

# **REPORT OF THE INDEPENDENT AUDITORS 2020**

**To the Shareholders of**

**INSURANCE COMPANY "LEV INS" JSC**

## **Report on the audit of the individual financial statement**

### **Opinion**

We have audited the individual financial statement of INSURANCE COMPANY "LEV INS" JSC "The Company" containing the individual report for the financial position as of December 31, 2020, the individual income statement or loss and the individual statement of comprehensive income, the individual statement of changes in the equity and individual statement of cash flows for the year, ending on that date, as well as the explanatory appendices to the individual financial statement, containing a summary disclosure of the material accounting policies. In our opinion, the attached individual financial statement represents faithfully, in all material aspects, the individual financial position of the Company to December 31, 2020 and its individual financial results of the activity and its cash flows for the year ending on that date in accordance with The International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

### **Basis for expressing opinion**

We conducted our audit in accordance with International Standards on Auditing (MOS). Our responsibilities under these standards are further described in the section from our report, Auditors' Responsibilities for the Audit of Individual Financial report'. We are independent from the Company in accordance with the International Ethical code of professional accountants (including International Standards for independence) of the Board on International Ethics Standards for Accountants (Code of SMSES), along with the ethical requirements of the Law on Independent Financial Auditing (IFRS) applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of IFRS and the SMSES Code. We believe that the audit evidence obtained from us, are sufficient and relevant to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, according to our professional judgment were of greatest significance in the audit of the individual financial statement for the current period. These issues are addressed as part of our audit of the individual financial statement as a whole and the formation of our opinion thereon, as we do not we provide a separate opinion on these matters.

Key Audit Question	How was this key audit question addressed during our audit
<p>Assessment of insurance adequacy Reserves Annex III explanations of the elements of the report for the financial situation item 12 Insurance reserves to the individual financial statement Insurance reserves (obligations under insurance contracts) of the Company as of 31 December 2020 are in the amount of BGN 518,968 thousand, which represents 96.20 % of the total value of the Company's liabilities as of that date. In early 2020, due to the spread of new corona virus (COVID – 19) worldwide scale, difficulties arose in business and the economic activity of a number of enterprises and entire economic sectors. This event and its continued action has an effect on the activity of numerous companies from various industries. Valuation of technical reserves is a complex area, which requires the application of different assumptions, assumptions and approximations ratings determined by the use of a set of statistical and mathematical methods and rules, as well as the use of different experts. Basically this represents an estimate of the future payments of asserted and unasserted claims for losses under insurance contracts and related to them expenses on a certain date. The Company's applicable accounting policy consistent with IFRS 4 and the requirements of Ordinance No. 53 of 23.12.2.016, as well as the relevant ones judgments used by management for determining the assumptions that have the largest effect on the assessment of insurance reserves are disclosed in Appendix III notes for the elements of the statement of financial position</p>	<p>During our audit, our auditors procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- review and analysis of the sequence application of existing accounting evaluation and performance policy of the insurance reserves of Society from the point of view of the requirements of the applicable IFRS and the applicable regulatory framework for the specific activity of the Company;</li> <li>- checking the completeness and accuracy of the data used for the calculations for the claims used by the actuary of The Society for the Evaluation of Technical reserves for losses by type of insurance; We have had discussions with management and key experts on occurred changes related to the control activities of The company's response to the COVID pandemic, in order to adequately review whether it is a change occurred in in the sources of historical and forecast data or assumptions and to evaluate them implementation;</li> <li>- inclusion of audit team members teams with actuarial qualifications and experience, to independently test the ratings of the guidance regarding the technical as well as for evaluation of the appropriateness of key assumptions and of the applied methodology for calculation of insurance reserves including assessment of sufficiency of the reserves;</li> <li>- we assessed the adequacy of the reserve for unexpired risks and provision for accrued but unclaimed claims, including the assessment on a prospective basis reserve development for upcoming</li> </ul>

<p>Item 12 Insurance reserves for the individual financial report. The assessment of technical reserves includes high degree of subjectivity and complexity and requires significant judgments regarding the application of key assumptions and calculation methodology in accordance with the accounting policy of the Company and the regulatory requirements regarding these reserves. Therefore, we focused on the technical reserves representing reserves for Incurred but Unclaimed Claims (IBNR), assessment of the future development of the reserve for pending payments and the adequacy of technical reserves, as a key issue for our audit.</p>	<p>payments taking into account the influence of economic conditions and deterioration business climate as a result of the COVID-pandemic; - we assessed the completeness, relevance and the adequacy of disclosures in the individual financial statement;</p>
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## **Other information other than the individual financial statement and the auditor's report report on it**

Management is responsible for the other information. Other information consists of from an individual activity report, and a corporate governance statement, prepared by management under Chapter Seven of the Accounting Act but no includes the individual financial statement and our auditor's report thereon.

Our opinion on the individual financial statements does not extend to the other information and we do not express any form of certainty about it except if not expressly stated in our report and to the extent stated.

In connection with our audit of the individual financial statements, our responsibility consists of in reading the other information and thereby evaluating whether that other information is materially inconsistent with the individual financial statements or with our knowledge acquired during the audit or otherwise appears to contain material misreporting. In case based on the work we are committed, we reach the conclusion that there is material wrongdoing reporting in that other information, we are required to report that fact.

Nothing to report in this regard.

## **Additional reporting matters under the Accounting Act**

In addition to our responsibilities and reporting under the ISA, with respect to the individual activity report and the corporate governance declaration we also performed the procedures added to those required by the MOS, according to the "Instructions on new and expanded audit reports and communication by the auditor" of the professional organization of

registered auditors in Bulgaria, the Institute of certified expert accountants (IDES)<sup>1</sup>. These procedures concern checks for availability, as well as checks on the form and content of this other information for the purpose to assist us in forming an opinion as to whether the other information includes the disclosures and reports provided for in the applicable in Bulgaria, Chapter seventh of the Accounting Act and art. 100n, para. 8, where applicable, of the Act on the public offering of securities.

Opinion in connection with Art. 37, para. 6 of the Law on Accounting

Based on the procedures performed, our opinion is that:

- a) The information included in the individual financial activity report year for which the individual financial statement was prepared corresponds to the separate financial statement on which we have expressed an unmodified opinion.
- b) The individual activity report is prepared in accordance with the requirements of the Chapter seventh of the Accounting Act.
- c) In the corporate governance statement for the financial year for which it is the individual financial statement has been prepared, the required according to Chapter has been presented seventh of the Accounting Act and art. 100n, para. 8, where applicable, of the Act on the public offering of securities, information.

### **Responsibilities of management and those charged with general management for the individual financial statement**

Management is responsible for the preparation and fair presentation of this individual financial statement in accordance with IFRS adopted by the EU and for such a system for internal control that management determines is necessary to ensure the preparation of individual financial statements that do not contain material misstatements, whether due to fraud or error.

When preparing the individual financial statement, the management is responsible for assessing the Company's ability to continue functioning as a going concern enterprise disclosing, where applicable, matters relating to the going concern assumption and using the basis of accounting of the going concern assumption unless management intends liquidate the Company or suspend its activities, or if the management of practice has no alternative but to do so.

The persons charged with general management are responsible for the implementation of supervision over the Company's financial reporting process.

## **Responsibilities of the auditors for the audit of the individual financial statement**

Our objectives are to obtain a reasonable degree of certainty as to whether the individual financial statement as a whole does not contain material misstatements, whether due to fraud or error, and to issue an auditor's report which to include our audit opinion. A reasonable degree of certainty is a high degree of security, but there is no guarantee that an audit conducted in accordance with the ISA will always reveal material misstatement when it exists. Incorrect reporting may arise as a result of fraud or error and are considered material if would it could reasonably be expected that they, individually or as a whole, could influence the economic decisions of consumers based on this individual financial statement.

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

- identify and assess the risks of material misstatement in the individual financial statement, whether due to fraud or error, we develop and perform audit procedures in response to these risks and we obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk that a material misstatement will not be detected, resulting from fraud is higher than the risk of material misstatement reporting that is the result of an error, as fraud may involve secrecy collusion, falsification, intentional omissions, statements to introduce misleading the auditor, as well as ignoring or circumventing internal control.
- we obtain an understanding of internal control relevant to the audit to develop audit procedures that are appropriate for the specific circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- we evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the guide.
- we reach a conclusion about the appropriateness of use by management of the accounting basis based on the assumption of operating entity and, based on the audit evidence obtained, whether it is a material uncertainty exists relating to events or conditions that would could raise significant doubts about the Company's ability to continued to function as a going concern. If we reach conclusion that a material uncertainty exists, we are required to draw attention in its auditor's report to the disclosures related to that uncertainty the individual financial statement or in case these disclosures are inadequate, yes we modify our opinion. Our conclusions are based on the audit evidence obtained by the date of our auditor's report. Future events or however, conditions may cause the Company to cease operation as a going concern.
- we evaluate the overall presentation, structure and content of the individual financial statement, including the disclosures, and whether the individual financial statement

presents the underlying transactions and events in a way that it achieves credible representation.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and the significant findings of the audit, including material deficiencies in internal control that we identify by during our audit.

We also provide those charged with governance with a statement that we have met the applicable ethical requirements in relation to independence and that we will communicate with them all relationships and other matters that we could reasonably be regarded as bearing upon our independence, and when it is applicable, and related precautions. Among the matters communicated to the persons charged with general management, we determine those matters that were of greatest significance in the audit of the individual financial statement for the current period and which are therefore key audit matters. We describe these matters in our auditor's report, except where required by law or regulation prevents the public release of information about it question or when, in extremely rare cases, we decide that a question does not follow be communicated in our report, as it might reasonably be expected that the adverse consequences of this action would outweigh the benefits from the point of view of the public interest in this communication.

We are jointly and severally responsible for the performance of our audit and for what we express auditor's opinion, in accordance with the requirements of the IFRS, applicable in Bulgaria. When taking over and performance of the joint audit engagement on which we are reporting were also guided by the Guidelines for the implementation of a joint audit, issued on 13.06.2017 by the Institute of Chartered Accountants in Bulgaria and by the Commission for public supervision of registered auditors in Bulgaria.

## **Report in relation to other legal and regulatory requirements**

### **Reporting according to Art. 10 of Regulation (EU) No. 537/2014 in relation to the requirements of Art. 59 of the Law on the Independent Financial Audit**

According to the requirements of the Law on the Independent Financial Audit in connection with Art. 10 of Regulation (EU) No. 537/2014, we report additionally and set out below information.

— ECOVIS AUDIT BULGARIA LTD and AUDIT CORRECT LTD have been appointed to mandatory joint auditors of the individual financial statement for the year, ending on December 31, 2020 of INSURANCE COMPANY "LEV INS" JSC "The Company" from the general meeting of shareholders, held on 20.11.2020, for a period of one year.

— The audit of the financial statement for the year ending on December 31, 2020 of The Company represents the eighth full continuous statutory audit engagement of this enterprise, carried out by ECOVIS AUDIT BULGARIA LTD and second complete continuous commitment to a mandatory audit of this enterprise carried out by AUDIT CORRECT LTD.

— We confirm that our joint audit opinion is in accordance with the additional report submitted to the audit committee of the Company, pursuant to the requirements of art. 60 of the Law on the Independent Financial Audit.

— We confirm that we have not provided the specified in Art. 64 of the Independent Act financial audit prohibited non-audit services.

— We confirm that we have maintained our independence while conducting the audit towards the Company.

— For the period to which the joint mandatory audit carried out by us refers, except audit, we have not provided any other services to the Company that are not specified in the individual activity report or individual financial statement of The company.

**Sofia, May 7, 2021**