comparative approach, the fair value of immovable property is measured based on comparable transactions and advertisement announcements. The comparative approach is based on the replacement principle, under which a potential buyer will not pay for property more than the acquisition of similar property would cost for it. These values are adjusted with account of the differences in such key features as the size of the immovable property and the quality of internal finishes. The price per square meter is the most important input datum in this approach to measurement.

Fair value of financial assets and liabilities not measured at fair value.
For financial assets and liabilities, which are liquid or have short-term maturity period (less than three months), it is considered that their carrying amount is approximately equal to their fair value. This assumption also applies to on-demand deposits and current accounts without a specific maturity period. The fair value of debt instruments not quoted at the active market, is measured through discounting the future cash flows using the rates currently available for debt instruments with similar terms, credit risk, and maturity periods. As at December 31, 2021 and 2020, the fair value of the Company's financial instruments not recorded at fair value in the Statement of Financial Position, approximates to their carrying amount.

6.31. Dependence on one counterparty

The Company receives over 60% of insurance premiums from one insurance agent (intermediary) – "COMFY TRADE" LLC. In spite of the existence of the dependence on one counterparty, Company Management does not see any threat for the going concern and continues to develop the Company's activity.

6.32. Subsequent events.

On February 24, 2022, the ruling power of the Russian Federation made a full-scale attack onto Ukraine. The aggression was fully condemned by the world and caused numerous activities against the Russian Federation. Though the invasion is considered to be a non-adjusting event for the reporting periods ended December 31, 2021 or earlier, this war has large-scale effect onto the population and economy of Ukraine and, accordingly, onto the Company's business, financial position, and performance. As at the date of these financial statements, the military actions are in progress, and it is advisable to mention the following events:

- The martial law in Ukraine was adopted on February 24, 2022. In the banking system, the restriction was implemented for certain types of transactions, including, among other things, the moratorium for cross-border foreign currency payments, except for payments for critical import and some other exceptions. In spite of the temporary restrictions for foreign currency transfers, introduced by the National Bank of Ukraine, the Company will be able to conduct all the proper payments after the cancellation of these restrictions, because currently it has sufficient cash at its disposal.

- The National Bank of Ukraine (NBU) took a decision throughout the period of the martial law not to apply influence measures for the breach of the timing for submission of reporting (in particular, financial statements for the year 2021 and interim financial statements for the year 2022, prepared based on taxonomy), the requirements on the submission to the NBU of documents and information stipulated by the Provision on Licensing and Registration. The NBU will also not apply to insurers any measures to influence them for the breach of mandatory criteria and norms on the sufficiency of capital and solvency, liquidity, profitability, quality of assets and riskiness of the insurer's transactions.

Considering such decisions of the NBU, the Company did not observe the necessary norms in separate reporting periods. In spite of the preceding decisions, in September 2022 the NBU suspended the Company's licenses for all insurance types. All the licenses were renewed already in October 2022 due to the observance of all the norms.

- All employees of the Company have all the possibility, equipment, and access for fulfilling their duties remotely. If required, the Company provides all categories of employees with mobile workplaces, mobile communication, including unlimited Internet, thus technically the migration of employees did not affect the accessibility of working tools.
- In the course of 2022, the Company implements new activities to support the going concern and prompt renewal of work in case of failures and disasters.
- Due to the activities implemented by the Company prior to the commencement of the active phase of the full-scale war, the Company's assets were preserved to the maximum, including investments, property, plant and equipment, and intangible assets.
- The Company's immovable property objects are not located in the area of the military actions and on the temporarily occupied areas. They are not destroyed or damaged as at the date of the financial statements.
- As at the beginning of the war, the amount of insurance payments decreased, however, the situation improved in late March, the same trend was observed later. As the result, the amount of insurance payments for the 1st half-year of 2022 exceeds that for the similar period of the preceding year.

- The war led to considerable relocation of people, mainly to the neighboring countries. Such migration caused substantial pressure onto the society and economic activity. As at the date of the financial statements, still a large number of Ukrainian citizens are abroad, however, the trend of their return is observed, which can have potential positive effect onto the Ukrainian economy.

The further development of the military actions, including their scale, intensity, or potential timing of termination, are not defined. These events and conditions, together with the other matters mentioned in this note, demonstrate that material uncertainty exists, which may cast doubt onto the Company's ability to continue as a going concern, and therefore the Company can lose the ability to sell its assets and meet its liabilities in normal course of business.

In spite of this one material uncertainty factor connected with the war in Ukraine, the Management forecasts that the Company will have sufficient resources for managing its activity within the subsequent twelve months from the date of issue of the present financial statements. The Management will continue to monitor the potential impact and take all possible measures to minimize any consequences.

Director
ALC "IC "EKTA" */signature/* V.V.SPAZHUK

ROUND SEAL: *Additional Liability Company "INSURANCE COMPANY "EKTA" * Identification code 42509958*

STAMP:
EXAMINED BY AUDITOR AC Crowe Ukraine LLC
10.11.2022 /signature/

ПЕРЕВІРЕНО АУДИТОРОМ
ТОВ АК «Кроу Україна»
10.11.2022