

PRIVATE JOINT-STOCK COMPANY
INSURANCE COMPANY "BUSIN"

Financial statements

For the year ended 31 December 2015
Together with independent auditors' report

Financial statements

as at 31 December 2015

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Statement of management's responsibility for the preparation and approval of the financial statements

As at 31 December 2015

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 4, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Private Joint-Stock Insurance Company "BUSIN".

Management is responsible for the preparation of the financial statements that present fairly, in all material aspects, the financial position of the Company at 31 December 2015 and cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Applying reasonable evaluations and assumptions;
- Compliance with the relevant IFRS and disclosure of all material deviations in notes to the financial statements;
- Preparation of the financial statements based on the Company going concern assumption, except for the cases when this assumption is improper.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

Financial statements for the year 2015 were approved on 08 December 2017 on behalf of the Company management by:

Chairman of the Board _____ D. A. Ovchinnikov

Chief Accountant _____ S. A. Efimenko

Independent Auditors' Report

To the Shareholders of JSC IC "BUSIN"

Opinion

We have audited the financial statements of the Private Joint-Stock Company "Insurance Company "BUSIN" (referred to as the Company), which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year 2015, in accordance with International Financial Reporting Standards (IFRS).

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the Independence Rules for Auditors and Audit Firms and Rules of the Professional Auditors' Code in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these professional ethics requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Without modifying our opinion, we draw attention to the fact that the Ukrainian economy is in a protracted crisis, complicated by the military conflict in the east of Ukraine and the unrecognized separation of the Autonomous Republic of Crimea. The stabilization of the economic situation in Ukraine will largely depend on the government's actions aimed at resolving the military conflict, reforming the financial, administrative, fiscal and legal systems of the country. To solve the above tasks, the government of the country introduces rather severe and unpopular measures, such as the introduction of new taxes and fees, the imposition of limitations on cash and non-cash foreign currency transactions, etc. These and other circumstances indicate the existence of a significant uncertainty that could cast doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments that have occurred if the Company could not continue its activities in the future. Such adjustments will be reported if they become known and estimable.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements 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 annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the annual 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company management.
- d) 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 annual 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.
- e) Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's management 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.

Kyiv, 08 December 2017

BDO LLC

Statement of financial position as at 31 December 2015

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	6	87,880	52,120
Accounts receivable	7	99,323	82,427
Advances paid	8	168	3
Other receivables	9	3,477	630
Income tax prepaid		-	-
Investments at fair value	14	36	184
Investments for sale at cost	13	158	158
Deferred acquisition costs for reinsurance		319	633
Inventories	10	856	791
Deferred expenses		7	7
		<u>192,224</u>	<u>136,953</u>
Right of claim to reinsurers			
Reinsurers' share in unearned premiums reserves	18	45,988	26,691
Reinsurers' share in reserves other than unearned premiums reserves	18	-	4,900
		<u>45,988</u>	<u>31,591</u>
Long-term assets			
Deferred tax assets	11	2,457	1,596
Long-term accounts receivable	12	62	79
Property and equipment and intangibles	15	235	416
		<u>2,754</u>	<u>2,091</u>
		<u>240,966</u>	<u>170,635</u>
Liabilities and equity			
Current liabilities			
Accounts payable	16	58,993	48,885
Other current liabilities	17	2,786	1,601
Income tax liabilities		12,093	4,826
		<u>73,872</u>	<u>55,312</u>
Insurance reserves			
Reserve for unearned premiums	18	81,897	53,298
Reserves other than the reserve for unearned premiums	18	2,874	6,677
		<u>84,771</u>	<u>59,975</u>
Equity			
Share capital	19	49,159	38,001
Capital reserves	19	9,500	9,500
Retained earnings		23,664	7,847
		<u>82,323</u>	<u>55,348</u>
		<u>240,966</u>	<u>170,635</u>

Chairman of the Board _____ D. A. Ovchinnikov

Chief Accountant _____ S. A. Efimenko

Statement of comprehensive income for 2015

	<i>Note</i>	<i>2015</i>	<i>2014</i>
Premiums received			
Total premiums received	20,35	144,085	106,565
Premiums paid to reinsures	21,35	(90,682)	(78,236)
Changes in insurance reserves			
Changes in unearned premiums reserves	18,35	(28,599)	(12,012)
Changes in reinsure's share in unearned premiums reserves	18,35	19,297	933
Total income		44,101	17,250
Insurance claims and indemnities and changes in reserves, other than unearned premiums reserves			
Insurance claims and indemnities	22	(2,065)	(4,233)
Changes in reserves other than unearned premiums reserves	18	3,803	(1,887)
Changes in reinsurers' share in reserves other than unearned premiums reserves	18	(4,900)	3,598
Case administration cost			
Administrative expenses	23	(10,864)	(6,272)
Sale service related expenses	24	(3,774)	(1,788)
Change in provision for doubtful debts on trade accounts receivable	25	(263)	(4,882)
Other operating income and expenses	26	31,821	28,969
Total insurance expenses, net		13,758	13,503
Operating insurance result		57,859	30,755
Change of provision for doubtful debts on other accounts receivable	25	-	621
Finance income and expenses	27	(7,880)	(4,370)
Other income and expenses	28	(206)	(150)
Net profit before tax		49,773	26,856
Income tax expenses	29	(17,796)	(7,103)
Net profit after tax		31,977	19,753
Other comprehensive income		-	-
Comprehensive income		31,977	19,753

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Chief Accountant _____ S. A. Efimenko

Statement of cash flows for 2015

	2015	2014
Cash flows from operating activities		
Net profit before tax	49,773	26,856
Adjustments to:		
Property and equipment depreciation and Intangible assets amortization	190	227
Changes in insurance reserves	24,796	13,898
Changes of reinsurers' share in insurance reserves	(14,397)	(4,532)
Recognition of deferred acquisition costs	314	(474)
Changes of provision for doubtful debts	263	4,882
Revaluation of shares accounted at fair value	147	150
Revaluation loss of financial instruments	9,878	1,983
Foreign exchange differences	(33,364)	(8,076)
Discount of accounts receivable	48	32
Interest income	(1,898)	(2,320)
Changes in:		
Accounts receivable	6,405	(33,061)
Advances made	(166)	137
Other accounts receivable	27	1
Deferred expenses	(3)	3
Account payable	10,107	26,648
Other liabilities	1,185	-
	<u>53,305</u>	<u>26,354</u>
Interest received on bank deposits	2,098	2,136
Income tax paid	(11,527)	(2,158)
Net cash received from operating activities	<u>43,876</u>	<u>26,332</u>
Cash flow from investment activities		
Acquisition of property and equipment	(9)	(23)
Loans repayment	125	223
Loans issued	(3,230)	(100)
Cash received from investment activities	<u>(3,114)</u>	<u>100</u>
Cash flow from financing activities		
Dividends paid	(5,002)	(5,324)
Cash (used in) financing activity	<u>(5,002)</u>	<u>(5,324)</u>
Net cash increase	<u>35,760</u>	<u>21,108</u>
Cash and cash balances at the beginning of the year	<u>52,120</u>	<u>31,012</u>
Cash and cash balances at the year-end	<u>87,880</u>	<u>52,120</u>

Chairman of the Board _____ D. A. Ovchinnikov

Chief Accountant _____ S. A. Efimenko

Statement of changes in equity for the year 2015

	<i>Share capital</i>	<i>Capital reserves</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 01 January 2014	38,001	9,500	(6,582)	40,919
Payment of dividends to shareholders	-	-	(5,324)	(5,324)
Comprehensive income for the period			19,753	19,753
Balance as at 31 December 2014	38,001	9,500	7,847	55,348
Payment of dividends to shareholders	-	-	(5,002)	(5,002)
Increase of share capital	11,158	-	(11,158)	-
Comprehensive income for the period	-	-	31,977	31,977
Balance as at 31 December 2015	49,159	9,500	23,664	82,323

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Chief Accountant _____ S. A. Efimenko