SUPERADDED LIABILITY COMPANY “ALLIANZ UKRAINE”

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2018

This version of financial statements is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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Independent Auditor's Report

To the participants of SUPERADDED LIABILITY COMPANY «ALLIANZ UKRAINE»

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SUPERADDED LIABILITY COMPANY «ALLIANZ UKRAINE» (the "Company") as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply, in all material respects, with financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine.

Our auditor's report is consistent with our additional report to the Revision Commission performing the functions of the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for 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 financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Audit of Financial Statements and Auditing that are relevant to our audit of the financial statements in Ukraine. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 6 part 4 of the Law on Audit of Financial Statements and Auditing.

We have not provided any non-audit services to the Company in the period from 01 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality	Overall materiality: UAH 1,500 thousand, which represents 1% of the Company's gross premiums earned
Key audit matters	Valuation of Loss Reserves

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	UAH 1,500 thousand
How we determined it	1% of gross premiums earned
Rationale for the materiality benchmark applied	We chose gross premiums earned as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, in terms of both its market share and customer base. We chose 1% based on our professional judgement, noting that it is within the range of commonly acceptable quantitative materiality thresholds for this benchmark.

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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 of 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.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of Loss Reserves We focused on this area because the calculation of the loss reserves requires the management to take discretionary decisions and provide estimates and assumptions. Loss reserve represents estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these reserves. At 31 December 2018, the Company had recorded loss reserves of UAH 40,541 thousand representing 25% of its total liabilities. For the accounting policies, explanations on the use of estimates and assumptions used please refer to Note 3 "Summary of Significant Accounting Policies" subsection "Loss reserve" and Note 4 "Critical Accounting Estimates and Judgements in Applying Accounting Policies". Further disclosures are also made on the financial statement items under Note 15 "Insurance Reserves and Reinsurer's Share of Insurance Reserves". Risk disclosures, including sensitivity analysis of loss reserve calculation, are included under Note 21 "Financial and Insurance Risk Management" subsection "Insurance risk".	Our audit approach to the risk relating to the valuation of loss reserves was as follows: - We assessed the compliance of the methodology applied by the Company with current accounting standards and evaluated whether valuation methods were applied consistently. - We evaluated internal control environment relating to: the management of claims and, in particular, the measurement of reserves on a case-by-case basis; the process of calculating the ultimate cost (assumptions, judgments, data, methods, compliance with the applicable accounting principles and methods), the IT systems used to process the technical data and integrate that data into the accounting system. - We applied procedures to test the reliability and integrity of the underlying data. - We applied procedures (including monitoring the change in loss ratios) to analyse the significant changes that took place over the reporting period. - We assessed the outcome of the accounting estimates made in the previous year with a view to assessing the reliability of the process used by management to calculate these estimates. - Our work also included assessing the statistical methods and actuarial inputs applied, as well as of the assumptions used, with respect to the applicable regulations, market practices, and the economic and financial context of the Company. - We undertook an independent assessment of the adequacy of loss reserve by line of business by comparing estimated loss reserve to actual payments on claims and claims reported in the subsequent period after the reporting date. - We carried out our own liability adequacy testing which is a key test performed to check that the insurance liabilities are adequate as compared to the expected future contractual obligations.

Reporting on other information including the management report, Insurer's report and actuarial report

Management is responsible for the other information. The other information comprises the management report, Insurer's report and actuarial report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the management report, Insurer's report and actuarial report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work undertaken in the course of our audit, in our opinion, the information given in the management report, Insurer's report and actuarial report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in management report, Insurer's report, actuarial report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Law on 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 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.

Those charged with governance are 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, 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

Appointment

We were first appointed as auditors of the Company on 27 August 2018.

The engagement leader on the audit resulting in this independent auditor's report is Lyudmyla Pakhucha.

LLC PricewaterhouseCoopers Assurance

LLC "PricewaterhouseCoopers Assurance"
Registration number in the Register of Auditors and Auditing Entities 4544

Lyudmyla Pakhucha
Audit certificate No. 0025

Kyiv, Ukraine
01 March 2019

Statement of Management Responsibilities

To the Participants of SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE":

1. We have prepared the financial statements as at 31 December 2018 and for the year then ended which present fairly, in all material respects, the financial position of SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" (hereinafter referred to as the "Company") as at 31 December 2018 and its performance for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

2. Management is responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable the financial statements to comply with IFRS and Ukrainian laws and regulations. Management also has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

3. Management considers that in preparing the financial statements set out on pages 2 to 35, the Company has used appropriate accounting policies, as described on pages 7 to 15, consistently applied and supported by reasonable and prudent judgements and estimates, and that all appropriate International Financial Reporting Standards have been followed.

4. The financial statements are hereby approved by the management of the Company.

01 March 2019

Muzhuk Andriy
Chief Executive Officer

«АЛЬЯНС УКРАЇНА» Ідентифікаційний код 32253696

Sharaieva Kateryna
Chief Accountant

In thousands of Ukrainian hryvnias	Note	31 December 2018	31 December 2017 (after changes in presentation, Note 3)
ASSETS			
Cash and cash equivalents	7	48,503	83,931
Deposits with banks	8	105,605	43,236
Receivables including insurance receivables	9	30,035	24,228
Reinsurers' share in reserve for unearned premiums	15	38,746	31,643
Reinsurers' share of loss reserve	15	25,037	15,555
Deferred acquisition costs	18	7,714	4,741
Insurance premium tax prepaid		2,054	1,658
Equipment and other fixed assets		1,159	1,203
Intangible assets		110	445
Prepayments and other assets	10	777	683
TOTAL ASSETS		**259,740**	**207,323**
LIABILITIES			
Reserve for unearned premiums, gross	15	75,824	62,182
Loss reserves, gross	15	40,541	28,580
Current income tax liability	11	457	991
Amounts payable to reinsurers	12	25,082	22,450
Amounts payable to agents and policyholders	13	10,876	7,251
Provisions and other liabilities	14	6,589	5,347
TOTAL LIABILITIES		**159,369**	**126,801**
EQUITY			
Registered capital	16	63,160	63,160
Reserve capital		1,145	450
Retained earnings		36,066	16,912
TOTAL EQUITY		**100,371**	**80,522**
TOTAL LIABILITIES AND EQUITY		**259,740**	**207,323**

Approved for issue by management on 01 March 2019.

Muzhuk Andriy
Chief Executive Officer

Sharaieva Kateryna
Chief Accountant

«АЛЬЯНС УКРАЇНА»
м. Київ * Україна * Товариство з додатковою відповідальністю
Ідентифікаційний 32253096

In thousands of Ukrainian hryvnias	Note	2018	2017 (after changes in presentation, Note 3)
Gross premiums written	17	163,770	145,312
Change in unearned premiums reserve, gross	17	(13,642)	(12,567)
Premiums earned		**150,128**	**132,745**
Premiums ceded to reinsurers	17	(84,055)	(77,337)
Change in reinsurers’ share in unearned premiums reserve	17	7,103	5,610
Net premiums earned		**73,176**	**61,018**
Insurance claims paid, gross	17	(16,068)	(19,256)
Insurance claims recovered from reinsurers	17	7,872	4,880
Change in loss reserves, gross	17	(11,961)	5,145
Change in reinsurers’ share of loss reserves	17	9,482	923
Net claims incurred		**(10,675)**	**(8,308)**
Acquisition costs	17, 18	(18,909)	(16,161)
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity		**43,592**	**36,549**
Interest income		17,726	10,814
Administrative and other operating expenses	19	(31,793)	(27,065)
Foreign exchange losses less gains		(158)	(353)
Other operating income		70	1,089
Other expenses		(330)	(51)
Profit before tax		**29,107**	**20,983**
Income tax and insurance premium tax expenses	20	(9,258)	(7,093)
PROFIT FOR THE YEAR		**19,849**	**13,890**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**19,849**	**13,890**

In thousands of Ukrainian hryvnias	**Note**	**Registered capital**	**Reserve capital**	**Retained earnings**	**Total**
Balance at 1 January 2017		**63,160**	**196**	**3,276**	**66,632**
Profit for the year		-	-	13,890	13,890
Total comprehensive income for the year		-	-	13,890	13,890
Increase in reserve capital	3	-	254	(254)	-
Balance at 31 December 2017		**63,160**	**450**	**16,912**	**80,522**
Profit for the year		-	-	19,849	19,849
Total comprehensive income for the year		-	-	19,849	19,849
Increase in reserve capital	3	-	695	(695)	-
Balance at 31 December 2018		**63,160**	**1,145**	**36,066**	**100,371**

In thousands of Ukrainian hryvnias	**Note**	**2018**	**2017**
Cash flows from operating activities			
Profit before tax		29,107	20,983
Adjustments for:			
- Depreciation and amortisation	19	931	1,045
- Change in the impairment provision for receivables and other assets	9	317	-
- Change in the provision for unused vacations	14	148	208
- Change in unearned premiums reserve, gross	15, 17	13,642	12,567
- Change in reinsurers' share in unearned premiums reserve	15, 17	(7,103)	(5,610)
- Change in loss reserves, gross	15, 17	11,961	(5,145)
- Change in reinsurers' share of loss reserves	15, 17	(9,482)	(923)
- Change in deferred acquisition costs	17	(2,973)	(812)
- Interest income		(17,726)	(10,814)
- Foreign exchange losses less gains		158	353
- Other non-monetary operating items		(5)	(230)
Cash flows from operating activities before changes in operating assets and liabilities		**18,975**	**11,622**
Changes in operating assets and liabilities			
Net increase in receivables including insurance receivables		(5,939)	(11,922)
Net increase in other assets		(396)	(20)
Net increase in amounts payable to reinsurers		2,833	10,441
Net increase in amounts payable to agents and policyholders		3,625	134
Net increase in provisions and other liabilities		1,093	2,638
Cash flows from operating activities		**20,191**	**12,893**
Interest received		14,297	10,242
Income tax and insurance premium tax paid		(10,188)	(6,702)
Net cash from operating activities		**24,300**	**16,433**
Cash flows from investing activities			
Placement of deposits with banks		(172 900)	(101 508)
Withdrawal of deposits with banks		113 960	68 058
Proceeds from disposal of non-current assets		6	262
Acquisition of fixed assets		(549)	-
Acquisition of intangible assets		(4)	(297)
Net cash used in investing activities		**(59,487)**	**(33,485)**
Net decrease in cash and cash equivalents		**(35,187)**	**(17,052)**
Effect of exchange rate changes on cash and cash equivalents		(241)	28
Cash and cash equivalents at the beginning of the year	7	**83,931**	**100,955**
Cash and cash equivalents at the end of the year	7	**48,503**	**83,931**

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") as at and for the year ended 31 December 2018 for SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" (hereinafter referred to as SLC "ALLIANZ UKRAINE" or the "Company").

The Company is registered in Ukraine as a financial institution and is domiciled in Ukraine. The Company was registered on 20 November 2002 as Superadded Liability Company "ROSNO Ukraine". The Company changed its name to SUPERADDED LIABILITY COMPANY "ALLIANZ UKRAINE" on 1 October 2007.

The Company operates as part of the international financial group Allianz. The participants structure of the Company is disclosed in Note 16. The Company's immediate participant is part of the holding company Allianz SE (Germany), which is the ultimate controlling party of the Company. Allianz SE (Germany) is a public company owned by shareholders none of which individually holds a controlling interest.

Principal activity. The principal activity of the Company is provision of insurance services in Ukraine. The Company operates under licences issued by the National Commission for State Regulation of Financial Services Markets. The Company holds 31 licences for provision of obligatory and voluntary insurance services. The Company's insurance services include property insurance, fire risks insurance, financial risks insurance, cargo insurance, carrier liability insurance, third party liability insurance, railway transport insurance, other types of insurance and reinsurance. The Company does not hold the life insurance licence.

Registered address and place of business: 21G, Dehtyarivska Str., Kyiv, 04119, Ukraine.

Presentation currency. These financial statements are presented in thousands of Ukrainian hryvnias ("UAH"), unless otherwise stated.

2 Economic Environment

The Ukrainian economy is showing signs of stabilisation after years of political and economic tensions. The year over year inflation rate in Ukraine has decreased to 9.8% during 2018 (as compared to 13.7% in 2017) while GDP continued to grow at 3.3% (after 2% growth in 2017).

The National Bank of Ukraine ("NBU") continued its inflation targeting policy and periodically raised its key policy rate from 12.5% in May 2017 to 18% in September 2018. This has helped restrain inflation below 10%, although the cost of domestic funding has increased significantly. NBU adhered to floating hryvnia exchange rate and it finished the year of 2018 at UAH 27.69 per USD 1, compared to UAH 28.07 per USD 1 as at 31 December 2017. Among the key mitigating factors for the hryvnia were the successful unlocking of the IMF programme, strong revenues of agricultural exporters, tight UAH liquidity and growth in remittances from labour migrants.

In December 2018, the IMF Board of Directors approved the Stand-by assistance (SBA) 14-month programme for Ukraine, totalling USD 3.9 billion. In December, Ukraine has already received USD 2 billion from the IMF and the EU, as well as USD 750 million credit guarantees from the World Bank. IMF program's approval significantly increases the chance of Ukraine to meet foreign currency obligations in 2019, and thus will support the financial and macroeconomic stability of the country.

The IMF will decide on further tranches in May and November 2019, depending on Ukraine's success in fulfilling the terms of the Memorandum on Economic and Financial Policies, which Ukraine plans to follow during the SBA programme's implementation.

In 2019-2020, Ukraine faces major public debt repayments, which will require mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Also, Ukraine faces presidential elections at the end of March 2019, and then parliamentary elections in October 2019. Amid double elections, the degree of uncertainty in 2019 will remain very high. Despite certain improvements in 2018, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

Financial instruments – key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is the method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

3 Summary of Significant Accounting Policies (Continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the period when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factor that the Company considers in determining whether a financial asset is impaired is its overdue status.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the debtor experiences a significant financial difficulty as evidenced by the borrower's financial information that the Company obtains;
- the debtor considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the debtor as a result of changes in the national or local economic conditions that impact the debtor.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3 Summary of Significant Accounting Policies (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the period.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the period.

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, balances on current accounts with banks and short-term highly liquid financial investments with original maturities of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash balances restricted for a period of more than three months on origination are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

Deposits with banks. Deposits with banks represent bank placements with original maturities over three months. Deposits with banks are carried at amortised cost net of provision for impairment.

Trade and other receivables. Receivables arising from the Company's sales of insurance policies to its clients are considered receivables not available for re-sale and stated at amortised cost net of provision for impairment. The Company management determines the provision for impairment of receivables based on the estimate of recoverability after the performance of a review of the time of debt origination as well as other factors, which influence the outstanding balances.

Prepayments. Prepayments are carried at cost less provision for impairment. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

Equipment and other fixed assets. Equipment and other fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required. Cost of a fixed asset item comprises amounts paid to suppliers of assets and contractors for construction work (net of indirect taxes), registration charges, statutory duties and similar payments related to the purchase (obtaining) of rights for a fixed asset item, import duties, indirect taxes related to the purchase (production) of fixed asset (unless recoverable to the Company), insurance costs related to fixed asset delivery risk coverage, costs incurred in respect of transportation, installation, assembling and setting up of fixed asset and other costs directly attributable to bringing fixed asset to the condition appropriate for their intended use.

The Company charges depreciation on a straight-line basis over the useful lives of equipment and other fixed assets as follows:

Groups of fixed assets	**Years**
Computers and related devices, telephone sets	2-4
Tools, fittings and furniture	2-4
Motor vehicles	5
Other fixed assets	12

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining the operating profit.

3 Summary of Significant Accounting Policies (Continued)

Intangible assets. The Company's intangible assets include capitalised computer software and insurance licences. Intangible assets are recorded at their purchase price. Expenditure on acquired intangible assets is capitalised and amortised using the straight-line method over their estimated useful lives. The estimated useful life of software is determined for each particular type of asset based on the useful live of similar intangible assets, anticipated moral obsolescence, legal or other similar limitations in respect of the useful life and other factors, and varies from 3 to 5 years. Insurance licences with indefinite term are not amortised but reviewed annually for impairment.

Operating leases. Leases of assets where all risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss by equal instalments over the period of the lease.

If operating leases are terminated prior to the expiry of lease agreements, all amounts due to the lessor as a fine are recognised as expenses attributable to the period in which operating leases are terminated.

Income tax and insurance premium tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax and insurance premium tax charge comprises current tax, deferred tax and insurance premium tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the Company's interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Equity. The share capital is measured based on the value of the participants' equity interests contributed and paid by the Company founder.

The reserve capital is formed by annual allocation of net profit at the rate of not less than 5% until the maximum amount of 25% of the share capital is achieved.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, negotiating the terms of the instrument and for processing transaction documents.

When bank deposits, receivables and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Insurance operations. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Company has uncertainty in respect of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of insurance event, and claim value in respect of occurred insurance event.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Premiums earned and reserve for unearned premiums. An insurance premium is recognised as written in the period when, according to the insurance contract, the insurer assumes responsibility for the insured. For insurance contracts, where premium is determined at the end of the term of the insurance contract (or after the end of the period specified in the contract) and could significantly fluctuate depending on conditions specified in the contract, premium is recognised in the period when it can be reliably measured. If such premium can be reliably measured after the end of the reporting period but before the date of issue of financial statements, then such premium is recognised in the reporting period.

The premium forms the premium earned on a pro-rata basis during the term of validity of an insurance policy. The reserve for unearned premiums represents a portion of premiums that relate to the remaining period to expiry of the insurance policy.

Claims paid. Insurance claims paid line in the statement of profit or loss and other comprehensive income comprises claims and claims handling expenses for which funds were transferred to the claimants or service providers. Amounts recoverable under a subrogation are deducted from gross insurance claims in the statement of profit or loss and other comprehensive income and, if material, are disclosed separately in notes to the financial statements.

Loss reserves. Loss reserves represent the accumulation of estimates for ultimate losses and includes reported but not settled claims reserve ("RBNS") and incurred but not reported claims reserve ("IBNR").

RBNS is the estimation of the total amount payable for insurance coverage (benefits) to settle known claims from insurance contract holders including claims handling expenses (expert, consulting and other expenses attributable to loss estimates) that are not settled or not settled in full as of the reporting date and arise of insurance events occurred in the reporting or prior periods, which were actually reported to the Company in compliance with the requirements of applicable laws of Ukraine and/or contractual terms and conditions.

3 Summary of Significant Accounting Policies (Continued)

RBNS is estimated individually for each line of business subject to contractual terms and claims received from insurance contract holders in any form (a written application, facsimile message etc.) depending on the amount of losses actually incurred or expected by an insurance contract holder following the reported incident. The total amount of RBNS is calculated as the sum of reported but not settled claims reserves estimated for all lines of business.

RBNS per line of business is estimated for each outstanding claim. If an accident is reported but the loss is not determined, RBNS is estimated as the estimated average loss attributable to the relevant line of business within the limit of the insurance amount covered by the insurance contract.

IBNR is the estimation of the total amount payable for insurance benefits that arise of insurance events occurred in the reporting or prior periods, which were not actually reported to the Company as of the reporting date in compliance with the requirements of applicable laws of Ukraine and/or contractual terms and conditions.

IBNR is estimated using the Chain Ladder method, Bornhuetter-Ferguson method, linear combination of the above actuarial methods or the fixed percentage method as prescribed by Resolution No 1638 of the National Commission for State Regulation of Financial Services Markets dated 18 September 2018.

IBNR is estimated individually for each line of business. The total amount of IBNR is calculated as the sum of incurred but not reported claims reserves estimated for all lines of business.

As 31 December 2018 and 31 December 2017, IBNR is estimated for lines of business such as cargo insurance, property insurance, carrier liability insurance and civil liability insurance of land transport owners using the above actuarial methods, and for other lines of business using the fixed percentage method. According to this method, a fixed percentage of 10% is applied to net premiums earned during four quarters preceding the reporting date.

The loss reserves are estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

Liability adequacy test. At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of the recognised liabilities net of unamortised deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administrative expenses are used. If the test shows that a deficiency exists, the shortfall is immediately charged to profit or loss initially by writing off unamortised deferred acquisition costs and subsequently by establishing an unexpired risk reserve for losses arising from liability adequacy test.

Reinsurance. The Company assumes and cedes reinsurance in the normal course of business. The Company's policy is to reinsure all significant risks. Amount of limit depends on the type of insurance product.

Expenses on reinsurance are recorded proportionally throughout the term of validity of a relevant insurance policy. The portion of the premium ceded to reinsures, which relates to the remaining period to expiry of the insurance policy is shown in the reinsurers' share in unearned premium reserve.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses. Reinsurance payables are obligations of the Company for the transfer of reinsurance premiums to reinsurers.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss and other comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process as adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method as is used for these financial assets.

Deferred acquisition costs. Acquisition costs, representing commissions to agents, brokers and certain other underwriting expenses, which vary with and are incurred in connection with the acquisition or renewal of insurance policies, are deferred and amortised over the period in which the related written premiums are earned. Deferred acquisition costs are calculated separately for each line of business and are reviewed by line of business at the time of the policy issue and at the end of each reporting period to ensure they are recoverable.

3 Summary of Significant Accounting Policies (Continued)

Description of insurance products. The Company's business is represented by the following significant types of insurance:

- **Property insurance including insurance against fire risks and natural disasters:** the Company provides insurance of risk of loss or significant damage caused to the insured property as a result of the events described in the insurance contract. An insurance contract usually covers losses caused by fire, lightning, explosion of gas used for household purposes, fall of aircrafts or their parts, motor vehicles running over (collisions), natural disasters, accidents involving water supply, heating, sewage or hydraulic systems, theft and robbery, third party's unlawful actions, breaking glass, damages inflicted due to negligence and production downtime. As a rule, such insurance contracts are concluded for the term of one year and may be prolonged.
- **Insurance against financial risks:** financial risks are usually insured in addition to property insurance contracts to the extent related to loss of profit or income caused by damage of commercial property. As a rule, such insurance contracts are concluded for the term of one year and may be prolonged.
- **Insurance of cargo and luggage:** includes insurance of cargo in transit transported by road, sea and air. The insured items are property interests related to possession, use and disposal of cargos in transit and property interests related to loss and damage of the cargo. As a rule, such insurance agreements are concluded for the term of one year.
- **Third party liability insurance and voluntary third party liability insurance of land transport owners including carrier's liability insurance:** the Company undertakes to compensate for loss or to indemnify third parties against damages caused by insured person's acts (omissions) if such third parties raise legitimate claims to protect their rights and interests. As a rule, such insurance agreements are concluded for the term of one year. For liability insurance of clinical trials and construction activities, insurance contracts may be concluded for a longer term.

Foreign currency translation. The functional currency of the Company is the national currency of Ukraine, Ukrainian hryvnias ("UAH").

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the National Bank of Ukraine (the "NBU") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBU are recognised in the statement of profit or loss and other comprehensive income as foreign exchange gains or losses. Translation at year-end rates does not apply to non-monetary items.

The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2018, UAH	31 December 2017, UAH
1 US dollar (USD)	27.6883	28.0672
1 Euro (EUR)	31.7141	33.4954

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. A qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions. Wages, salaries, contributions for the obligatory state social insurance, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Changes in presentation. During 2018, the Company changed its presentation of the statement of financial position and the statement of profit or loss and other comprehensive income to ensure more accurate presentation of the result from insurance activities. The Company believes that the change provides reliable and more relevant information. As required by IAS 1, changes in the presentation have been made retrospectively and comparatives for the year ended 31 December 2017 have been presented correspondingly to conform to the presentation of the current year amounts.

3 Summary of Significant Accounting Policies (Continued)

The third statement of financial position as at 1 January 2017 has not been presented in these financial statements as the changes had no significant impact on the statement of financial position as of the beginning of the earliest comparative period presented. In these circumstances, management of the Company considered whether omitting the opening statement of financial position at 1 January 2017 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position is not material in terms of its ability to influence the economic decisions of the users of the financial statements and is therefore permitted.

Below is presented the effect of changes in presentation on financial performance for the year ended 31 December 2017 and on the statement of financial position as at 31 December 2017:

	31 December 2017		
In thousands of Ukrainian hryvnias	**As originally reported**	**Effect of changes in presentation**	**After changes in presentation**
ASSETS			
Cash and cash equivalents	83,134	797	83,931
Deposits with banks	42,610	626	43,236
Receivables including insurance receivables	22,645	1,583	24,228
Accounts receivable on settlements on income accrued	1,423	(1,423)	-
Accounts receivable on settlements: on advances issued	171	(171)	-
Other current accounts receivable	1,637	(1,637)	-
Reinsurers' share in reserve for unearned premiums	31,643	-	31,643
Reinsurers' share of loss reserves	15,555	-	15,555
Deferred acquisition costs	4,741	-	4,741
Deferred tax assets	1,658	(1,658)	-
Insurance premium tax prepaid	-	1,658	1,658
Equipment and other fixed assets	1,203	-	1,203
Intangible assets	445	-	445
Prepayments and other assets	417	266	683
Accounts receivable on settlements with the budget	31	(31)	-
Non-current assets held for sale and disposal groups	8	(8)	-
Inventories	2	(2)	-
TOTAL ASSETS	**207,323**	**-**	**207,323**
LIABILITIES			
Reserve for unearned premiums, gross	62,182	-	62,182
Loss reserves, gross	28,580	-	28,580
Current income tax liability	991	-	991
Amounts payable to reinsurers	19,181	3,269	22,450
Amounts payable to agents and policyholders	6,593	658	7,251
Provisions and other liabilities	9,037	(3,690)	5,347
Current insurance payables	140	(140)	-
Current accounts payable for goods, works and services	88	(88)	-
Current accounts payable on advances received	9	(9)	-
TOTAL LIABILITIES	**126,801**	**-**	**126,801**
EQUITY			
Registered capital	63,160	-	63,160
Revaluation reserve	16	(16)	-
Reserve capital	450	-	450
Retained earnings	16,896	16	16,912
TOTAL EQUITY	**80,522**	**-**	**80,522**
TOTAL LIABILITIES AND EQUITY	**207,323**	**-**	**207,323**

3 Summary of Significant Accounting Policies (Continued)

	2017		
In thousands of Ukrainian hryvnias	**As originally reported**	**Effect of changes in presentation**	**After changes in presentation**
Gross premiums written	145,312	-	145,312
Change in unearned premiums reserve, gross	(12,567)	-	(12,567)
Premiums earned	**132,745**	**-**	**132,745**
Premiums ceded to reinsurers	(77,337)	-	(77,337)
Change in reinsurer's share in unearned premiums reserve	5,610	-	5,610
Net premiums earned	**61,018**	**-**	**61,018**
Net claims incurred	(13,828)	13,828	-
Cost of sales of goods, works and services	(13,034)	13,034	-
Insurance claims paid, gross	-	(19,256)	(19,256)
Insurance claims recovered from reinsurers	-	4,880	4,880
Change in loss reserves, gross	5,145	-	5,145
Change in reinsurer's share of loss reserves	923	-	923
Net claims incurred	**(20,794)**	**12,486**	**(8,308)**
Acquisition costs	(16,949)	788	(16,161)
Net result from insurance activity before deduction of operating expenses from insurance activity	**23,275**	**13,274**	**36,549**
Interest income	10,814	-	10,814
Administrative and other operating expenses	(15,899)	(11,166)	(27,065)
Foreign exchange losses less gains	-	(353)	(353)
Other operating income	4,907	(3,818)	1,089
Other operating expenses	(2,114)	2,114	-
Other income	3	(3)	-
Other expenses	(3)	(48)	(51)
Profit before tax	**20,983**	**-**	**20,983**
Income tax and insurance premium tax expenses	(7,093)	-	(7,093)
PROFIT FOR THE YEAR	**13,890**	**-**	**13,890**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,890**	**-**	**13,890**

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Reserve for losses and loss adjustment expenses. The Company is required by applicable insurance laws, regulations and IFRS to establish reserves for payment of losses and loss adjustment expenses that arise from the Company's activities which relate to general insurance products. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the end of the reporting period. The Company establishes its reserves by product line, type and extent of coverage. Loss reserves fall into two categories: outstanding claims reserve (OCR) and reserve for incurred but not reported losses (IBNR).

The Company's reserves for reported losses are based on estimates of future payments to settle reported general insurance claims. The Company bases such estimates on the facts available at the time the reserves are established. The Company establishes these reserves on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events.

The Company establishes IBNR reserve, generally on an undiscounted basis, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognise the estimated costs required to bring claims for these not yet reported losses to final settlement. As these losses have not yet been reported, the Company relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Company also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. The Company revises these reserves as additional information becomes available and as claims are actually reported. The Company does not have significant long-tail business. Sensitivity analysis for loss reserves is provided in Note 21.

In addition, the Company performs the liability adequacy test to verify whether the contractual insurance liabilities net of related unamortised deferred acquisition costs are adequate at the end of the reporting period. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. If the test shows that a deficiency exists, the shortfall is immediately charged to profit or loss initially by writing off unamortised deferred acquisition costs and subsequently by establishing an unexpired risk reserve for losses arising from liability adequacy test.

The time required to obtain information about the incurred losses and to settle respective claims is an important consideration in establishing the Company's reserves. Short-tail claims, such as for property damage, are normally reported soon after the incident and are generally settled within a month following the reported incident.

In determining the level of reserves and performing the liability adequacy test, the Company considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of insurance coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Company's estimation of reserves. Between the accident date, claim reporting date and date of final claim settlement circumstances may change, which would result in changes to established reserves. Accordingly, the Company reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses (including incurred but not reported) and loss adjustment expenses can vary significantly from the level of reserves originally set.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2018, but did not have any material impact on the Company:

- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

  The Company elected to apply the temporary exemption option prior to adoption of IFRS 9. The temporary exemption from application allows companies engaged in provision of insurance services as the principal activity to continue to report under IAS 39 instead of IFRS 9 till 1 January 2021.
- Adoption of IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

  Adoption of this Standard did not have a material impact on financial statements of the Company as IFRS 15 is not applied to insurance contracts, which fall within the scope of IFRS 4.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018 for IFRS 1 and IAS 28).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 4 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted.

IFRS 9, Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018**;** ***the Company elected to apply the temporary exemption option prior to adoption of IFRS 9 (refer to Note 5)).*** Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company expects the new standard will have an impact on its financial statements for classification of the Company's financial assets. Starting from 1 January 2022, all financial assets of the Company will be classified as measured at amortised cost, whereas as at 31 December 2017, they are classified as "Loans and receivables".

Management believes that adoption of the new standard will not have a material impact on carrying amounts of the Company's financial assets and financial liabilities.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

6 New Accounting Pronouncements (Continued)

IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses). Based on the analysis of the Company's underlying lease contracts and on the basis of the facts and circumstances that exist at that date, the management of the Company is not expecting a significant impact on its financial statements from the adoption of the new standard as at 1 January 2019.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the International Accounting Standards Board).***
- ***Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).***
- ***IFRIC 23, Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).***
- ***Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).***
- ***Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).***
- ***Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).***
- ***Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).***

6 New Accounting Pronouncements (Continued)

- ***Definition of a Business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period that starts on or after 1 January 2020).***
- ***Definition of Materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).***

7 Cash and Cash Equivalents

As at 31 December 2018 and 31 December 2017, all cash and cash equivalents are placed with uaA and higher rated banks (based on ratings assigned by rating agencies Fitch, Moody's, Credit-Rating or Expert Rating).

Cash and cash equivalents are not collateralised.

As at 31 December 2018, the Company had 4 counterparty banks (31 December 2017: 5 counterparty banks) with aggregated cash and cash equivalent balances of UAH 1,000 thousand and above each. The total aggregate amount of these balances was UAH 48,503 thousand (31 December 2017: UAH 83,931 thousand), or 100% of cash and cash equivalents (31 December 2017: 100%).

Currency analysis of cash and cash equivalents is disclosed in Note 21.

8 Deposits with Banks

As at 31 December 2018 and 31 December 2017, all deposits are placed with uaA and higher rated banks (based on ratings assigned by rating agencies Fitch, Moody's, Credit-Rating or Expert Rating).

As at 31 December 2018 and 31 December 2017, all deposits are UAH-denominated.

As at 31 December 2018, the interest rate on UAH-denominated bank deposits is within the range of 14.50% - 18.00% p.a. (31 December 2017: within the range of 7.70% - 12.95% p.a.) depending on the placement and maturity dates.

Deposits of UAH 105,604 thousand (31 December 2017: UAH 43,236 thousand) mature within 1 year.

Deposits are neither past due nor impaired. No provision was raised for deposits with banks as at 31 December 2018 and 31 December 2017.

Deposits with banks are not collateralised.

At 31 December 2018, the Company had balances with 4 counterparty banks (31 December 2017: 3 banks) with aggregated amounts above UAH 1,000 thousand (31 December 2017: above UAH 1,000 thousand). The total aggregate amount of these deposits was UAH 105,604 thousand (31 December 2017: UAH 43,326 thousand), or 100% of total deposits with banks (31 December 2017: 100%).

9 Receivables Including Insurance Receivables

In thousands of Ukrainian hryvnias	**31 December 2018**	**31 December 2017**
Receivables under direct insurance contracts	28,811	22,645
Reinsurance receivables	1,203	1,583
Other financial receivables	1,590	1,604
Provision for impairment of receivables	(1,569)	(1,604)
Total receivables including insurance receivables	**30,035**	**24,228**

As at 31 December 2018, the Company had 3 debtors (31 December 2017: 3 debtors) with aggregated outstanding receivable balance above UAH 1,000 thousand. Amount of these receivable balances was UAH 12,740 thousand (31 December 2017: UAH 9,011 thousand), or 42% (31 December 2017: 37%) of total receivable balance.

9 Receivables Including Insurance Receivables (Continued)

Receivables as at 31 December 2018 and 31 December 2017 are not collateralised.

Currency analysis of receivables is disclosed in Note 21.

Receivables include UAH 1,569 thousand (31 December 2017: UAH 1,554 thousand), which represents guarantee contributions paid by the Company to the centralised insurance reserve funds with the Motor (Transport) Insurance Bureau of Ukraine (MTIBU). Due to termination of the Company's associated membership in MTIBU in 2015 and in compliance with the Law of Ukraine "On Civil Liability Insurance of Land Transport Owners", MTIBU is required to repay the guarantee contribution to the Company within three years after termination of the insurer's associated membership in MTIBU. The Company seeks recovery of the unpaid balance of the guarantee contribution in court. Refer to Note 23.

Analysis of receivables, including receivables from insurance operations, by credit quality as at 31 December 2018, is as follows:

In thousands of Ukrainian hryvnias	**Receivables under direct insurance contracts**	**Reinsurance receivables**	**Other financial receivables**	**Total**
Total current and not impaired	**28,416**	**-**	**21**	**28,437**
Balances past due but not impaired:				
- less than 30 days overdue	395	1,095	-	**1,490**
- 30 to 90 days overdue	-	92	-	**92**
- more than 90 days overdue	-	16	-	**16**
Total past due but not impaired	**395**	**1,203**	**-**	**1,598**
Individually determined to be impaired:				
- more than 360 days overdue	-	-	1,569	**1,569**
Total individually impaired	**-**	**-**	**1,569**	**1,569**
Less: provision for impairment of receivables	-	-	(1,569)	**(1,569)**
Total receivables including insurance receivables	**28,811**	**1,203**	**21**	**30,035**

Analysis of receivables, including receivables from insurance operations, by credit quality as at 31 December 2017, is as follows:

In thousands of Ukrainian hryvnias	**Receivables under direct insurance contracts**	**Reinsurance receivables**	**Other financial receivables**	**Total**
Total current and not impaired	**22,606**	**-**	**-**	**22,606**
Balances past due but not impaired:				
- less than 30 days overdue	39	540	-	**579**
- 30 to 90 days overdue	-	1,043	-	**1,043**
Total past due but not impaired	**39**	**1,583**	**-**	**1,622**
Individually determined to be impaired:				
- more than 360 days overdue	-	-	1,604	**1,604**
Total individually impaired	**-**	**-**	1,604	**1,604**
Less: provision for impairment of receivables	-	-	(1,604)	**(1,604)**
Total receivables including insurance receivables	**22,645**	**1,583**	**-**	**24,228**

9 Receivables Including Insurance Receivables (Continued)

The primary factors that the Company considers whether a receivable balance is impaired are its overdue status and probability of its settlement. As a result, the Company presents above an ageing analysis of receivables that are past due but not impaired and those individually determined to be impaired.

As at 31 December 2018 and 31 December 2017, the provision for other financial receivables includes the allowance for outstanding balance and accrued interest receivable from MTIBU.

The information on related party balances is disclosed in Note 26.

The information on credit, currency and liquidity risks is disclosed in Note 21.

Movements in the impairment provision for receivables during 2017-2018 are as follows:

In thousands of Ukrainian hryvnias	Receivables under direct insurance contracts	Reinsurance receivables	Other financial receivables	Total
Provision for impairment at 1 January 2017	**2**	**-**	**3,862**	**3,864**
Release of provision for impairment during the year	-	-	(875)	**(875)**
Amounts written off during the year as uncollectible	(2)	-	(1,383)	**(1,385)**
Provision for impairment at 31 December 2017	**-**	**-**	**1,604**	**1,604**
Creation of provision for impairment during the year	-	-	15	**15**
Amounts written off during the year as uncollectible	-	-	(50)	**(50)**
Provision for impairment at 31 December 2018	**-**	**-**	**1,569**	**1,569**

10 Prepayments and Other Assets

In thousands of Ukrainian hryvnias	31 December 2018	31 December 2017
Prepayments to suppliers	627	588
Prepayments on taxes other than on income tax and insurance premium tax	61	31
Other assets	89	64
Total prepayments and other assets	**777**	**683**

As at 31 December 2018 and 31 December 2017, all prepayments and other assets were included in current assets.

11 Current Income Tax Liability

As at 31 December 2018, the Company has UAH 457 thousand of liability to pay income tax and insurance premium tax accrued as a result of operations for the year ended 31 December 2018 (31 December 2018: UAH 991 thousand).

Current income tax and insurance premium tax liability was included in current liabilities as at 31 December 2018 and 31 December 2017.

12 Amounts Payable to Reinsurers

The Company is engaged in reinsurance operations primarily with reinsurers operating as part of Allianz Group, as well as with non-resident reinsurers.

Analysis by credit quality of amounts payable to reinsurers is as follows:

In thousands of Ukrainian hryvnias	**31 December 2018**	**31 December 2017**
Demand and less than 1 year	16,949	17,311
1-5 years	8,133	5,139
Total amounts payable to reinsurers	**25,082**	**22,450**

Currency analysis of amounts payable to reinsurers is disclosed in Note 21.

13 Amounts Payable to Agents and Policyholders

In thousands of Ukrainian hryvnias	**31 December 2018**	**31 December 2017**
Financial payables arising from insurance:		
Fees payable to agents	5,534	4,011
Total financial payables arising from insurance	**5,534**	**4,011**
Non-financial payables arising from insurance:		
Advances received from insurance contract holders	5,342	3,240
Total non-financial payables arising from insurance	**5,342**	**3,240**
Total amounts payable to agents and policyholders	**10,876**	**7,251**

As at 31 December 2018 and 31 December 2017, all amounts payable to agents and policyholders were classified as current liabilities.

14 Provisions and Other Liabilities

Provisions and other liabilities comprise the following:

In thousands of Ukrainian hryvnias	**31 December 2018**	**31 December 2017**
Other financial liabilities:		
Other payables	989	585
Total other financial liabilities	**989**	**585**
Other non-financial liabilities:		
Provision for other employee benefits	4,315	3,625
Provision for employee vacations	1,285	1,137
Total other non-financial liabilities	**5,600**	**4,762**
Total other financial and non-financial liabilities	**6,589**	**5,347**

The information on related party balances is disclosed in Note 26.

The information on currency and liquidity risks is disclosed in Note 21.

As at 31 December 2018 and 31 December 2017, all Company's financial and non-financial liabilities are classified as current liabilities.

Movements in provisions during 2017-2018 are as follows:

14 Provisions and Other Liabilities (Continued)

In thousands of Ukrainian hryvnias	**Provision for other employee benefits**	**Provision for employee vacations**	**Total**
Carrying amount at 1 January 2017	**3,476**	**929**	**4,405**
Provision charge through profit or loss	4,866	1,339	**6,205**
Utilisation	(4,717)	(1,131)	**(5,848)**
Carrying amount at 31 December 2017	**3,625**	**1,137**	**4,762**
Provision charge through profit or loss	5,896	1,311	**7,207**
Utilisation	(5,206)	(1,163)	**(6,369)**
Carrying amount at 31 December 2018	**4,315**	**1,285**	**5,600**

The provision balance at 31 December 2018 is expected to be utilised by the end of 2019.

15 Insurance Reserves and Reinsurer's Share of Insurance Reserves

In thousands of Ukrainian hryvnias	**31 Decem ber 2018**	**31 Decem ber 2017**
Gross amounts		
Reserve for unearned premiums	75,824	62,182
Loss reserves	40,541	28,580
Total insurance reserves, gross	**116,365**	**90,762**
Reinsurer's share		
Reserve for unearned premiums	(38,746)	(31,643)
Loss reserves	(25,037)	(15,555)
Total reinsurer's share of insurance reserves	**(63,783)**	**(47,198)**
Net amounts		
Reserve for unearned premiums	37,078	30,539
Loss reserves	15,504	13,025
Total insurance reserves, net	**52,582**	**43,564**

15 Insurance Reserves and Reinsurer's Share of Insurance Reserves (Continued)

Movements in insurance reserves were as follows:

In thousands of Ukrainian hryvnias	Gross	Reinsurers' share	Net
Reserve for unearned premiums at 1 January 2017	**49,615**	**(26,033)**	**23,582**
Premiums written	145,312	(77,337)	67,975
Premiums earned	(132,745)	71,727	(61,018)
Reserve for unearned premiums at 31 December 2017	**62,182**	**(31,643)**	**30,539**
Premiums written	163,770	(84,055)	79,715
Premiums earned	(150,128)	76,952	(73,176)
Reserve for unearned premiums at 31 December 2018	**75,824**	**(38,746)**	**37,078**
Loss reserves at 1 January 2017	**33,725**	**(14,632)**	**19,093**
Claims incurred	14,111	(5,803)	8,308
Insurance claims paid	(19,256)	4,880	(14,376)
Loss reserves at 31 December 2017	**28,580**	**(15,555)**	**13,025**
Claims incurred	28,029	(17,354)	10,675
Insurance claims paid	(16,068)	7,872	(8,196)
Loss reserves at 31 December 2018	**40,541**	**(25,037)**	**15,504**
Total insurance reserves at 1 January 2017	**83,340**	**(40,665)**	**42,675**
Change during the period	7,422	(6,533)	47,715
Total insurance reserves at 31 December 2017	**90,762**	**(47,198)**	**43,564**
Change during the period	25,603	16,585	9,018
Total insurance reserves at 31 December 2018	**116,365**	**(63,783)**	**52,582**

The information on related party balances is disclosed in Note 26.

As at 31 December 2018, all insurance reserves are classified as current liabilities, except for part of reserve for unearned premiums in the amount of UAH 32,798 thousand and part of reinsurer's share in reserve for unearned premiums in the amount of UAH 23,125 thousand, which are long-term. As at 31 December 2017, all insurance reserves are classified as current liabilities, except for part of reserve for unearned premiums in the amount of UAH 18,327 thousand and part of reinsurer's share in reserve for unearned premiums in the amount of UAH 13,017 thousand, which are long-term.

16 Registered Capital

The nominal registered amount of the Company's share capital is UAH 63,160 thousand (31 December 2017: UAH 63,160 thousand).

The participants of the Company as of 31 December 2018 and 2017 are as follows:

In thousands of Ukrainian hryvnias except for number of shares	Interest held, %	Nominal value
Participant		
ALLIANZ HOLDING EINS GMBH	99.98%	63,146
ALLIANZ NEW EUROPE HOLDING GMBH	0.02%	13
ALLIANZ EUROPE B.V.	0.00%	1
Total registered capital	**100.00%**	**63,160**

17 Analysis of Premiums, Claims and Acquisition Costs

An analysis of premiums and claims by line of business for the year ended 31 December 2018 is presented below:

In thousands of Ukrainian hryvnias	Property	Fire risks	Finan-cial risks	Cargo	Carrier's liability	Third party liability	Railway transport	Other	Total
Gross premiums written									
- direct insurance	30,126	23,219	11,262	40,099	6,881	39,302	3,257	1,385	**155,531**
- inward reinsurance	4,362	2,704	815	49	-	47	262	-	**8,239**
Gross premiums written	**34,488**	**25,923**	**12,077**	**40,148**	**6,881**	**39,349**	**3,519**	**1,385**	**163,770**
Change in unearned premiums reserve, gross	(5,153)	(4,379)	(2,298)	(2,673)	(177)	1,230	(902)	710	**(13,642)**
Premiums earned, gross	**29,335**	**21,544**	**9,779**	**37,475**	**6,704**	**40,579**	**2,617**	**2,095**	**150,128**
Premiums ceded to reinsurers	(18,343)	(13,826)	(7,978)	(18,545)	(802)	(22,870)	(959)	(732)	**(84,055)**
Change in reinsurer's share in unearned premiums reserve	3,863	2,922	1,711	1,200	-	(2,220)	-	(373)	**7,103**
Net premiums earned	**14,855**	**10,640**	**3,512**	**20,130**	**5,902**	**15,489**	**1,658**	**990**	**73,176**
Claims paid	(766)	(2,604)	-	(5,857)	(3,873)	(1,525)	-	-	**(14,625)**
Claims handling expenses	(276)	(146)	-	(2,155)	(87)	(86)	(1)	-	**(2,751)**
Subrogation income	-	-	-	1,269	-	-	-	39	**1,308**
Insurance claims recovered from reinsurers	287	1,255	-	3,334	369	1,277	-	-	**6,522**
Claims handling expenses recovered from reinsurers	194	101	-	1,712	-	66	-	-	**2,073**
Subrogation income recovered to reinsurers	-	-	-	(723)	-	-	-	-	**(723)**
Net insurance claims paid	**(561)**	**(1,394)**	**-**	**(2,420)**	**(3,591)**	**(268)**	**(1)**	**39**	**(8,196)**
Change in loss reserves, gross	(1,123)	5,463	(2,685)	(20,908)	6,026	1,340	(158)	84	**(11,961)**
Change in reinsurers' share of loss reserves	(211)	(4,806)	2,631	16,931	(3,442)	(1,620)	-	(1)	**9,482**
Net change in loss reserves	**(1,334)**	**657**	**(54)**	**(3,977)**	**2,584**	**(280)**	**(158)**	**83**	**(2,479)**
Net claims incurred	**(1,895)**	**(737)**	**(54)**	**(6,397)**	**(1,007)**	**(548)**	**(159)**	**122**	**(10,675)**
Acquisition costs incurred during the year	(4,623)	(3,283)	(1,517)	(6,478)	(2,344)	(3,113)	(408)	(116)	**(21,882)**
Change in deferred acquisition costs	1,075	547	588	415	118	156	167	(93)	**2,973**
Acquisition costs	**(3,548)**	**(2,736)**	**(929)**	**(6,063)**	**(2,226)**	**(2,957)**	**(241)**	**(209)**	**(18,909)**
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity	**9,412**	**7,167**	**2,529**	**7,670**	**2,669**	**11,984**	**1,258**	**903**	**43,592**

17 Analysis of Premiums, Claims and Acquisition Costs (Continued)

An analysis of premiums and claims by line of business for the year ended 31 December 2017 is presented below:

In thousands of Ukrainian hryvnias	Property	Fire risks	Finan-cial risks	Cargo	Carrier's liability	Third party liability	Railway transport	Other	Total
Gross premiums written									
- direct insurance	24,035	18,503	7,016	35,708	5,972	42,759	1,049	2,496	**137,538**
- inward reinsurance	4,629	2,201	702	73	-	127	42	-	**7,774**
Gross premiums written	**28,664**	**20,704**	**7,718**	**35,781**	**5,972**	**42,886**	**1,091**	**2,496**	**145,312**
Change in unearned premiums reserve, gross	(2,453)	(2,145)	(408)	(1,043)	(427)	(5,846)	(713)	468	**(12,567)**
Premiums earned, gross	**26,211**	**18,559**	**7,310**	**34,738**	**5,545**	**37,040**	**378**	**2,964**	**132,745**
Premiums ceded to reinsurers	(13,243)	(9,926)	(4,795)	(18,346)	(530)	(29,004)	(97)	(1,396)	**(77,337)**
Change in reinsurer's share in unearned premiums reserve	(516)	1,112	484	446	-	4,175	-	(91)	**5,610**
Net premiums earned	**12,452**	**9,745**	**2,999**	**16,838**	**5,015**	**12,211**	**281**	**1,477**	**61,018**
Claims paid	(5,575)	(1,247)	(670)	(6,910)	(1,920)	(115)	-	(520)	**(16,957)**
Claims handling expenses	(365)	(364)	(78)	(1,499)	(313)	(11)	-	(29)	**(2,659)**
Subrogation income	-	-	-	279	-	-	-	81	**360**
Insurance claims recovered from reinsurers	256	-	-	2,874	-	-	-	-	**3,130**
Claims handling expenses recovered from reinsurers	298	334	52	1,344	-	1	-	-	**2,029**
Subrogation income recovered to reinsurers	-	-	-	(279)	-	-	-	-	**(279)**
Net insurance claims paid	**(5,386)**	**(1,277)**	**(696)**	**(4,191)**	**(2,233)**	**(125)**	**-**	**(468)**	**(14,376)**
Change in loss reserves, gross	7,752	(7,569)	(1,668)	704	958	5,098	(10)	(120)	**5,145**
Change in reinsurers' share of loss reserves	339	5,734	1,367	(80)	-	(6,437)	-	-	**923**
Net change in loss reserves	**8,091**	**(1,835)**	**(301)**	**624**	**958**	**(1,339)**	**(10)**	**(120)**	**6,068**
Net claims incurred	**2,705**	**(3,112)**	**(997)**	**(3,567)**	**(1,275)**	**(1,464)**	**(10)**	**(588)**	**(8,308)**
Acquisition costs incurred during the year	(4,147)	(3,088)	(781)	(4,380)	(1,782)	(2,340)	(157)	(298)	**(16,973)**
Change in deferred acquisition costs	196	22	(21)	169	90	371	106	(121)	**812**
Acquisition costs	**(3,951)**	**(3,066)**	**(802)**	**(4,211)**	**(1,692)**	**(1,969)**	**(51)**	**(419)**	**(16,161)**
Net result from insurance activity before deduction of administrative and other operating expenses from insurance activity	**11,206**	**3,567**	**1,200**	**9,060**	**2,048**	**8,778**	**220**	**470**	**36,549**

The information on related party balances is disclosed in Note 26.

18 Acquisition Costs

In thousands of Ukrainian hryvnias	2018	2017
Deferred acquisition costs at 1 January	**4,741**	**3,929**
Costs incurred during the year	21,882	16,973
Costs amortised to profit or loss	(18,909)	(16,161)
Deferred acquisition costs at 31 December	**7,714**	**4,741**

Acquisition costs mainly include commissions paid to agents and brokers.

As at 31 December 2018, deferred acquisition costs are classified as current liabilities, except for part in the amount of UAH 1,957 thousand, which is long-term. As at 31 December 2017, deferred acquisition costs are classified as current liabilities, except for part in the amount of UAH 509 thousand, which is long-term.

19 Administrative and Other Operating Expenses

In thousands of Ukrainian hryvnias	2018	2017
Staff costs	20,113	17,458
Rent and maintenance of premises	4,207	3,663
Professional fees	2,278	1,397
Amortisation and depreciation	931	1,045
Bank charges and commission on currency purchase	658	496
Advertising	581	511
Business trip expenses	558	220
Information technology costs	542	379
Material expenses	324	391
Communication expenses	302	300
Rent and maintenance of cars	296	224
Other operating expenses	1,003	981
Total administrative and other operating expenses	**31,793**	**27,065**

Included in staff costs are statutory unified social contributions of UAH 2,845 thousand (2017: UAH 2,309 thousand).

Information on related party transactions is disclosed in Note 26.

20 Income Tax and Insurance Premium Tax Expenses

Current income tax and insurance premium tax expenses comprise the following:

In thousands of Ukrainian hryvnias	2018	2017
Current tax	4,988	3,179
Income tax charge for the year	**4,988**	**3,179**
Insurance premium tax	4,666	4,126
Change in insurance premium tax prepayment	(396)	(212)
Total insurance premium tax	**4,270**	**3,914**
Total income tax and insurance premium tax expense	**9,258**	**7,093**

Current income tax liability was included in current liabilities as at 31 December 2018 and 31 December 2017.

Insurance premium tax prepayment was included in current assets as at 31 December 2018 and 31 December 2017.

20 Income Tax and Insurance Premium Tax Expenses (Continued)

On 1 January 2015, the Law of Ukraine No 71 dated 28 December 2014 "On Changes to the Tax Code of Ukraine and Some Legislative Acts of Ukraine in Respect of Tax Reform" (hereinafter referred to as the "Law") came into effect. According to the Law, the corporate profit tax is now taxed on income originating inside or outside of Ukraine determined by adjusting (increase/decrease) the profit or loss recognised in the entity's financial statements in accordance with National Regulations (Standards) of Accounting or IFRS for tax differences defined in the Law.

As such, during 2017-2018 the Company paid income tax on general grounds at the rate of 18% on its profit or loss before tax recorded in these financial statements and adjusted for tax differences. In addition, the Company paid income tax at the rate of 3% on the amount of direct insurance premiums written.

A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Ukrainian hryvnias	**2018**	**2017**
Profit before tax	**29,107**	**20,983**
Theoretical tax charge at statutory rate of 18% (2017: 18%)	5,239	3,777
Tax effect of items which are not deductible for tax purposes	51	-
Tax effect of items which are not assessable for tax purposes	(840)	(879)
Other temporary differences for the reporting year for which no potential deferred tax asset is recognised	538	281
Income tax charge for the year	**4,988**	**3,179**
Insurance premium tax	**4,270**	**3,914**
Total income tax and insurance premium tax expense	**9,258**	**7,093**

Differences between IFRS and Ukrainian statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movement in the temporary differences presented below is recorded at the rate applicable when they are utilised.

In this regard, certaing temporary diffrences also arise in the Company, primarily on creation of provisions for future payments. The Company did not recognise deferred tax assets for the stated temporary differences in the amount of UAH 1,307 thousand (31 December 2017: UAH 769 thousand) due to uncertainty as to their realisation. The non-recognition of such assets does not lead to an understatement of accrued income tax and insurance premium tax in the tax return but has an impact on the amount of deferred income tax, which in turn would reduce the total amount of income tax and insurance premium tax.

As at 31 December 2018 and 31 December 2017, the Company does not have deferred tax assets and liabilities.

21 Financial and Insurance Risk Management

The risk management function within the Company is carried out in respect of financial, operational and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company does not consider those risks to be significant to its activities and, therefore, has no particular objectives and policies for management of those risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Key areas where the Company is exposed to credit risk are cash and cash equivalents, deposits with banks and receivables including insurance and reinsurance receivables.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial and insurance assets in the statement of financial position.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables including insurance receivables and bank balances. Refer to Note 9.

The Company places cash and cash equivalents and deposits only in banks approved by the parent company.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currency and (b) interest rate, all of which are exposed to general and specific market movements.

Currency risk. Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The table below summarises the Company's exposure to currency risk as at 31 December 2018:

	UAH	**USD**	**EUR**	**Total**
Cash and cash equivalents	47,128	879	496	**48,503**
Deposits with banks	105,605	-	-	**105,605**
Reinsurer's share in unearned premiums	28,026	2,551	8,169	**38,746**
Receivables including insurance receivables	27,188	1,534	1,313	**30,035**
Total monetary financial and insurance assets	**207,947**	**4,964**	**9,978**	**222,889**
Reserve for unearned premiums, gross	61,423	4,139	10,262	**75,824**
Amounts payable to reinsurers	22,450	633	1,999	**25,082**
Fees payable to agents	5,534	-	-	**5,534**
Other payables	812	-	177	**989**
Total monetary financial and insurance liabilities	**90,219**	**4,772**	**12,438**	**107,429**
Net balance sheet position	**117,728**	**192**	**(2,460)**	**115,460**

21 Financial and Insurance Risk Management (Continued)

The table below summarises the Company’s exposure to currency risk as at 31 December 2017:

	UAH	USD	EUR	Total
Cash and cash equivalents	82,854	957	120	**83,931**
Deposits with banks	43,236	-	-	**43,236**
Reinsurer's share in unearned premiums	19,580	3,503	8,560	**31,643**
Receivables including insurance receivables	19,429	2,187	2,612	**24,228**
Total monetary financial and insurance assets	**165,099**	**6,647**	**11,292**	**183,038**
Reserve for unearned premiums, gross	46,221	5,397	10,564	**62,182**
Amounts payable to reinsurers	15,618	3,205	3,627	**22,450**
Fees payable to agents	4,011	-	-	**4,011**
Other payables	418	-	167	**585**
Total monetary financial and insurance liabilities	**66,268**	**8,602**	**14,358**	**89,228**
Net balance sheet position	**98,831**	**(1,955)**	**(3,066)**	**93,810**

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date, with all other variables held constant:

In thousands of Ukrainian hryvnias	**31 December 2018** Impact on profit or loss and equity	**31 December 2017** Impact on profit or loss and equity
USD strengthening by 20%	31	(321)
USD weakening by 10%	(16)	160
EUR strengthening by 20%	(403)	(503)
EUR weakening by 10%	202	251

Interest rate risk. Interest rate risk is the risk that arises on exposure to the effects of fluctuations in the prevailing levels of market interest rates on Company’s financial position and its cash flows. Interest income may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Company’s business. As at the end of each reporting period, the Company had no variable interest financial assets or interest-bearing liabilities. As at 31 December 2018 and 31 December 2017, the Company’s profit or loss and equity would not have been impacted by the change in market interest rates.

21 Financial and Insurance Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources from its suppliers on purchased goods and services and customers on claims for compensation of loss incurred on insured events. The Company has sufficient cash resources on its bank accounts to meet most of these needs. In addition, cash inflows from premium income also provide cash resources to meet the current obligations. At 31 December 2018 and 31 December 2017, all of the Company's financial liabilities are payable on demand or within 1 month after the end of the reporting period, except for payables to reinsurers. Maturity analysis of amounts payable to reinsurers is disclosed in Note 12. Contractual undiscounted cash flows on financial liabilities approximate their carrying amounts. Maturity of accounts receivable does not exceed one year. Maturity periods of reserve for unearned premiums (and reinsurers' share in unearned premiums reserve) and deferred acquisition costs are disclosed in Notes 15 and 18, respectively.

Insurance risk. Insurance risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the estimate established using statistic techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Company manages insurance risks through:

- underwriting strategy as well as proactive risk monitoring. The Company sets limits on underwriting capacity, and cascade authority to individuals based on their specific expertise. Potential new products are evaluated to make sure risks are well understood and justified by the rewards.
- adequate reinsurance arrangements. The Company aims at diversification of the reinsurance arrangements. The Company uses both obligatory and facultative reinsurance arrangements.

The Company runs its business only in Ukraine and all insurance contracts are in Ukrainian hryvnia (except for insignificant number of contracts with non-residents in US dollars). Management analyses concentration of insurance risk by line of business. Respective information is provided in Note 16.

Sensitivity analysis of loss reserves calculations. In order to evaluate the sensitivity of gross IBNR calculations based on the actuarial methods (Note 3) for lines of business, the following assumptions were used:

- increase of the outstanding case loss reserves by 5% in order to analyse the effect of changes in outstanding case loss reserve estimates;
- increase of the loss development factors and a predetermined expected loss ratio by 5% each to analyse the effect of inflation.

Sensitivity analysis of IBNR by line of business, which is calculated using the actuarial methods, shows that the change in the IBNR balance compared to the base case scenario is insignificant as at 31 December 2018 and 31 December 2017.

No sensitivity analysis of IBNR by line of business such as fire risks insurance, financial risks insurance, third party liability insurance and railway transport insurance, which is calculated using the fixed percentage method has been performed.

The Company decided not to present the loss development disclosure as the uncertainty in the amount and timing of settlements under insurance contracts is resolved within one year.

22 Capital Management

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the National Commission for State Regulation of Financial Services Markets, and (ii) to safeguard the Company's ability to continue as a going concern. The Company considers total capital under management to be equity as shown in the statement of financial position. At the end of each reporting period, the Company analyses the amount of equity available and may adjust it by paying dividends to participants or returning capital to participants.

The Company is subject to externally imposed capital requirements. The main external capital requirements are the minimum level of the statutory capital and various solvency ratios. Under the law of Ukraine "On Insurance" No 85/96-вр dated 7 March 1996 with subsequent amendments, the minimum required amount of statutory capital for an insurer providing insurance services other than life insurance is the equivalent of EUR 1,000 thousand at the UAH exchange rate. According to the Resolution No 4934 of the National Commission for State Regulation of Financial Services Markets dated 22 November 2005, in order to apply for registration as a financial institution intending to provide insurance services other than life insurance, the entity is required to have the statutory capital equal to the equivalent of EUR 1,000 thousand at the UAH exchange rate effective at the date of application.

According to these financial statements, the Company complied with all externally imposed capital requirements as at 31 December 2018 and 31 December 2017.

23 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in excess of provisions recorded in these financial statements.

In March 2018, the insured filed a claim to the court stating that the Company fails to comply with the insurance legislation due to its refusal to pay an insurance indemnity. The case is under consideration of the Commercial Court in the City of Kyiv. Given the initiated legal proceeding, management decided to recover RBNS in the amount of UAH 1,620 thousand. On the basis of its own estimates and external professional advice, management is of the opinion that the ultimate liability arising of this case will not have a material adverse impact on the financial position or future performance of the Company in excess of the amount included in insurance reserves.

In May 2018, the Company filed a claim to MTIBU for recovery of the outstanding balance from the MTIBU guarantee fund. Due to termination of the Company's associated membership in MTIBU, the latter is required to repay the outstanding guarantee contribution balance with the injured protection fund and accrued investment income. Given the refusal to repay the above balance, the Company decided to file a claim to the court. As of the date of these financial statements, the Company's total claim amounts to UAH 1,780 thousand (including the guarantee contribution, investment income and inflation adjustments). In June 2018, the court of the first instance sustained the Company's claims. MTIBU filed an appeal against the ruling of the Commercial Court in the City of Kyiv. The case is under consideration of the Kyiv Commercial Court of Appeal. On the basis of its own estimates and external professional advice, management is of the opinion that recovery of outstanding balances from MTIBU is probable. Given the uncertainty in the amount and timing of recovery, the Company raised the provision for impairment of receivables from guarantee contributions paid to the MTIBU funds as part of other financial receivables.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant local and central authorities.

The Ukrainian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

23 Contingencies and Commitments (Continued)

Ukrainian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The new tax legislation adopted in 2017 increased the threshold for classification of controlled transactions. Transactions are considered as controlled transactions for the transfer pricing purposes if the volume of all transactions with the same counterparty exceeds UAH 10 million net of indirect taxes, provided that the total annual income of the taxpayer exceeds UAH 150 million net of indirect taxes. There were no changes in value criteria for recognition of controlled transactions in 2018 compared to 2017.

The deadline for submitting the report on controlled transactions is 1 October of the year following the reporting one. The amended Tax Code of Ukraine effective from 1 January 2018 extends the deadline for preparation of transfer pricing documentation. As such, tax authorities may request transfer pricing documentation from taxpayers to support the arm's length basis of respective transactions starting from 1 October of the year following the calendar year in which those controlled transactions were conducted.

Management believes that the Company's pricing policy is on the arm's length basis as the Company has implemented relevant internal controls to ensure compliance with the transfer pricing legislation.

Given that the practice of implementation of the new transfer pricing rules in Ukraine has not yet developed, the impact of any challenge of the Company's transfer prices by respective authorities cannot be reliably estimated.

Operating lease commitments. The Company leases premises in its normal course of business. As at 31 December 2018 and 31 December 2017, the Company does not have future minimum lease payments under non-cancellable operating leases.

In late 2018, certain circumstances occurred resulting in a change of the lessor of the Company's office premises. The Company has signed the lease contract with the new lessor and makes lease payments in the lessor's favour. However, the Company has the lease contract continued in force with the previous lessor, which was signed for a term by the end of 2019. The Company does not make any lease payments under this lease contract due to the lessor's failure to meet its contractual terms and assesses whether appropriate legal grounds exist to acknowledge it void. Management is of the opinion that the risk of challenging the Company's position and making claims under the previous lease contract is possible.

24 Fair Value of Financial Instruments

Fair values of financial assets and liabilities carried at amortised cost as at 31 December 2018 and 31 December 2017 approximated their carrying amounts (Level 3 in the fair value hierarchy, except for cash and cash equivalents classified as Level 2).

25 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss.

As at 31 December 2018 and 31 December 2017, all of the Company's financial assets were included in "loans and receivables" category.

As at 31 December 2018 and 31 December 2017, all of the Company's financial liabilities were carried at amortised cost.

26 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company is a member of Allianz Group. The participants structure of the Company is disclosed in Note 16. As at 31 December 2018 and 31 December 2017, Allianz SE (Germany) was the ultimate parent of the Company.

There were neither balances nor transactions with the parent company during the reporting periods.

At 31 December 2018 and 31 December 2017, the outstanding balances with related parties were as follows:

	31 December 2018		31 December 2017	
In thousands of Ukrainian hryvnias	**Allianz Group entities**	**Key management personnel**	**Allianz Group entities**	**Key management personnel**
Assets:				
Reinsurer's share in unearned premiums reserve	32,658	-	26,381	-
Reinsurer's share of loss reserves	23,841	-	13,527	-
Receivables including insurance receivables:				
- reinsurance receivables	754	-	1	-
Liabilities:				
Amounts payable to reinsurers	22,022	-	18,903	-
Other financial and non-financial liabilities:				
- Provisions for other employee benefits	-	2,188	-	1,992
- Provision for unused vacations	-	227	-	237
- Other provisions	-	177	-	-

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

In thousands of Ukrainian hryvnias	**Allianz Group entities**	**Key management personnel**
Premiums ceded to reinsurers	(69,814)	-
Change in reinsurer's share in unearned premiums reserve	6,277	-
Insurance claims recovered from reinsurers	2,461	-
Change in reinsurer's share of loss reserves	10,314	-
Administrative and other operating expenses	(673)	(5,061)

The income and expense items with related parties for the year ended 31 December 2017 were as follows:

In thousands of Ukrainian hryvnias	**Allianz Group entities**	**Key management personnel**
Premiums ceded to reinsurers	(61,292)	-
Change in reinsurer's share in unearned premiums reserve	9,155	-
Insurance claims recovered from reinsurers	839	-
Change in reinsurer's share of loss reserves	(9)	-
Administrative and other operating expenses	(425)	(4,582)

Administrative and other operating expenses to key management personnel comprise key management compensation consisting of salaries and short-term bonuses.

27 Events after the Reporting Period

After 31 December 2018, there were no events occurred, which would require disclosure in these financial statements.