JOINT STOCK COMPANY UZAGROSUGURTA

Preliminary Consolidated Financial Statements and
Independent Auditor's Report
For The Year Ended 31 December 2018

JOINT STOCK COMPANY UZAGROSUGURTA

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Joint Stock Company Uzagrosugurta

Statement of Management's Responsibilities
For the Preparation and Approval of the Preliminary Consolidated Financial Statements
For the Year Ended 31 December 2018

The management is responsible for the preparation of preliminary consolidated financial statements that present the financial position of Joint Stock Company "Uzagrosugurta" ("the Company") and its subsidiaries ("the Group") as at 31 December 2018 and the results of its operations, cash flows and changes in shareholders' equity for the year ended 31 December 2018 in compliance with the basis of accounting set out in Note 2 and 3 of the accompanying preliminary consolidated financial statements.

In preparing the preliminary consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's preliminary consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the preliminary consolidated financial position of the Group, and which enable them to ensure that the preliminary consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The preliminary consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Management on 11 December 2019.

On behalf of the Management Board:

O'ZBEKISTON RESPUBLIKASI "O'ZAGROSUG'URTA" AKSIYADORLIK JAMIYATI
O'ZAGROSUG'URTA

Otamuratov S.S.
Chairman of the Management Board

11 December 2019
Tashkent, Uzbekistan

Jumaev A.A.
Chief accountant

11 December 2019
Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Supervisory Board of Joint-stock company "Uzagrosugurta"

Qualified Opinion

We have audited the preliminary consolidated financial statements of JSC Uzagrosugurta ("the Company") and its subsidiaries ("the Group"), which comprise the preliminary consolidated statement of financial position as at 31 December 2018 and 1 January 2018, and the preliminary consolidated statement of profit or loss and other comprehensive income, preliminary consolidated statement of changes in equity and preliminary consolidated statement of cash flows for the year ended 31 December 2018, and notes to the preliminary consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying preliminary consolidated financial statements are prepared, in all material respects, in accordance with the basis of accounting set out in Note 3, which describes how International Financial Reporting Standards ("IFRS") have been applied in accordance with IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*, including the assumptions the management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the management prepares its first complete set of IFRS consolidated financial statements as at 31 December 2019.

Basis for Qualified Opinion

Property and equipment

According to Note 6, as a first time adopter of IFRS, the Group has elected to use the carrying value of property and equipment as at 1 January 2018 under the National Accounting Standards as deemed cost at the date of transition to IFRS as this amount is broadly comparable to depreciated cost in accordance with IFRSs adjusted to reflect the changes in general price index. We were unable to obtain sufficient appropriate audit evidence about the carrying value of the Group's property, equipment amounted to UZS 35,555,288 thousand as at 1 January 2018 and amounted to UZS 45,916,316 thousand as at 31 December 2018 because the Group did not retain the supporting documents confirming the historical cost of certain items of property and equipment on which the revaluation for general price index was applied.

Consequently, we were unable to determine whether any adjustments to the carrying values of *'Property, equipment and intangible assets'* and *'Accumulated deficit'* as at 1 January 2018 and 31 December 2018 and to the amount of depreciation and amortization expenses included in *'Administrative and operating expenses'* and as well as to the current and deferred income tax expenses and balances as at and for the year ended 31 December 2018 were necessary.

Reserves for claims and claims' adjustment expenses, net of reinsurance

According to Note 4 and 16, the balance of *'Reserves for claims and claims' adjustment expenses'* (1 January 2018: UZS 35,165,950 thousand and 31 December 2018: UZS 56,186,207 thousand) comprises of reserves for claims reported but not settled (RBNS), reserves for claims incurred but not reported (IBNR) and reserves for not incurred claims for life and other annuity contracts (Life insurance reserves).

As detailed in Note 4, estimation of IBNR and life insurance reserves is based on actuarial methods of calculation applied on historical data retained on claims made and their respective indemnifications. During our audit of 'Reserves for claims and claims' adjustment expenses', we were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of historical data on claims (e.g. date of insured event, claims estimate, and item being claimed) used in reserves estimations due to the fact that certain discrepancies with the supporting evidence were noted. As a result, we were unable to determine whether any adjustments to the carrying values of *'Reserves for claims and claims' adjustment expenses', 'Reserves for claims and claims' adjustment expenses, reinsurer's share', 'Deferred tax liabilities'* and *'Accumulated deficit'* as at 31 December 2018 and 1 January 2018 and to the amounts of 'Change in reserves for claims and claims' adjustment expenses, gross', 'Change in reinsurers' share in reserves for claims and claims adjustment expenses' for the year ended 31 December 2018 were necessary.

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 Preliminary Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw your attention to the fact that the preliminary consolidated financial statements have been prepared in connection with the Group's conversion of the basis of preparation of its preliminary consolidated financial statements to IFRS. Note 3 explains why there is a possibility that these preliminary consolidated financial statements may require adjustments before constituting the final IFRS consolidated financial statements. Moreover, we draw attention to the fact that, under IFRS, only a complete set of consolidated financial statements comprising consolidated statements of financial position, comprehensive income, changes in equity and cash flows, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS. As a result, the preliminary consolidated financial statements may not be suitable for another purpose.

This report is intended solely for use by JSC Uzagrosugurta in connection with its conversion of the basis of preparation of its preliminary consolidated financial statements to IFRS. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than JSC Uzagrosugurta in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Preliminary Consolidated Financial Statements

Management is responsible for the preparation of the preliminary consolidated financial statements in accordance with the basis of accounting set out in Note 3, and for such internal control as management determines is necessary to enable the preparation of preliminary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Preliminary Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the preliminary consolidated 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 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 Group'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 Group'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 preliminary consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the preliminary consolidated financial statements, including the disclosures, and whether the preliminary consolidated financial statements represent the underlying transactions and events in a manner that achieves presentation in accordance with IFRS 1.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the preliminary consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte.

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.

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

11 December 2019
Tashkent, Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

JOINT STOCK COMPANY UZAGROSUGURTA

Preliminary Consolidated Statement of Financial Position
As at 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	31 December 2018	1 January 2018
ASSETS:			
Cash and cash equivalents	8	18,142,028	4,471,692
Due from banks	9	113,924,884	16,322,542
Available-for-sale financial assets	10	32,988,876	28,232,825
Insurance and reinsurance receivable	11	1,482,368	4,659,478
Unearned premium reserve, reinsurers' share	12	4,191,538	10,505,965
Reserves for claims and claims' adjustment expenses, reinsurers' share	16	839,473	1,902,603
Property, equipment and intangible assets	13	49,182,573	36,284,982
Prepayment for property acquisition		6,646,605	-
Current income tax assets		125,294	-
Other assets	14, 30	9,106,389	9,361,813
TOTAL ASSETS		**236,630,028**	**111,741,900**
LIABILITIES:			
Insurance and reinsurance payable	15	4,269,612	22,556,448
Unearned premium reserve	12	68,027,876	53,982,868
Reserves for claims and claims' adjustment expenses	16	56,186,207	35,165,950
Customer accounts	17	57,328,632	9,118,706
Current income tax liability		1,923,674	39,058
Other liabilities	18, 30	6,374,375	6,710,436
TOTAL LIABILITIES		**194,110,376**	**127,573,466**
EQUITY:			
Share capital	19	108,955,939	26,803,635
Accumulated deficit		(66,539,669)	(42,635,201)
Equity attributable to shareholders		42,416,270	(15,831,566)
Non-controlling interest		103,382	-
TOTAL EQUITY		**42,519,652**	**(15,831,566)**
TOTAL LIABILITIES AND EQUITY		**236,630,028**	**111,741,900**

On behalf of the Management Board:

Otamuratov S.S.
Chairman of the Management Board

11 December 2019
Tashkent, Uzbekistan

Jumaev A.A.
Chief accountant

11 December 2019
Tashkent, Uzbekistan

"O'ZBEKISTON RESPUBLIKASI "O'ZAGROSUG'URTA" AKSIYADORLIK JAMIYATI" O'ZAGROSUG'URTA

The notes on pages 10-61 form an integral part of these preliminary consolidated financial statements

JOINT STOCK COMPANY UZAGROSUGURTA

Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	Year ended 31 December 2018
Written insurance premiums	20	181,259,458
Reinsurance premiums ceded	20	(8,065,826)
PREMIUMS WRITTEN, NET OF REINSURANCE		173,193,632
Change in unearned premium reserve, net	12, 20	(20,359,435)
Cancelled premiums	20	(486,557)
PREMIUM EARNED, NET OF REINSURANCE	**20**	**152,347,640**
Claims paid, gross	16,21	(64,943,566)
Claims paid, reinsurers' share	16,21	13,109,319
Change in reserves for claims and claims' adjustment expenses, gross	21	(21,020,257)
Change in reinsurers' share in reserves for claims and claims' adjustment expenses	21	(1,063,130)
CLAIMS INCURRED, NET OF REINSURANCE	**16, 21**	**(73,917,634)**
Reimbursement of claims	23	1,967,886
Expenses incurred to prevent insurance events		(1,241,895)
Net other insurance income		725,991
Commission income	22	80,575
Commission expense	22	(23,587,378)
NET COMMISSION EXPENSE	**22**	**(23,506,803)**
Investment income	24	11,875,627
Net loss on foreign exchange operations		(14,407)
Other income		966,136
OTHER INCOME		**12,827,356**
Administrative and operating expenses	25, 29	(86,484,149)
Provision for impairment losses on financial assets and other operations	26	(1,153,740)
OTHER EXPENSES		**(87,637,889)**
LOSS BEFORE INCOME TAX EXPENSE		(19,161,339)
Income tax expense	27	(4,743,129)
NET LOSS FOR THE YEAR		**(23,904,468)**
TOTAL COMPREHENSIVE LOSS		**(23,904,468)**
Attributable to:		
Owners of the Company		(23,904,468)
Non-controlling interest		-
LOSS PER SHARE		
Basic and diluted (UZS)		**(1,288)**

On behalf of the Management Board:

O'ZBEKISTON RESPUBLIKASI "O'ZAGROSUG'URTA" AKSIYADORLIK JAMIYATI
O'ZAGROSUG'URTA

Otamuratov S.S.
Chairman of the Management Board

11 December 2019
Tashkent, Uzbekistan

Jumaev A.A.
Chief accountant

11 December 2019
Tashkent, Uzbekistan

The notes on pages 10-61 form an integral part of these preliminary consolidated financial statements.

JOINT STOCK COMPANY UZAGROSUGURTA

Preliminary Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Note	Share capital	Accumulated deficit*	Total	Non-controlling interest	Total equity
As at 1 January 2018		**26,803,635**	**(42,635,201)**	**(15,831,566)**	**-**	**(15,831,566)**
Total comprehensive loss		-	(23,904,468)	(23,904,468)	-	(23,904,468)
Issue of share capital	19	82,152,304	-	82,152,304	-	82,152,304
Acquisition of subsidiary		-	-	-	103,382	103,382
As at 31 December 2018		**108,955,939**	**(66,539,669)**	**42,416,270**	**103,382**	**42,519,652**

**Please, refer to Note 19 to the preliminary consolidated financial statements for the composition of this account balance.*

On behalf of the Management Board:

Otamuratov S.S.
Chairman of the Management Board

11 December 2019
Tashkent, Uzbekistan

Jumaev A.A.
Chief accountant

11 December 2019
Tashkent, Uzbekistan

"O'ZBEKISTON RESPUBLIKASI "UZAGROSUG'URTA" AKSIYADORLIK JAMIYATI
UZAGROSUG'URTA

The notes on pages 10-61 form an integral part of these preliminary consolidated financial statements.

JOINT STOCK COMPANY UZAGROSUGURTA

Preliminary Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Written insurance premiums received		179,866,062
Reinsurance premiums ceded paid		(16,771,442)
Claims paid, gross		(74,580,016)
Claims paid, reinsurers' share		14,763,903
Cancelled premiums paid		(486,557)
Reimbursement of claims		2,132,614
Expenses incurred to prevent insurance events paid		(1,241,895)
Commission income		80,575
Commission expenses		(23,752,106)
Other income		677,079
Administrative and operating expenses		(82,279,882)
Increase in operating assets		
Other assets		(448,021)
Increase/(decrease) in operating liabilities		
Customer accounts received		129,592,701
Customer accounts paid		(79,336,862)
Other liabilities		(91,049)
Cash inflow from operating activities before taxes		**48,125,104**
Income tax paid		(1,878,037)
Net cash inflow from operating activities		**46,247,067**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment		969,238
Purchase of property and equipment		(8,495,924)
Purchase of available-for-sale financial assets		(2,760,994)
Prepayment for property acquisition		(6,646,605)
Cash placed on deposits with banks		(159,200,000)
Cash withdrawn from deposits in banks		61,642,007
Dividend received		727,561
Interest received		7,989,108
Net cash outflow from investing activities		**(105,775,609)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of share capital	19	73,196,365
Net cash inflow from financing activities		**73,196,365**
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,667,823
Effect of exchange rate changes on the balance of cash held in foreign currencies		**2,513**
CASH AND CASH EQUIVALENTS, beginning of the year	8	**4,471,692**
CASH AND CASH EQUIVALENTS, end of the year	8	**18,142,028**

During the year ended 31 December 2018, the Company received non-cash contribution from shareholder for amount of UZS 8,955,939 thousand in the form of property and incurred non-cash expenses related to withholding tax on interest and dividend incomes in the amount of UZS 1,105,770 thousand.

On behalf of the Management Board:

Otamuratov S.S.
Chairman of the Management Board

11 December 2019
Tashkent, Uzbekistan

Jumaev A.A.
Chief accountant

11 December 2019
Tashkent, Uzbekistan

O'ZAGROSUG'URTA

The notes on pages 10-61 form an integral part of these preliminary consolidated financial statements.

(in thousands of Uzbekistan Soums)

1. Organization

These preliminary consolidated financial statements of Joint Stock Company "Uzagrosugurta" ("the Company") and its subsidiaries ("the Group") have been prepared for the year ended 31 December 2018 in compliance with the basis of accounting set out in Note 2 and 3 of the accompanying preliminary consolidated financial statements.

The Company was established on the basis of the Decree of the President of the Republic of Uzbekistan № 1713 dated 25 February 1997, and the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan №125 dated 6 March 1997 (state certificate registered in the Ministry of Justice of the Republic of Uzbekistan under № 947 dated 26 March 1997).

Principal activity. The Group possesses insurance (reinsurance) licenses № 00228 updated on 19 April 2018 for voluntary and compulsory general insurance (reinsurance) and № SF 00234 updated on 29 October 2018 for voluntary life insurance issued by the Ministry of Finance of the Republic of Uzbekistan. The Group offers various general insurance products in property, casualty, civil liability, personal insurance, life insurance and reinsurance.

Registered address and place of business. The Company's registered address is: 61/2, Chilanzar district 19, Tashkent 100156, Uzbekistan. As at 31 December 2018, the Company had 14 branches (1 January 2018: 14) and 175 (1 January 2018: 175) agencies in the Republic of Uzbekistan. As at 31 December 2018, the number of the Company's employees was 1,535 (1 January 2018: 1,615).

Shareholders. As at 31 December 2018 and 1 January 2018, the interest of the shareholders in the Company's capital was as follows (in %):

	31 December 2018	**1 January 2018**
Legal entities:		
Ministry of Finance of the Republic of Uzbekistan	94.00%	75.60%
JSC «Uzpahtasanoat»	3.24%	13.18%
JSCB «Agrobank»	1.56%	6.32%
JSCB «Turonbank»	0.57%	2.30%
LLP «Ansher Investments»	0.45%	1.25%
Diamond Age Russian Investments Limited	-	0.58%
JSCB «Qishloqqurilishbank»	0.12%	0.47%
Other legal entities and individuals	0.06%	0.30%
Total	**100%**	**100%**

Subsidiaries. These preliminary consolidated financial statements include the following subsidiaries:

		Proportion of ownership interest/voting rights (%)		
Name	***Country of operation***	***31 December 2018***	***1 January 2018***	***Type of operation***
"Agros Hayot" LLC	*The Republic of Uzbekistan*	100	100	*Life insurance*
"Kamelot Med Servis" LLC	*The Republic of Uzbekistan*	99.54	n/a	*Medical services*

Subsidiary company LLC "Agros Hayot" was formed on 14 September 2016, as a Limited Liability Company under the law of the Republic of Uzbekistan and is domiciled in the Republic of Uzbekistan. Its principal business activity is providing life insurance in the Republic of Uzbekistan.

On 31 July 2018, the Group obtained control over 99.54% share of LLC Medical company "Kamelot Med Servis" through cash injection. The principal business activity of "Kamelot Med Servis" is providing medical services in the Republic of Uzbekistan.

2. Statement of compliance

These preliminary consolidated financial statements have been prepared following the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRSs"), as part of the Group's preparation for future adoption of IFRSs.

The Group will prepare its first full set of consolidated financial statements in accordance with IFRS for the year ended 31 December 2019. IFRS include standards and interpretations, issued by International Accounting Standards Board, including IFRS and interpretations published by the International Financial Reporting Interpretations Committee ("the IFRIC").

These preliminary consolidated financial statements are presented in thousands of Uzbekistan Soums ("UZS thousand"), unless otherwise indicated.

Transition to IFRS has been presented in the preliminary consolidated financial statements of the Group in accordance with IFRS 1 "First-time adoption of IFRS" as at 1 January 2018. Previously the Group has prepared its consolidated financial statements in accordance with the national accounting standards of the Republic of Uzbekistan (hereinafter "the NAS"). Information on the transition from the NAS to IFRS, required by IFRS 1, is presented in Note 6. The preliminary consolidated financial statements would be used as comparative information for the consolidated financial statements for the year ended 31 December 2019. The preliminary consolidated financial statements were prepared by the management taking into account all standards and interpretations that would be applicable as at and for the year ended 31 December 2019. Accordingly, there is a possibility that these preliminary consolidated financial statements may require adjustments before constituting the final IFRS financial statements. As the Group is converting to IFRS for the first time, no prior period comparative figures are presented in these preliminary consolidated financial statements.

3. Basis of accounting

Going concern

These consolidated financial statements have been prepared assuming that the Group is a going concern.

As at 1 January 2018, the Group had a negative net asset position in the amount of UZS 15,831,566 thousand and had not complied with one of the prudential ratios stipulated in the Regulation №1806 "Regulation on solvency of insurers and reinsurers" of the Ministry of Finance of the Republic of Uzbekistan. See Note 32 for details.

As a result of government support, in its capacity as a shareholder, in the form of a capital injection amounting to UZS 73,196,365 thousand and in-kind contribution of the property valued at UZS 8,955,939 thousand during the year ended 31 December 2018, the Group has been able to address the negative net asset position and non-compliance with prudential ratios.

Although, the Group has incurred a total comprehensive loss of UZS 25,950,381 thousand for the year ended 31 December 2018, the management believes that the Group will have sufficient funds to discharge its liabilities in the normal course of business and continue its operations in the foreseeable future due to the history and expected government support as a shareholder.

The management expects that during 2019 and 2020, the government will provide further support either by additional capital injection into the shareholders' equity to improve the working capital position of the Group or by other means.

For example, on 17 June 2019, the government has issued the Resolution #505 on providing a subsidy for crop insurance by setting limits of exposure of the Group to only 80% of insurance premium, while the residual insurance claims are being paid by the government.

Basis of measurement

These preliminary consolidated financial statements have been prepared on the historical cost basis except for property, equipment and intangible assets that are measured at revalued amounts at the beginning of the reporting period to determine a deemed cost, as explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) is presented in Note 33.

Basis of consolidation

The preliminary consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

All intra-group transactions, balances, income and expenses and profit and losses resulting from intra-group transactions that are recognized in assets are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Business combination under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method, assuming that: assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the Group's preliminary consolidated financial statements, merger-related transaction costs are expensed in the statement of profit or loss and other comprehensive income, mutual balances are eliminated, any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the Note 19) shall be recognized in equity of the acquirer.

The results of assets and liabilities acquired during the year are included in the statement of profit or loss from the effective date of acquisition.

Functional currency

Items included in the financial statements of the Group are measured using the currency of the primary of the economic environment in which the Group operates ("the functional currency"). The functional currency of the Group is the Uzbekistan Soums ("UZS"). The presentational currency of the financial statements of the Group is the UZS. All values are rounded to the nearest thousand UZS, except when otherwise indicated.

4. Significant accounting policies

Financial instruments

The Group recognizes financial assets and liabilities in the statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' ("AFS"), 'fair value through profit or loss' ("FVTPL") and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group may also have investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value when the management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in the other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other gains and losses' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income.

Receivables

Receivables that have fixed or determinable payments that are not quoted in an active market (including cash and cash equivalents, due from banks, insurance and reinsurance receivable and other financial assets) are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the statement of other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in the statement of other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Write off of receivables

Receivables are written off against the allowance for impairment losses when deemed uncollectible. Receivables are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral.

Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in the statement of other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in the statement of comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in the statement of comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued by a Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities (including other financial liabilities) are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in transit and deposit accounts with banks with an original maturity of less than three months. Cash and cash equivalents are carried at amortised cost.

Due from banks

In the normal course of business, the Group maintains deposits for various periods of time with the banks. Due from banks are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method. Due from banks are carried net of any allowance for impairment losses.

Prepayments

Prepayments include advance payments made by the Group, which are charged to expenses in the period when services are provided. Prepayments are accounted for at historical cost.

Prepayments for property acquisition

Advances paid towards the acquisition of property and equipment outstanding at each reporting date is classified as prepayments for property acquisition and are accounted for at historical cost.

Property, equipment and intangible assets

As a first time adopter of IFRS, the management of the Group has elected to apply a "deemed cost" exemption and used a carrying value of Property and Equipment under previous GAAP, National Accounting Standards, as a reasonable starting point for a cost-based measurement. The NAS allows the carrying values of Property and Equipment be adjusted for general price index annually as at 1 January of each year. The management has, therefore, elected to use the carrying value of Property and Equipment adjusted for general price index as at 1 January 2018 under NAS as a measurement that is already available and that best reflects the depreciated cost under IFRS Standards, adjusted to reflect changes in a general or specific price index. The deemed cost is then used as a basis for subsequent depreciation and impairment tests. Property, equipment and intangible assets are then carried at cost, determined under "deemed cost" exemption, less accumulated depreciation and any recognized impairment loss, if any.
Any surplus from revaluation of Property, Equipment and Intangible assets accumulated within equity reserves under NAS were reclassified into retained earnings as part of adjustments arising from first-time adoption and does not form part of revaluation surplus under IFRS standards.

Depreciation is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and construction	2%
Furniture and office equipment	20%
Computer equipment	30%
Vehicles	20%
Intangible assets	20%

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

The Group's intangible assets have definite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount; impairment is recognised in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Gains or losses arising from derecognition of property, equipment and intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Insurance contracts – classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines as significant insurance risk the possibility of having to pay a benefit on the occurrence of an insurance event that is at a certain percentage more than the benefit payable if an insurance event did not occur.

Insurance risk exists when there is an uncertainty in respect of the following matters at inception of the contract: occurrence of insurance event, date of insurance event occurrence, and the claim amount in respect of insurance event occurred.

Description of insurance contracts

General insurance

(i) Insurance contracts - Employer's civil liability

Product features

The purpose of the employer's civil liability obligatory insurance is to insure an employee in the event of death or injury whilst at work. Income from this product is generated from the receipt of insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to an employee in the event of death or injury is determined in accordance with the laws of the Republic of Uzbekistan. If compensation requires payments for the period more than a year, the Company pays the amount of the insurance premium for annuity, limited to the amount of insurance, to the employer, who in turn signs a contract with the annuity insurance company.

Apart from direct insurance, the Group was a member of an insurance pool until 2017, an agreement where a number of insurance companies share risks of a large number of insurance policies. When an insured event occurs, the actuary of the insurance pool calculates share of each company in compensation amount.

Specifics of the claim reserve on "compulsory insurance of civil liability of the employer for damage to life and health of employees" ("EL") line of business relates to the event when in case of death, children of a beneficiary may claim prolongation of payments until the age of 23 if they continue to study after reaching the age of 16. Meaning that losses of EL line of business have a "long tail". It is required to consider expected losses for incurred claims for calculation of incurred but not reported reserves.

(ii) Insurance contracts - Cotton crop insurance

Product features

Cotton crop insurance, a voluntary line of business, provides protection for the farmer from crop shortage due to unpredictable events, such as drought, insects, plant disease and others. Specifics of the claim reserve on "cotton crop insurance" ("CCI") line of business is high correlation between losses and weather conditions, which are hard to forecast, and high loss ratios during low-yield periods.

(iii) Insurance contracts - Collateral insurance

Product features

Collateral insurance is a voluntary line of business, which provides protection to borrower or the bank from losing a collateral due to unpredictable events such as flood, explosion, theft and others. Specifics of the claim reserve on "collateral insurance" line of business relates to different types of insured risks, associated with the nature of collateral that might be a real estate, vehicle, or equipment.

(iv) Insurance contracts – Credit default insurance

Product features

Credit default insurance, a voluntary line of business, provides protection for the lender from default of the borrower to pay the principal amount. The insurance covers defaults occurring during the term of the insurance policy because of an insured customer's inability to pay the principal amount according to the terms of the credit contract. Duration of contracts can reach 15 years.

Claims of credit default insurance have low frequency and high severity. Due to strongly limited claims paid data, IBNR for credit default insurance was calculated applying Naïve Loss Ratio method.

(v) Insurance contracts – Vehicle owner's liability

Product features

Vehicle owner's liability insurance is an obligatory line of business. Insured event is the occurrence of civil liability of the insured for harm to life, health and property of the injured when using the vehicle, which entails the obligation of the insurer to make insurance compensation. According to Civil Code of the Republic of Uzbekistan, the limitation period for damage to property is 3 years, however, the limitation period for damage to health or death does not exist. The reinsurance company assumes the risk from the primary insurer by agreeing to pay for the losses of the insurer which exceed a specified amount (or a specified percentage of premium). As such vehicle owner's liability has a long claim settlement period as it takes a relatively long period of time to finalize and settle claims for a given accident year in case of injury or death.

Claims reserve for Vehicle owner's liability insurance was calculated on the basis of claims paid triangles, adjusted for inflation and applying the Bornhuetter-Ferguson method. Tail factor was determined applying Mack method.

(vi) Insurance contracts – Accident insurance

Product features

Accident insurance is a voluntary line of business, which includes a wide range of insurance products, providing coverage for the case of death and injury due to an accident.

Accident insurance claims have high frequency and low severity.

Claims reserve for accident insurance was calculated applying Bornhuetter-Ferguson method.

Life insurance

(i) Insurance contracts – Sarmoya

Product features

Sarmoya is a life insurance product with coverage period of 11 years. During the first year the insured deposits 12 equal premiums. Most proportion of the deposited premium (75%, 80% or 90%) is paid back to the insured as equal monthly or quarterly payments ("rents") during the first year. In contracts with monthly periodic rent payments, the insured receives 11 monthly rent payments starting after the second payment of the premium. In contracts with quarterly periodic rent payments, the insured receives 3 quarterly rent payments starting after the fourth payment of the premium. At the end of the first year one lump-sum payment is returned to the insured. Accumulated part of the deposited premiums less paid rents plus bonus in the amount of 20% of current base rate is paid to the insured in case of survival at the end of the term of insurance. Insured events are: 1) survival of the insured to the date of the beginning of each rent payment; and 2) death of the insured during the term of the contract. Insurance coverage for the death of the insured during the term of the insurance is float and equal to 150% of difference between actually deposited premiums and paid rents.

(ii) *Insurance contracts* - Imkon

Product features

Imkon is a term life insurance product with coverage period of 11 years. During the first year the insured deposits 12 premiums. 96% of the deposited premium is paid back to the insured as equal monthly payments ("rents") during the first year. The insured receives 11 monthly rent payments starting after the second payment of the premium. At the end of the first year one lump-sum payment is returned to the insured. Accumulated part of the deposited premiums less paid rents plus bonus in the amount of 20% of current base rate is paid to the insured in case of survival at the end of the term of insurance. Insured events are: 1) survival of the insured to the date of the beginning of rent payments; and 2) death of the insured during the term of the contract. Insurance coverage for the death of the insured during the term of the insurance is float and equal to 150% of difference between actually deposited premiums and paid rents.

(iii) *Insurance contracts* – One year product

Product features

1 year product is a short-term life insurance product with coverage period of 1 year. During the year the insured deposits 12 equal premiums. Most proportion of the deposited premium (75%, 80%, 85% or 90%) is paid back to the insured as equal monthly, quarterly, semiannually or annually payments ("rents") during the first year.

In contracts with monthly periodic rent payments, the insured receives 11 monthly rent payments starting after the second payment of the premium.

In contracts with quarterly periodic rent payments, the insured receives 3 quarterly rent payments starting after the fourth payment of the premium.

In contracts with semiannual rent payment, the insured receives 1 rent payment after the seventh payment of the premium.

For the above mentioned contracts remaining part of the premiums plus fixed amount of bonus is returned to the insured as one lump-sum payment in case of survival at the end of the term of the agreement.

In contracts with annual rent payment, all premium plus bonus as one lump-sum payment is returned to the insured at the end of the term of the insurance agreement.

There is also a modification of the 1 year product, where an insured deposits all premium amount as a lump-sum at the beginning of the term of the contract. Then the insurer receives a loan, equal to considerable proportion of the premium, from the insurance company with the same term as insurance agreement. 11 monthly rent payments and one lump-sum rent at the end of the term of insurance contract are used for paying back the loan. If the monthly loan payment is smaller than monthly rent, remaining part is returned to the insured.

Insured events are: 1) survival of the insured to the date of the beginning of rent payments; and 2) death of the insured during the term of the contract. Insurance coverage for the death of the insured during the term of the insurance is fixed at the sum of total insurance premium.

(iv) *Insurance contracts* – Madad

Product features

Madad is a short-term life insurance product with coverage period of 1 year. During the year the insured deposits 13 equal premiums. All premium plus fixed bonus as one lump-sum payment is returned to the insured at the end of the term of the insurance agreement.
Insured events are: 1) survival of the insured to the date of the beginning of rent payments; and 2) death of the insured during the term of the contract. Insurance coverage for the death of the insured during the term of the insurance is float and equal to 150% of actually deposited premiums.

Reserves for claims and claims' adjustment expenses

Reserves for claims and claims' adjustment expenses are a summary of estimates of ultimate losses, and include claims reported but not settled (RBNS), claims incurred but not reported (IBNR) and reserve for life insurance contracts.

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during its investigation of insured events. IBNR is estimated by the Group based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data.

The reinsurers' share in the provision for losses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

Measurement of the reserve for incurred but not reported losses (IBNR)

General insurance

The Group estimates provisions for claims incurred but not reported ("IBNR") applying various statistical methods, and choosing the most appropriate one. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years. The Group uses the statistics of claims paid for the period 2015-2018 for estimations.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The claim reserve is calculated using the following actuarial methods:

Naive loss ratio. The naïve loss ratio - method of incurred but not reported claims reserve estimate (IBNR), which is calculated by multiplying loss ratios to earned premiums (in case of written premiums policy year claims should be considered), and subtracting claims paid and reported but not settled reserve for corresponding periods.

Chain ladder method adjusted for inflation and not adjusted for inflation. Chain ladder method - method of distribution of the insurer's obligations on settlement of insurance claims, which occurred in the reporting period or in periods prior to the reporting period. In chain ladder method, the distribution of the insurer's liabilities is based on claims paid or incurred. Claims paid or incurred which are used in chain ladder method with inflation are adjusted for the inflation rate.

Bornhuetter-Ferguson method. The Bornhuetter-Ferguson technique estimates IBNR during a period of time by estimating the ultimate loss for a particular risk exposure, and then estimating the percent of this ultimate loss that was not reported at the time. Bornhuetter-Ferguson calculates the estimated loss as the sum of reported loss and IBNR, with IBNR calculated as the estimated ultimate loss multiplied by the loss coefficient that is unreported.

Mack method. Mack's method is based on the chain ladder method, which is based on claims paid or incurred and the expected value of future ultimate losses is determined based on linear regression. The Group applies Mack method for lines of business, which have long claim settlement period and (or) "long tail" claims.

Mathematical reserve for life insurance

Life insurance

Reserve for not incurred claims is determined separately for each life insurance contract. Reserve calculation is based on reserve basis taking into account conditions of insurance contract.

The reserve basis is set according to differences in conditions of insurance contracts, in particular, depending on the list of insurance cases, validity, procedure and term of payment of insurance premiums, terms of payment of insurance claims, and other factors that objectively influence the level of risk accepted for insurance.

As at reporting dates the Group unbundled insurance and deposit components to account for the components of a contract as if they were separate contracts.

The Group recognises all obligations and rights arising from the deposit component.

Deposit component is a 'contractual component that is not accounted for as a derivative under IAS 39 and is within the scope of IAS 39 if it were a separate instrument.

In the preliminary consolidated statement of financial position the deposit component recorded as customer accounts and is initially recognised at fair value. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest method as interest expense.

As a result of unbundling of insurance contracts into customer accounts and insurance reserves for the case of death, all premium received is recorded in Customer accounts and premium for life insurance is zero. Reserve is calculated as the present value of the expected future payments in case of death according to terms of contracts including administrative expenses on insurance contracts maintenance.

Reserve for the case of death is determined separately for each life insurance contract. Reserves for claims are recognized when contracts are entered into and premiums are charged.

The Group applies following assumptions in assessment of mathematical reserve:

(i) *Discount rate*

As a discount rate the Group applies return on 36-month government bonds of Uzbekistan, discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

(ii) *Mortality rate*

Due to the fact that there is no official mortality table set by the government in Uzbekistan, the Company applies official mortality table of neighboring country used for calculation of pension annuities assuming that life expectancies are approximately the same in these countries.
Due to strongly limited data in terms of gender and age of each insured, the Company has used conservative approach to estimate reserves, assuming that all insureds are 45-year-old males.

(iii) *Maintenance expenses.*

Maintenance expense assumptions are generally expressed as a 'per claim' expense set with regards to an allocation of current year indirect claim settlement expense levels by line of business and using the amount of claims paid during the year.

Liability adequacy test

The Group applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. The Group conducts the test for the adequacy of the unearned premium reserve (UPR) at the level of an entire portfolio of insurance contracts. This test is performed by comparing the carrying value of booked UPR and expected future claims and expenses (including maintenance expenses and claim handling costs). If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the expected future claims and expenses, the entire deficiency is recognized in profit or loss.

Reinsurance

The Group cedes insurance risks in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the unearned premium reserve and reserves for claims and claims' adjustment expenses and are in accordance with the reinsurance contract.
Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risks in the normal course of business for certain non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct written business, taking into account the product classification of the reinsured business.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance and reinsurance receivable and payables

Insurance and reinsurance receivable

Insurance and reinsurance receivable is recognized when related income is earned and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, any insurance and reinsurance receivable is measured at amortized cost, using the effective interest rate method. The carrying value of the insurance and reinsurance receivable is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of the insurance and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance and reinsurance receivable is derecognized when derecognition criteria for financial assets has been met.

Insurance and reinsurance payable

Payables on insurance business comprise advances received, amounts payable to insured (claims and premium refund payable) and amounts payable to agents and brokers, and advances received from insurers and reinsurers.

Payables on reinsurance business comprise net amounts payable to reinsurers. Amounts payable to reinsurers include ceded reinsurance premiums, assumed premium refunds and claims on assumed reinsurance. Insurance and reinsurance payable are accounted for at amortized cost.

Revenue recognition

Recognition of underwriting income and expense

(i) *Written insurance premiums*

Written insurance premiums are recognised as income at the commencement date of the risk. These premiums are recognised as revenue (earned premium) proportionally over the period of coverage. The portion of premiums received on in-force policies that relates to unexpired risks at the reporting date is reported as the unearned premium reserves.

(ii) *Reinsurance premiums ceded*

The Group recognises premiums ceded at the policy inception date and expenses them consistently with underlying premiums written. The portion of the premium ceded related to the unexpired portion of the risk periods at the reporting date is reflected in Unearned premium reserve, reinsurers' share.

(iii) *Unearned premium reserves*

Unearned premium reserve ("UPR") represents the portion of the premiums written relating to the unexpired terms of coverage and is included as a liability in the accompanying statement of financial position. The unearned premium reserves are calculated on a pro rata basis. Related changes in UPR and reinsurers' share in UPR under prior years' contracts are included in lines *"Change in unearned premiums reserve, net"* of the preliminary consolidated statement of profit or loss and other comprehensive income.

(iv) *Claims and claims related expenses*

Claims paid and changes in reserves for claims and claims' adjustment expenses are charged to the statement of profit or loss as incurred through the reassessment of the insurance reserves.

Recognition of reimbursement of claims

The Group has a right to pursue parties responsible for loss to pay some or all costs related to claims settlement process of the Group (recourses, subrogation). Reimbursements of claims are recognised as income only if the Group is confident in receipt of these amounts from the third parties.

Recognition of commission expenses

Commission expenses represent brokerage and agent commissions and commissions for surveyor expenses. Commissions are recognised as expenses when incurred.

Recognition of commission income

The Group receives commissions for ceding premiums to reinsurers. Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is signed and deemed enforceable.

Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Administrative and operating expenses

Administrative and operating expenses include expenses relating to the administration of the Group. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and costs of premium collection, portfolio management.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operational taxes

The Republic of Uzbekistan also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Preventive measures reserve

The Group is restricted in its use of a portion of premiums received by the Group on certain types of insurance under terms established by insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of November 20, 2008 N 107, registered by the Ministry of Justice on December 15, 2008 N 1882). The reserve is calculated as a percentage provided for tariff structure. The purpose of the Preventive Measures Reserve ("PMR") is to provide funds for the cost of financing measures that prevent accidents, promote general safety, and prevent the loss of or damage to insured property. There is no obligation that the funds be spent, and no requirement for the return of these funds, if unused, to the insured. However, the Group is restricted from distributing these funds to shareholders in the form of dividends. For IFRS purposes, this restriction is initially shown as a transfer from retained earnings to the PMR in the period when the restriction is created. Subsequently, when the funds are used for the purpose intended, the amount spent is expensed and a corresponding amount is restored to retained earnings from the PMR.

Stabilization reserve

An additional reserve that a Group is required by regulation to establish (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of Republic of Uzbekistan dated 20 November, 2008 N 107, registered by the Ministry of Justice on December 15, 2008 N 1882) and is necessary for the Group to hold, over and above its insurance reserves and preventive measure reserve, to ensure that, under a prescribed change in financial conditions, the Group still has enough assets to cover its liabilities. The Group is restricted to distribute this reserve as dividends.

Reserve capital

The Group uses net profit to create reserves to cover losses, pay dividends on preference shares and redeem ordinary shares, if no other funds are available.

Reserves are generated as a result of the annual allocation of 5% of net profit until a minimum reserve balance is set up, which should not be less than 15% of authorised share capital. In 2018, reserves were replenished by UZS 2,517,032 thousand (2017: UZS 2,517,032 thousand).

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are reflected in expenses of the period. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.
Preference shares are accounted for as a compound financial instrument having both a liability component and an equity component. The liability component is initially determined as the present value of future minimum dividend payments discounted at the Group's incremental borrowing rate and the rest of the sale proceeds are classified as equity component.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(in thousands of Uzbekistan Soums)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The exchange rates at the year-end used by the Group in the preparation of the preliminary consolidated financial statements are as follows:

	31 December 2018	1 January 2018
UZS/1 US Dollar	8,339.55	8,120.07
UZS/1 Euro	9,479.57	9,624.72

Offsetting

Financial assets and financial 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 settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the Group's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments (Note 31).

Presentation of statement of financial position lines in order of liquidity

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in the order of their liquidity.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

IFRS 1 adoption

The management adopted IFRS standards using IFRS 1 First-Time Adoption of IFRS on 1 January 2018 and followed the procedures set by International Financial Reporting Standards with regards to first time adoption for preparing its preliminary financial statements. The Standard imposes a number of mandatory exceptions and grants a number of optional exemptions from the general requirement to comply with each IFRS effective at the end of the entity's first IFRS reporting period. For example deemed cost is defined as an amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost. The management has used this option.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of insurance liabilities

The principal uncertainty in the Group's financial statements primarily arises in the technical reserves, which include the unearned premium reserves and reserves for claims and claims' adjustment expenses. The unearned premium reserve comprise provision for unexpired risks while the reserves for claims and claims' adjustment expenses comprise provision for outstanding claims. Their values are carried in the preliminary consolidated statement of financial position as disclosed in note 3 to the preliminary consolidated financial statements.

Generally, the unearned premium reserve and the reserves for claims and claims' adjustment expenses are determined based upon existing knowledge of events, previous claims experience, the terms and conditions of the relevant policies and interpretations of circumstances. Particularly relevant is the past experience with similar cases, historical claims development trends, legislative changes, juridical decisions and economic conditions.

The other uncertainties arising under insurance contracts include:

- uncertainty as to whether an event has occurred, which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent policy coverage and limits are applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty on the magnitude of the claim. There are many factors such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures that will affect the level of uncertainty.

The estimates of the unearned premium reserves and reserves for claims and claims' adjustment expenses are therefore sensitive to the various factors and uncertainties. The establishment of technical reserves is an inherently uncertain process. As a consequence of this uncertainty, the eventual cost of premium settlement and reserves for claims and claims' adjustment expenses can vary from the initial estimates.

Impairment of receivables

The Group regularly reviews its receivables to assess for impairment. The Group's receivables impairment provisions are established to recognize incurred impairment losses in receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a debtor has financial difficulties and there are few available sources of historical data relating to similar debtor. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of debtors in a group, and national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of receivables. The Group uses management's judgment to adjust observable data for a group of receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Uzbekistan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

(in thousands of Uzbekistan Soums)

6. First-time adoption of IFRS

The Group and its consolidated companies, registered in the Republic of Uzbekistan, maintain their accounting records in accordance with the national accounting standards of the Republic of Uzbekistan. These preliminary consolidated financial statements have been prepared from the statutory accounting records, to conform to IFRS. The effect of differences between national accounting standards and IFRS as at 1 January 2018 (the date of transition to IFRS) is presented in the following table:

	Notes	31 December 2018			1 January 2018		
		NAS	**Adjustments**	**IFRS**	**NAS**	**Adjustments**	**IFRS**
ASSETS:							
Cash and cash equivalents		18,142,028	-	18,142,028	4,471,692	-	4,471,692
Due from banks		113,924,884	-	113,924,884	16,322,542	-	16,322,542
Available-for-sale financial assets		32,988,876	-	32,988,876	28,232,825	-	28,232,825
Insurance and reinsurance receivable	f	2,927,097	(1,444,729)	1,482,368	5,199,236	(539,758)	4,659,478
Unearned premium reserve, reinsurers' share	a	4,191,538	-	4,191,538	12,113,220	(1,607,255)	10,505,965
Reserves for claims and claims' adjustment expenses, reinsurers' share		839,473	-	839,473	1,902,603	-	1,902,603
Other long-term investments							
Property, equipment and intangible assets	c	54,392,032	(5,209,459)	49,182,573	36,284,982	-	36,284,982
Prepayment for property acquisition		6,646,605	-	6,646,605	-	-	-
Current income tax assets		125,294	-	125,294	-	-	-
Other assets	d, f, g	14,333,385	(5,226,996)	9,106,389	11,236,928	(1,875,115)	9,361,813
TOTAL ASSETS		**248,511,212**	**(11,881,184)**	**236,630,028**	**115,764,028**	**(4,022,128)**	**111,741,900**
LIABILITIES AND EQUITY							
LIABILITIES:							
Insurance and reinsurance payable		4,269,612	-	4,269,612	22,556,448	-	22,556,448
Unearned premium reserve	a	49,336,492	18,691,384	68,027,876	60,208,909	(6,226,041)	53,982,868
Reserves for claims and claims' adjustment expenses	b	97,860,226	(41,674,019)	56,186,207	28,385,990	6,779,960	35,165,950
Customer accounts	i, k	-	57,328,632	57,328,632	-	9,118,706	9,118,706
Current income tax payable		1,923,674	-	1,923,674	39,058	-	39,058
Other liabilities	h	3,885,492	2,488,883	6,374,375	5,354,108	1,356,328	6,710,436
TOTAL LIABILITIES		**157,275,496**	**36,834,880**	**194,110,376**	**116,544,513**	**11,028,953**	**127,573,466**
EQUITY:							
Share capital		108,955,939	-	108,955,939	26,803,635	-	26,803,635
Accumulated deficit		(17,823,605)	(48,716,064)	(66,539,669)	(27,584,120)	(15,051,081)	(42,635,201)
Equity attributable to shareholders		91,132,334	(48,716,064)	42,416,270	(780,485)	(15,051,081)	(15,831,566)
Non-controlling interest		103,382	-	103,382	-	-	-
TOTAL EQUITY		**91,235,716**	**(48,716,064)**	**42,519,652**	**(780,485)**	**(15,051,081)**	**(15,831,566)**
TOTAL LIABILITIES AND EQUITY		**248,511,212**	**(11,881,184)**	**236,630,028**	**115,764,028**	**(4,022,128)**	**111,741,900**

(in thousands of Uzbekistan Soums)

Reconciliation of comprehensive income under NAS and IFRS for the year ended 31 December 2018 is as follows:

	Notes	NAS	Adjustments	IFRS
Written insurance premiums	i, k	308,390,849	(127,131,391)	181,259,458
Reinsurance premiums ceded		(8,065,826)	-	(8,065,826)
PREMIUMS WRITTEN, NET OF REINSURANCE		300,325,023	(127,131,391)	173,193,632
Change in unearned premium reserve, net	a	2,950,735	(23,310,170)	(20,359,435)
Cancelled premiums		(486,557)	-	(486,557)
PREMIUM EARNED, NET OF REINSURANCE		**302,789,201**	**(150,441,561)**	**152,347,640**
Claims paid, gross	e, i, j	(152,604,824)	87,661,258	(64,943,566)
Claims paid, reinsurers' share		13,109,319	-	13,109,319
Change in reserves for claims and claims' adjustment expenses, gross	b	(69,474,236)	48,453,979	(21,020,257)
Change in reinsurers' share in reserves for claims and claims' adjustment expenses		(1,063,130)	-	(1,063,130)
CLAIMS INCURRED, NET OF REINSURANCE		**(210,032,871)**	**136,115,237**	**(73,917,634)**
Reimbursement of claims	e	12,834,169	(10,866,283)	1,967,886
Expenses incurred to prevent insurance events	d	-	(1,241,895)	(1,241,895)
Net other insurance income		12,834,169	(12,108,178)	725,991
Commission income		80,575	-	80,575
Commission expense		(23,587,378)	-	(23,587,378)
NET COMMISSION EXPENSE		**(23,506,803)**	**-**	**(23,506,803)**
Investment income		11,875,627	-	11,875,627
Net loss on foreign exchange operations		(14,407)	-	(14,407)
Other income		1,879,255	(913,119)	966,136
OTHER INCOME		**13,740,475**	**(913,119)**	**12,827,356**
Administrative and operating expenses	g,h	(83,310,641)	(3,173,508)	(86,484,149)
Provision for impairment losses on financial assets and other operations	f	-	(1,153,740)	(1,153,740)
OTHER EXPENSES		**(83,310,641)**	**(4,327,248)**	**(87,637,889)**
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		12,513,530	(31,674,869)	(19,161,339)
Income tax expense		(4,743,129)	-	(4,743,129)
NET PROFIT/(LOSS) FOR THE YEAR		**7,770,401**	**(31,674,869)**	**(23,904,468)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**7,770,401**	**(31,674,869)**	**(23,904,468)**

Explanation of significant adjustments related to transition from NAS to IFRS is as follows:

a) **Unearned Premium Reserve.** For some insurance classes, the methodology used to determine Unearned premium reserve including the reinsurers' share under NAS is different from that accepted under IFRS. In accordance with the instructions of the Ministry of Finance, Unearned premium reserves for some insurance classes are determined by applying a multiplier of 0.35 to premiums earned on a pro rata basis over the term of the related contract or as a fixed percentage of the premiums written. Under IFRS, Unearned premium reserve is determined as an unexpired portion of the premiums written measured on a pro rata basis over the term of the related policy. These differences in methods used under two different GAAPs required carrying values under NAS be adjusted to conform with IFRS in the preliminary consolidated statement of financial position as at 31 December 2018 and 1 January 2018 and preliminary consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, net impact on Unearned premium reserves amounted to UZS 18,691,384 thousand (1 January 2018: UZS 6,226,041 thousand), on Unearned premium reserves, reinsurers' share amounted to UZS 1,607,255 thousand as at 1 January 2018 and for the year then ended net impact on Change in unearned premium reserve amounted to UZS 23,310,170 thousand. As at 1 January 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 4,618,786 thousand.

b) **Reserves for claims and claims' adjustment expenses.** Reserves for claims and claims' adjustment expenses include claims reported but not settled (RBNS), claims incurred but not reported (IBNR) and life insurance reserves.
IBNR

The methodology used to determine IBNR under NAS is different from that accepted under IFRS. In accordance with the instructions of the Ministry of Finance, IBNR for insurance classes are determined by applying a multiplier of 0.10 to the premiums written less commission expenses and contributions to the Preventive measures reserve. This measurement technique is different from that used for IFRS purposes based on the history of claims/indemnification of claims and that uses actuarial methods of calculation, including loss triangulation for insurance classes where statistical data is available.

Life insurance reserve

The methodology used to determine life insurance reserve per NAS is different from that accepted under IFRS. In accordance with the instructions of the Ministry of Finance, life insurance reserve is determined using two separate approaches for each life insurance contract. Reserve calculations are based on pro-rata temporis for measurement of insurance reserves for non-accumulated part of insurance contract. Life insurance reserve for accumulated part of insurance contract is determined by applying 0.92 multiplied to the insurance premium and 0.5 to the investment income from the deposit component of the contract up to expiry date or the date of insurance event. This measurement technique is different from that used for IFRS purposes based on the present value of the expected future payments in case of death according to terms of contracts including administrative expenses on insurance contracts maintenance.

These differences in methods used under two different GAAPs required carrying values under NAS be adjusted to conform with IFRS in the preliminary consolidated statement of financial position as at 31 December 2018 and 1 January 2018 and preliminary consolidated statement of profit or loss and other comprehensive. As at 31 December 2018, the net impact on Reserves for claims and claims' adjustment expenses amounted to UZS 41,674,019 thousand (1 January 2018: UZS 6,779,960 thousand), and for the year then ended net impact on Change in Reserves for claims and claims' adjustment expenses, gross amounted to UZS 48,453,979 thousand. As at 31 December 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 6,779,960 thousand.

c) **Revaluation of Property and Equipment.** Under NAS, the carrying values of Property, equipment and intangible assets are annually revalued and adjusted for general price index as at 1 January of each year. As a first time adopter of IFRS, the management of the Group has elected to apply a "deemed cost" exemption and used a carrying value of Property and Equipment revalued and adjusted for general price index as at 1 January 2018 under NAS as a deemed cost that best reflects the depreciated cost under IFRS Standards, adjusted to reflect changes in a general or specific price index. Considering that the management has elected to subsequently carry Property, equipment and intangible assets at cost, determined under "deemed cost" exemption, less accumulated depreciation and any recognized impairment loss, if any, the revaluation uplift in the amount of UZS 5,209,459 thousand posted on the carrying value of Property, equipment and intangible assets subsequent to 1 January 2017 under NAS rules is reversed as it would not comply with IFRS rules.

d) **Preventive Measures Reserve.** As discussed in Note 4, the statutory rules require the Group to maintain a Preventive Measures Reserve aimed to allocate funds to cover the Group's future costs associated with activities and measures taken to prevent accidents, promote general safety, and prevent a loss of or damage to insured property. In the NAS accounting records, the Group establishes and maintains the balance of Preventive Measures Reserve by recognizing accounts receivable in the current year upon receipt of a proof of intentional use of funds. For the purposes of IFRS, Preventive Measures Reserve is booked as an appropriation from Retained Earnings (Accumulated deficit) to disclose their restriction from distribution to shareholders in the form of dividends and expensed only when costs are actually incurred by the Group upon which the corresponding amount is restored back to Retained Earnings (Accumulated deficit) from the Preventive Measures Reserve. As at 31 December 2018, net impact on Other Assets amounted to UZS 1,241,895 thousand, and for the year then ended net impact on Expenses incurred to prevent insurance events amounted to UZS 1,241,895 thousand. As at 31 December 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 1,241,895 thousand.

e) **Income recognized from the release of PMR.** During 2018, in line with the instructions issued by the Ministry of Finance, the Group has released UZS 10,866,283 thousand from Preventive Measures Reserve and recognized it as a gain through current year profit and loss accounts in the NAS books. At the same time, the Group has restored UZS 5,099,717 thousand to Preventive Measures Reserve during 2018. Considering that in the IFRS books Preventive Measures Reserve is recorded as an appropriation from Retained Earnings (Accumulated deficit), net amount of release was directly restored back to Retained Earnings. As at 31 December 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 5,766,566 thousand, and for the year then ended net impact on Claims paid, gross amounted to UZS 5,099,717 thousand, and net impact on Reimbursement of claims amounted to UZS 10,866,283 thousand.

f) **Allowance for Doubtful Accounts.** The Group had receivable balances that remained in arrears for an extended period that were not assessed for impairment in the NAS accounting records. These balances have been assessed for impairment to be in line with the requirements of IFRS and were written down to reflect the best estimate of the management of the portion expected to be recovered. As at 31 December 2018, net impact on Other Assets amounted to UZS 414,828 thousand (1 January 2018: UZS 166,060 thousand), on Insurance and Reinsurance Receivable amounted to UZS 1,444,729 thousand (1 January 2018: UZS 539,758 thousand) and for the year then ended net impact on Provision for impairment losses on financial assets amounted to UZS 1,153,740 thousand. As at 31 December 2018, the net impact on Retained earnings (Accumulated deficit) amounted to UZS 705,818 thousand.

g) **Write-off uncollectible receivables.** As at 1 January 2018 and 31 December 2018, the Group had assessed Other Assets balances and made a decision to write-off uncollectible receivables from which the Group does not expect any flow of future economic benefit. In addition, during 2018 the Group had expensed the membership fee paid to the Guarantee Fund to Support Small and Medium Businesses, which was previously capitalized in Other Assets under NAS. As at 31 December 2018, net impact on Other Assets amounted to UZS 3,114,520 thousand (1 January 2018: UZS 1,114,520 thousand) and for the year then ended net impact on Administrative and operating expenses amounted to UZS 2,000,000 thousand. As at 31 December 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 1,114,520 thousand.

h) **Unused vacation reserve.** Under NAS, the Group does not accrue any reserves for unused vacation. Due to the significance of the amount, the management has recognized such liabilities for IFRS purposes. As at 31 December 2018, net impact on Other liabilities amounted to UZS 2,488,883 thousand (1 January 2018: UZS 1,356,328 thousand) and for the year then ended net impact on General and administrative expenses amounted to UZS 1,132,555 thousand. As at 31 December 2018, net impact on Retained earnings (Accumulated deficit) amounted to UZS 1,356,328 thousand.

i) **Unbundling of Life Insurance Products.** Under NAS, the Group accounted for life insurance obligations as "Reserves for claims and claims adjustment expenses" without unbundling the deposit component. In addition, the Group has recognized the proceeds and repayments associated with the deposit component as income from written insurance premiums and as expense on claims paid, respectively. This practice grosses up the profit and loss accounts and may distort the financial results of the Group for the amount of unavoidable repayments of the deposit component expensed under NAS in the periods when such repayments are made. For IFRS purposes, life insurance contracts were unbundled to recognize the deposit component separately from insurance component in the statement of financial position and the impact of cash flows associated with the deposit component on the profit and loss accounts posted under NAS were de-recognized. As at 31 December 2018, the net impact of unbundling on Customer accounts amounted to UZS 59,374,545 thousand (1 January 2018: UZS 9,118,706 thousand) and for the year then ended net impact on Claims paid, gross amounted to UZS 79,101,201 thousand, and net impact on Written insurance premiums amounted to UZS 129,177,304 thousand. As at 31 December 2018, the net impact on Retained earnings (Accumulated deficit) amounted to UZS 9,118,706 thousand.

j) **Expense recognised from the accrual to Stabilisation Reserve.** During 2018, in line with the instructions issued by the Ministry of Finance, the Group has accrued UZS 3,460,340 thousand to Stabilisation Reserve and recognized it as an expense through current year profit and loss accounts in the NAS books. Considering that in the IFRS books Stabilisation Reserve should be recorded as an appropriation from Retained Earnings (Accumulated deficit), the amount of accrual was released from Retained Earnings (Accumulated deficit). As at 31 December 2018, the net impact on Retained earnings (Accumulated deficit) amounted to UZS 3,460,340 thousand, and for the year then ended net impact on Claims paid, gross amounted to UZS 3,460,340 thousand.

k) **Accumulated part of the deposited premiums.** As described in note (c) above, as at the reporting dates the Group unbundled insurance and deposit components of life insurance contracts, as if they were separate contracts. Based on the terms of life insurance contracts, there is an accumulated part of 4%-5% of the deposited premiums, which is paid to the insured in case of survival at the end of the term of insurance. Applying IAS 39 to the deposit component, which is retained within the Company for 10 years, the Group measures it initially at fair value. Fair value is determined by discounting the future cash flows from the deposit component. As a result, the effect of discounting of UZS 2,045,913 thousand is deducted to identify the carrying amount of Customer accounts as at 31 December 2018 in the preliminary consolidated statement of financial position. For the year ended 31 December 2018, impact on Written insurance premiums amounted to UZS 2,045,913 thousand on the initial recognition of the insurance component (a 'day 1' gain).

7. Application of new and revised international financial reporting standards (IFRSs)

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ended on 31 December 2018. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these preliminary consolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications);*
- IFRS 16 Lease;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration;*
- IFRIC 23 Uncertainty Over Income Tax Treatments;
- Annual Improvements to IFRS Standards 2015-2017 Cycle - Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

IFRS 15 Revenue from Contracts with Customers

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in these preliminary consolidated financial statements.

IFRS 16 Lease

IFRS 16 Leases specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Effective 1 January, 2018, the Group early adopted IFRS 16. The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2018, (whether it is a lessor or a lessee in the lease contract).

On initial application of IFRS 16 for the long-term leases the Group:

a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as electronic terminal and other), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Judgements related to the application of IFRS 16

Although, for majority of its lease agreements there is an option to extend short term lease agreements at maturity with new terms with the consent of both parties, the Management of the Group considers that these agreements fall under IFRS16 exemption available for short-term leases due to the fact that agreements are not enforceable after the initial lease term due to insignificant economic penalties to be incurred by both parties in case the lease is not extended. As such, the Group applies the exemption for short-term leases consistently on transition and subsequently.

The adoption of IFRS 16 Lease has not had any material impact on the disclosures or on the amounts reported in these preliminary consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

IFRIC 23 Uncertainty over Income Tax Treatments.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and

- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings;
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Group has applied these amendments in 2017. The application of this IFRIC has not had a significant impact on the amounts reported in these preliminary consolidated financial statements as the Group currently uses the approach prescribed in IFRIC 23.

Annual Improvements to IFRS Standards, 2015-2017 Cycle

Amendments to IFRS 3 Business *Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.* The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes. The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements. The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

The Group has applied these amendments in 2017. The application of these amendments has had no effect on the amount reported in these preliminary consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 and IAS 8 Definition to Material.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Amendments to IFRS 9 Prepayment Features with Negative Compensation.
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.
The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments provide entities meeting a criterion for engaging in predominantly insurance activities with the option to continue current IFRS accounting and to defer the application of

IFRS 9 until the earlier of the application of the new insurance Standard or periods beginning on or after 1 January 2021 (the "sunset clause"). The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after 1 January 2018.

Separately, the amendments provide all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset-by asset basis with specific requirements around designations and de-designations. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies IFRS 9.

The Group used this exemption and defer the application of IFRS 9 until periods beginning on or after 1 January 2022.

IFRS 17 *Insurance Contracts*

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The impact on the Group's financial statements in the period of adoption is uncertain at this point in time.

Amendments to IAS 1 and IAS 8 Definition to Material.

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted. Earlier application is permitted. The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

(in thousands of Uzbekistan Soums)

8. Cash and cash equivalents

	31 December 2018	1 January 2018
Balances with banks in Uzbekistan Soum	18,048,805	3,274,910
Balances with banks in foreign currencies	86,597	1,189,394
Cash in transit	6,626	7,388
Total cash and cash equivalents	**18,142,028**	**4,471,692**

9. Due from banks

	31 December 2018	1 January 2018
Long-term deposits	108,450,000	15,092,007
Short-term deposits	5,400,000	1,200,000
Accrued interest	74,884	30,535
Total due from banks	**113,924,884**	**16,322,542**

As at 1 January 2018, interest rates on deposits placed in USD were 4%. As at 31 December 2018 and 1 January 2018 the interest rate on deposits placed in UZS were 14% and 12%, respectively.

As at 31 December 2018 and 1 January 2018, no impairment was recognized on due from banks.

10. Available-for-sale financial assets

Available-for-sale financial assets represent the Group's acquisition of an interest in the authorised capital of other companies. The table below provides information on these investments:

	Ownership interest	31 December 2018	Ownership interest	1 January 2018
Equity securities of commercial banks	0.09%-5.00%	26,351,379	0.00%-5.00%	21,619,683
Equity securities of corporates	0.05%-0.53%	4,348,629	0.05%-0.53%	4,348,629
Equity securities of other financial institutions	0.85% - 3.70%	2,288,868	0.85% - 3.70%	2,264,513
Total available-for-sale financial assets		**32,988,876**		**28,232,825**

Following the requirements of IAS 39 as at 31 December and 1 January 2018 as there was no active market for the investments in equity instruments the Group measured the available-for-sale financial assets at cost. In the circumstance when the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, entities are precluded from measuring the instrument at fair value.

As at 31 December 2018, available-for-sale financial assets increased primarily due to additional investments in the equity securities by means of cash purchase. In addition, the respective Entities distributed additional shares of their common stock to shareholders instead of cash, as result the Group received stock dividends in the amount of UZS 2,104,695 thousand.

As at 31 December 2018 and 1 January 2018, these investments were not pledged for the obligations of the Group.

As at 31 December 2018 and 1 January 2018, no impairment was recognized on available-for-sale financial assets.

(in thousands of Uzbekistan Soums)

11. Insurance and reinsurance receivable

	31 December 2018	1 January 2018
Receivables arising from ceded reinsurance contracts	939,028	2,593,609
Amounts due from policyholders	704,329	684,509
Receivables arising from assumed reinsurance contracts	494,151	1,080,132
Settlements with agents and brokers	363,766	164,079
Receivables arising from regress and subrogation	350,899	515,627
Other insurance and reinsurance receivables	74,924	161,280
	2,927,097	**5,199,236**
Less provision for impairment losses (Note 27)	(1,444,729)	(539,758)
Total insurance and reinsurance receivable	**1,482,368**	**4,659,478**

12. Unearned premium reserve, net of reinsurance

	Unearned premium reserve	Unearned premium reserve, reinsurers' share	Unearned premium reserve, net of reinsurers' share
1 January 2018	**53,982,868**	**(10,505,965)**	**43,476,903**
Change in unearned premium reserve	14,045,008	6,314,427	20,359,435
31 December 2018	**68,027,876**	**(4,191,538)**	**63,836,338**

13. Property, equipment and intangible assets

	Buildings and other real estate	Motor Vehicles	Furniture and equipment	Construction in progress	Other equipment	Intangible assets	Total
At initial cost							
1 January 2018	**26,487,873**	**10,275,391**	**4,689,391**	**4,790,376**	**4,516,861**	**241,695**	**51,001,587**
Additions	9,749,408	1,630,939	441,091	3,509,079	2,121,346	-	**17,451,863**
Acquisition of subsidiary	80,874	-	-	-	22,508	-	**103,382**
Transfers	1,117,218	-	-	(1,117,218)	-	-	**-**
Disposals	-	(846,068)	-	-	(806,081)	-	**(1,652,149)**
31 December 2018	**37,435,373**	**11,060,262**	**5,130,482**	**7,182,237**	**5,854,634**	**241,695**	**66,904,683**
Accumulated depreciation and impairment							
1 January 2018	**(2,976,576)**	**(6,688,107)**	**(2,633,960)**	**-**	**(2,279,246)**	**(138,716)**	**(14,716,605)**
Charge for the year	(609,166)	(2,135,873)	(648,499)	-	(550,783)	(34,289)	**(3,978,610)**
Disposal	155,965	802,104	-	-	15,036	-	**973,105**
31 December 2018	**(3,429,777)**	**(8,021,876)**	**(3,282,459)**	**-**	**(2,814,993)**	**(173,005)**	**(17,722,110)**
Net book value							
As at 31 December 2018	**34,005,596**	**3,038,386**	**1,848,023**	**7,182,237**	**3,039,641**	**68,690**	**49,182,573**
As at 1 January 2018	**23,511,297**	**3,587,284**	**2,055,431**	**4,790,376**	**2,237,615**	**102,979**	**36,284,982**

A significant part of additions to buildings and other real estate in 2018 represents in-kind contribution from the shareholder in the form of property fair valued at UZS 8,955,939 thousand.

During 2018, the Group has primarily disposed fully amortized cars from motor vehicles.

As at 31 December 2018, fully depreciated assets amounted to UZS 2,925,380 thousand (1 January 2018: UZS 1,112,165 thousand).

(in thousands of Uzbekistan Soums)

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises and equipment.

14. Other assets

	31 December 2018	1 January 2018
Other financial assets:		
Loans to employees	3,997,107	4,568,713
Rent receivables	87,983	89,120
Other receivables	3,880	437,407
	4,088,970	**5,095,240**
Less: provision for impairment losses (Note 27)	(311,182)	(106,783)
Total other financial assets	**3,777,788**	**4,988,457**
Other non-financial assets:		
Inventories	2,782,505	1,904,864
Tax and other obligatory settlements	1,037,343	1,439,456
Prepayments for services	468,800	196,296
Advances to employees	232,069	280,426
Other non-financial receivables	911,531	611,591
	5,432,248	**4,432,633**
Less: provision for impairment losses (Note 27)	(103,647)	(59,277)
Total other non-financial assets	**5,328,601**	**4,373,356**
Total other assets	**9,106,389**	**9,361,813**

15. Insurance and reinsurance payable

	31 December 2018	1 January 2018
Payables under ceded reinsurance contracts	1,875,426	10,581,042
Payables under insurance contracts	1,025,345	1,657,020
Payables to insurance agents and brokers	661,718	606,488
Payables under assumed reinsurance contracts	407,879	9,690,447
Other insurance and reinsurance payable	299,244	21,451
Total insurance and reinsurance payable	**4,269,612**	**22,556,448**

During 2018, the Group settled payable premiums to JSC "Kafolat Insurance Company" under ceded reinsurance contracts for the amount UZS 9,227,289 thousand and payable claims under assumed reinsurance contracts for the amount UZS 4,571,466 thousand.

16. Reserves for claims and claims' adjustment expenses

Reserves have been established on the basis of information currently available, including potential outstanding loss notifications and experience with similar claims in the preceding periods. IBNR is actuarially determined by lines of business and is based on statistical claims data for the period typical for loss development of the classes and sub-classes of business, the Group's previous experience and the availability of data. Gross reserve for claims and claims' adjustment expenses and the related reinsurance recoveries are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided. Any adjustments to the amount of reserves will be reflected in the financial statements in the period in which the necessary adjustments become known and estimable.

(in thousands of Uzbekistan Soums)

The movements in reserves for claims and claims' adjustment expenses during 2018 were as follows:

	Gross	Reinsurers' share	Net reserve
1 January 2018	**35,165,950**	**(1,902,603)**	**33,263,347**
Plus claims incurred, net of reinsurer's share (Note 21)	85,963,823	(12,046,189)	73,917,634
Less claims paid (Note 21)	(64,943,566)	13,109,319	(51,834,247)
31 December 2018	**56,186,207**	**(839,473)**	**55,346,734**

	RBNS	IBNR	Reserve for not incurred claims for life and other annuity contracts	Total
31 December 2018				
Reserves for claims and claims' adjustment expenses, gross	32,771,252	23,221,730	193,225	56,186,207
Reserves for claims and claims' adjustment expenses, reinsurers' share	-	(839,473)	-	(839,473)
Total	**32,771,252**	**22,382,257**	**193,225**	**55,346,734**
1 January 2018				
Reserves for claims and claims' adjustment expenses, gross	9,730,997	25,363,034	71,919	35,165,950
Reserves for claims and claims' adjustment expenses, reinsurers' share	-	(1,902,603)	-	(1,902,603)
Total	**9,730,997**	**23,460,431**	**71,919**	**33,263,347**

Sensitivity of life reserves to changes in assumptions

	31 December 2018		1 January 2018	
	Change in assumption	**Impact on reserves**	**Change in assumption**	**Impact on reserves**
Discount rate	-1.00%	+2.78%	-1.00%	+0.21%
Mortality rate				
- Scenario I	+10%	+9.75%	+10%	+10.25%
- Scenario II	+30%	+29.12%	+30%	+30.33%
- Scenario III	+50%	+48.32%	+50%	+50.43%

Changes in mortality rates show the impact on loss reserves when rates for all effective insurance obligations are increased under the given three scenarios. Increase in mortality rates by 10%-50% result in decrease of life expectancy duration and hence decrease in insurance reserves for annuity contracts and to increase in reserves for life insurance.

Limitations

The above table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(in thousands of Uzbekistan Soums)

The sensitivity analysis do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder's equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

17. Customer accounts

	31 December 2018	1 January 2018
Individuals	50,309,434	7,944,478
Other legal entities	5,731,064	829,410
State and public organizations	1,288,134	344,818
Total customer accounts	**57,328,632**	**9,118,706**

Customer accounts relate to the subsidiary "Agros Hayot" LLC, which unbundled life insurance contracts that contained a deposit component. Under life insurance contracts, "Agros Hayot" LLC is obliged to refund the proportion of the deposited insurance premium to insured within a settled period. Therefore, "Agros Hayot" LLC recognised a contractual liability to repay the premium to the insured for the amount of UZS 57,328,632 thousand (1 January 2018: UZS 9,118,706 thousand).

During 2018, the subsidiary has significantly increased its client base compared to prior year in which "Agros Hayot" LLC began its operating activity, due to the government incentives. According to the Tax Code of the Republic of Uzbekistan, the amount of wages and other income of individuals allocated for payment of insurance premiums for long-term life insurance were free from personal income tax. As at 31 December 2018, the total number of life insurance contracts issued by the subsidiary was 5,248 (1 January 2018: 1,776).

Applying IAS 39 to the deposit component, the Group measure it initially at fair value. Fair value is determined by discounting the future cash flows from the deposit component. As a result, the effect of discounting of UZS 2,045,913 thousand is deducted to give the carrying amount of Customer accounts as at 31 December 2018 in the preliminary consolidated statement of financial position and recognised as gain in Written insurance premium of UZS 2,045,913 thousand on the initial recognition of the deposit component (a 'day 1' gain).

18. Other liabilities

	31 December 2018	1 January 2018
Other financial liabilities:		
Payables to employees	3,616,579	3,079,040
Payables to suppliers	586,916	130,246
Payables to services	61,354	126,508
Professional fees payable	29,157	24,614
Other financial liabilities	54,264	58,586
Total other financial liabilities	**4,348,270**	**3,418,994**
Other non-financial liabilities:		
Taxes payable, other than income tax	1,745,898	2,572,868
Payables to guarantee fund	61,193	412,795
Other non-financial liabilities	219,014	305,779
Total other non-financial liabilities	**2,026,105**	**3,291,442**
Total other liabilities	**6,374,375**	**6,710,436**

19. Equity

	Number of outstanding shares (in thousands)	Ordinary shares	Preferred shares	Total
1 January 2018	**8,172**	**26,738,035**	**65,600**	**26,803,635**
Issue of share capital	25,046	82,152,304	-	82,152,304
31 December 2018	**33,218**	**108,890,339**	**65,600**	**108,955,939**

The total authorized number of ordinary shares is 33,198 thousand shares (1 January 2018: 8,172 thousand shares), with a par value of UZS 3,280 per share (1 January 2018: UZS 3,280 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The total authorized number of preference shares is 20 thousand shares (1 January 2018: 20 thousand shares), with a par value of UZS 3,280 per share (1 January 2018: UZS 3,280 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Minimum annual dividends on preference shares are fixed at 25% of the nominal value and rank above ordinary dividends. The dividends declared on preference shares cannot be less than those declared for ordinary shares.

In 2018, the Ministry of Finance of the Republic of Uzbekistan (94% of ownership) made a decision to increase the share capital through the additional issue of shares with a nominal value of UZS 3,280 for a total amount of UZS 82,152,304 thousand. Capital injection from the shareholder was in the form of cash in the amount of UZS 73,196,365 thousand and property fair valued at UZS 8,955,939 thousand.

Accumulated deficit. As at 31 December 2018, the Group's accumulated deficit included the Stabilisation reserve, the Preventive measures reserve and the Reserve capital in the amount of UZS 18,070,773 thousand (1 January 2018: UZS 21,531,112 thousand), UZS 10,657,565 thousand (1 January 2018: UZS 3,649,105 thousand) and UZS 2,517,032 thousand (1 January 2018: UZS 2,517,032 thousand), respectively.

(in thousands of Uzbekistan Soums)

20. Premium earned, net of reinsurance

Premium earned, net of reinsurance, for the year ended 31 December 2018, comprised the following:

	Vehicle owners CR*	Employer's CR*	Pledged property insurance	Agriculture insurance	Loan default insurance	Accident insurance	Property insurance	Construction risk mandatory insurance	Individuals CR*	Dangerous facilities mandatory insurance	Preferential loan insurance	Other insurance	Total
Written insurance premiums	37,205,508	19,293,060	28,413,186	39,443,749	16,674,607	8,957,123	9,898,098	4,865,206	3,878,112	3,714,146	292,440	8,624,223	**181,259,458**
Reinsurance premiums ceded	(1,224,889)	(3,438,485)	(1,132,418)	-	-	-	(786,343)	(440,914)	-	(872,763)	-	(170,014)	**(8,065,826)**
Premiums written, net of reinsurance	35,980,619	15,854,575	27,280,768	39,443,749	16,674,607	8,957,123	9,111,755	4,424,292	3,878,112	2,841,383	292,440	8,454,209	**173,193,632**
Change in unearned premium reserve, gross	1,154,580	(957,696)	(7,205,087)	999,503	(9,438,560)	10,544	(421,173)	(913,164)	(1,701,643)	(320,126)	2,396,522	2,351,292	**(14,045,008)**
Change in unearned premium reserve, reinsurers' share	(5,239,518)	(675,448)	435,126	-	1,607,255	(87,977)	194,013	(230,604)	-	(181,461)	(1,833,609)	(302,204)	**(6,314,427)**
Change in unearned premiums reserve, net	(4,084,938)	(1,633,144)	(6,769,961)	999,503	(7,831,305)	(77,433)	(227,160)	(1,143,768)	(1,701,643)	(501,587)	562,913	2,049,088	**(20,359,435)**
Cancelled premiums	(478)	(23,667)	(135,085)	(3,920)	(143,252)	(1,958)	(39,469)	(18,267)	-	-	-	(120,461)	**(486,557)**
Premium earned, net of reinsurance	31,895,203	14,197,764	20,375,722	40,439,332	8,700,050	8,877,732	8,845,126	3,262,257	2,176,469	2,339,796	855,353	10,382,836	**152,347,640**

*CR- civil responsibility

(in thousands of Uzbekistan Soums)

21. Claims incurred, net of reinsurance

Claims incurred, net of reinsurance, for the year ended 31 December 2018, comprise the following:

	Vehicle owners CR*	Employer's CR*	Pledged property insurance	Agriculture insurance (more than 90 % is cotton)	Loan default insurance	Accident insurance	Property insurance	Construction risk mandatory insurance	Individuals CR*	Dangerous facilities mandatory insurance	Preferential loan insurance (more than 90% is cotton)	Other insurance	Total
Claims paid, gross	(7,079,889)	(5,334,443)	(1,338,210)	(35,198,244)	(517,703)	(3,403,129)	(1,270,293)	(22,205)	(53,729)	(71,106)	(10,201,241)	(453,374)	**(64,943,566)**
Claims paid, reinsurers` share	1,096,582	733,247	-	-	-	-	67,411	-	-	-	11,212,079	-	**13,109,319**
Claims paid, net	(5,983,307)	(4,601,196)	(1,338,210)	(35,198,244)	(517,703)	(3,403,129)	(1,202,882)	(22,205)	(53,729)	(71,106)	1,010,838	(453,374)	**(51,834,247)**
Change in reserves for claims and claims` adjustment expenses, gross	(1,038,838)	2,022,560	(98,255)	(21,807,163)	(3,549,036)	4,125	(277,662)	(106,830)	(335,633)	(19,180)	3,626,772	558,883	**(21,020,257)**
Change in reinsurers` share of reserves for claims and claims` adjustment expenses	(958,375)	(5,309)	5,114	-	-	(45,657)	44,609	(22,873)	-	(111)	-	(80,528)	**(1,063,130)**
Net change in reserves for claims and claims` adjustment expenses	(1,997,213)	2,017,251	(93,141)	(21,807,163)	(3,549,036)	(41,532)	(233,053)	(129,703)	(335,633)	(19,291)	3,626,772	478,355	**(22,083,387)**
Claims incurred, net of reinsurance	(7,980,520)	(2,583,945)	(1,431,351)	(57,005,407)	(4,066,739)	(3,444,661)	(1,435,935)	(151,908)	(389,362)	(90,397)	4,637,610	24,981	**(73,917,634)**

*CR- civil responsibility

22. Net commission expense

Net commission expense for the year ended 31 December 2018, comprises the following:

	Vehicle owners CR*	Employer's CR*	Pledged property insurance	Agriculture insurance	Loan default insurance	Accident insurance	Property insurance	Construction risk mandatory insurance	Individuals CR*	Dangerous facilities mandatory insurance	Preferential loan insurance	Other insurance	Total
Commission income	-	-	-	-	-	-	-	-	-	-	-	80,575	80,575
Commission expense	(4,982,390)	(2,017,829)	(6,213,173)	(89,046)	(181,800)	(2,118,389)	(2,229,352)	(1,065,474)	(406,332)	(740,455)	-	(3,543,138)	(23,587,378)
Net commission expense	**(4,982,390)**	**(2,017,829)**	**(6,213,173)**	**(89,046)**	**(181,800)**	**(2,118,389)**	**(2,229,352)**	**(1,065,474)**	**(406,332)**	**(740,455)**	**-**	**(3,462,563)**	**(23,506,803)**

*CR- civil responsibility

(in thousands of Uzbekistan Soums)

23. Reimbursement of claims

Reimbursement of claims for the year ended 31 December 2018, comprises the following:

	Vehicle owners CR*	Employer's CR*	Pledged property insurance	Loan default insurance	Accident insurance	Property insurance	Preferential loan insurance *(more than 90% is cotton)*	Other insurance	Total
Regress and subrogation	95,675	72,207	1,500	10,207	23,400	678	1,764,152	67	1,967,886
	95,675	**72,207**	**1,500**	**10,207**	**23,400**	**678**	**1,764,152**	**67**	**1,967,886**

*CR- civil responsibility

24. Investment income

	Year ended 31 December 2018
Interest income on due from banks	8,628,378
Dividend income	2,984,120
Interest income on loans to employees	263,129
	11,875,627

During 2018, the Group received non-cash form of dividends. The entities distributed available earnings by means of stock dividends on a pro rata basis, as a result the Group has received stock dividends in the amount of UZS 2,008,839 thousand. The rest of the dividends was received in cash.

For the year ended 31 December 2018, there was no interest income on impaired financial assets.

25. Administrative and operating expenses

Administrative and operating expenses comprise:

	Year ended 31 December 2018
Staff cost	59,883,006
Taxes other than income tax	7,170,266
Depreciation and amortization	3,978,610
Rent and maintenance	2,471,260
Membership fees	2,000,000
Bank commissions	1,984,406
Charity	1,448,443
Contribution to guarantee fund	932,275
Forms for official use	865,644
Fuel expenses	810,131
Stationery and office supplies	755,152
Utilities	569,060
Communication expenses	435,229
Advertising services	407,581
Professional services	358,319
Penalties and fines	343,978
Other expenses	2,070,789
	86,484,149

(in thousands of Uzbekistan Soums)

26. Provision for impairment losses on financial assets and other operations

	Insurance and reinsurance receivables (Note 11)	Other assets (Note 14)	Total
1 January 2018	**539,758**	**166,060**	**705,818**
Additional provisions recognized	904,971	248,769	1,153,740
31 December 2018	**1,444,729**	**414,829**	**1,859,558**

27. Income taxes

The Group performs its tax calculation on the basis of tax regulations in accordance with the legislation of the Republic of Uzbekistan, which can differ from IFRS.

Management believes that the Group is in compliance with the tax laws applicable to its operations; however, there is a risk that relevant authorities could take differing positions interpreting those laws.

The Group's permanent tax differences arise mainly due to non-tax deductibility of certain expenses and a tax free regime for certain income. Income on state and other qualifying securities on stock exchange is tax exempt.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at 31 December 2018 and 1 January 2018, temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

(a) Reconciliation between tax expense and profit or loss multiplied by applicable tax rate

In accordance with Presidential Decree #PP-3454 dated 29 December 2017 corporate income tax and infrastructure development tax were combined. The enacted income tax rate for 2018 is 12%.

Reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2018
Loss before income tax	**(19,161,339)**
Theoretical tax charge at the applicable statutory rate - 12%	(2,299,361)
- Non-deductible expenses	425,313
- Effect of losses	2,775,539
- Effect of subsidiaries	2,344
- Unrecognised deferred tax asset	3,739,112
- Other	100,182
Income tax expense	**4,743,129**

(b) Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

(in thousands of Uzbekistan Soums)

	31 December 2018	(Charged)/ credited to profit or loss	1 January 2018
Tax effect of deductible/(taxable) temporary differences			
Insurance and reinsurance receivable	173,367	97,801	75,566
Unearned premium reserve, reinsurers' share	-	(225,016)	225,016
Property and equipment	624,983	624,984	-
Other assets	589,916	365,210	224,705
Reserves for claims and claims' adjustment expenses	(5,000,882)	(5,950,076)	949,194
Customer accounts	6,879,436	5,602,817	1,276,619
Unearned premium reserve	2,242,966	3,114,612	(871,646)
Other liabilities	298,666	108,780	189,886
Net deferred tax asset	**5,808,452**	**3,739,112**	**2,069,340**
Deferred tax asset	10,809,334	9,914,204	2,940,986
Deferred tax liability	(5,000,882)	(6,175,092)	(871,646)
Unrecognised deferred tax asset	(5,808,452)	(3,739,112)	(2,069,340)
Net deferred tax asset recognised	-	-	-

For the year ended 31 December 2018, the Group incurred non-cash expenses related to 10% withholding tax on interest and dividend incomes of the Group in the amount of UZS 858,050 thousand and UZS 247,720 thousand, respectively.

28. Commitments and contingencies

Legal proceedings

From time to time and in the normal course of business, claims against the Group 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 respect of claims, and accordingly no provision has been made in these preliminary consolidated financial statements.

Taxation

Uzbekistan tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan 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 five calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Uzbekistan tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Pensions and retirement plans

Employees of the Group receive pension benefits from pension fund except for the agents working under the agency contracts in accordance with the laws and regulations of the Republic of Uzbekistan. As at 31 December 2018 and 1 January 2018, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

(in thousands of Uzbekistan Soums)

Capital commitments

As at 31 December 2018 and 1 January 2018, the Group had no significant capital commitments.

Operating lease commitments

As at 31 December 2018 and 1 January 2018, the Group did not have any significant operating lease commitments.

Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. During 2018-2019, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

29. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures" are presented below.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2018 and 1 January 2018 with related parties:

	31 December 2018		1 January 2018	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Other assets	5,640	9,106,389	7,566	9,361,813
- key management personnel	5,640		7,566	
Other liabilities	5,037	6,374,375	11,435	6,710,436
- key management personnel	5,037		11,435	

As at 31 December 2018 and 1 January 2018, there was no impairment against related party balances.

Included in the statement of profit or loss for the year ended 31 December 2018 are the following amounts, which were recognized in the transactions with related parties:

(in thousands of Uzbekistan Soums)

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December 2018	
	Related party transactions	**Total category as per financial statements caption**
Key management personnel compensation:		
- salaries and other employee benefits	(1,697,908)	(86,484,149)

30. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "*Operating segments*" and other standards that require special disclosures in the form of segmental reporting. The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Management Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to other income and expense, operating expenses other than salaries and other employee benefits. Segment information for the main reportable business segments of the Group for the years ended 31 December 2018 and as at 1 January 2018 is set out below:

	Non-life insurance	**Life insurance**	**Year ended 31 December 2018**
Written insurance premiums	178,832,324	2,427,134	181,259,458
Reinsurance premiums ceded	(8,065,826)	-	(8,065,826)
Change in unearned premium reserve, net	(20,345,612)	(13,823)	(20,359,435)
Cancelled premiums	(486,557)	-	(486,557)
Claims paid, gross	(64,927,885)	(15,681)	(64,943,566)
Claims paid, reinsurer's share	13,109,319	-	13,109,319
Net change in reserves for claims and claim adjustment expenses	(21,939,169)	(144,218)	(22,083,387)
Reimbursement of claims	1,967,886	-	1,967,886
Expenses incurred to prevent insurance events	(1,241,895)	-	(1,241,895)
Commission income	80,575	-	80,575
Commission expense	(21,243,499)	(2,343,879)	(23,587,378)
Investment income	7,171,164	4,704,463	11,875,627
Net (loss)/gain on foreign exchange operations	(15,263)	856	(14,407)
Other income	892,767	73,369	966,136
Administrative and operating expenses	(80,633,254)	(5,850,895)	(86,484,149)
Provision for impairment losses on financial assets and other operations	(1,068,650)	(85,090)	(1,153,740)
Income tax expense	(4,244,501)	(498,628)	(4,743,129)
Segment result	(22,158,076)	(1,746,392)	(23,904,468)

	Non-life insurance	**Life insurance**	**As at 31 December 2018**
Total segment assets	167,240,831	69,389,197	236,630,028
Total assets			**236,630,028**
Total segment liabilities	135,534,285	58,576,091	194,110,376
Total liabilities			**194,110,376**

(in thousands of Uzbekistan Soums)

	Non-life insurance	Life insurance	As at 1 January 2018
Total segment assets	93,070,079	18,671,821	111,741,900
Total assets			**111,741,900**
Total segment liabilities	117,540,320	10,033,146	127,573,466
Total liabilities			**127,573,466**

The Group is organized on the basis of lines of business. Income and expenses related to the major business of the Group by business segments are disclosed in Notes 19, 20 and 21.

Geographical segments

The operations of the Group are conducted and managed in Republic of Uzbekistan and, accordingly, no geographical segmental information is presented.

31. Fair value of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

		Fair value				
Financial Assets/ Liabilities as at 31 December 2018	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Due from other banks	113,924,884	113,355,275	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Other financial assets	3,777,788	2,844,220	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	57,328,632	55,489,301	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

(in thousands of Uzbekistan Soums)

		Fair value				
Financial Assets/ Liabilities as at 1 January 2018	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Due from banks	16,322,542	16,428,688	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Other financial assets	4,988,457	3,648,675	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	9,118,706	8,704,223	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

The Group determines the fair value for its financial instruments using the discounted cash flow model and publicly available interest rates published by CBU in the Statistical bulletin, which became available starting from 2019, as a proxy market rate taking into account the risk characteristics (tenor, currency, etc) of the respective financial instruments. Such financial instruments were categorised as Level 2.

32. Capital management

The Group's objectives when managing capital are to comply with capital requirements set by Republic of Uzbekistan law and the insurance regulator, to safeguard the Group's ability to continue as a going concern and to provide an adequate return to the shareholders.

The Group is subject to the following capital regulatory requirements that are calculated on the basis of accounting reports prepared in accordance with the Republic of Uzbekistan Accounting Rules:

- Excess of actual solvency margin by at least 100% over the amount of regulatory solvency margin;
- The maximum exposure of liabilities of insurer (reinsurer) for certain risks, with the exception of insurance of export contracts against political and commercial risks, may not exceed 20% of the amount of sources of own funds and insurance reserves;
- The maximum exposure of liabilities of the insurer (reinsurer) for certain risks on insurance of export contracts against political and commercial risks cannot exceed 15% of the amount of sources of own funds and insurance reserves.

The calculation of the Group's solvency margin on the basis of reports prepared in accordance with the Republic of Uzbekistan legislation is provided in the table below:

	31 December 2018 (unaudited)	**1 January 2018 (unaudited)**
Regulatory capital		
Minimum solvency margin	34,373,115	30,000,000
Actual solvency margin	59,897,721	(31,564,976)
Solvency margin	**1.74**	**(1.05)**

As at 1 January 2018, the Company did not comply with solvency margin set by the Regulation №1806 of the Ministry of Finance of the Republic of Uzbekistan "Regulation on solvency of insurers and reinsurers".

During the year ended 31 December 2018, the Company negotiated capital injection from shareholder for amount of UZS 73,196,365 thousand in cash and UZS 8,955,939 thousand in the form of property which remedied non-compliance.

33. Risk management policies

Management of risk is fundamental to the insurance business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to underwriting risk, credit risk, market risk, operational and liquidity risk. A summary of the Group's risk management policies in relation to those risks is as follows.

Underwriting policy

The Group establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored. The Group's direct insurance business is spread throughout the Republic of Uzbekistan.

Analysis of trends in losses

An analysis of the dynamics of the losses provides the Company's ability to assess the final amount of the loss period. For the expediency of analysis, the reserves and claims paid of the Company were used as historical data. The Company analysed trends in losses for six classes of insurance: employer's civil liability, agriculture insurance, collateral insurance, credit default insurance, vehicle owner's liability and accident insurance. For the selected insurance categories, the claim settlement period was over one year, and the number of insurance cases provides sufficient statistics to assess expected losses.

"Gross liability for unpaid claims and expenses for claims (IBNR & RBNS)", "Reinsurance amount to be reimbursed", "Net liability for unpaid claims and claims expenses (net IBNR & net RBNS)" in the table below provides general data on loss reserves, taking into account the share of the reinsurer and net reinsurer's share, respectively, valued at the reporting date (end of the period). This part of the table shows how to estimate the total losses of the Company relating to a specific period of the calendar changed in subsequent periods.

The rows "Paid claims (accrual basis) of insurance cases incurred in corresponding year" provides data on payments occurred during each period specified in corresponding row for losses occurring during the period specified in the headline of corresponding column on accumulated basis.

Further, the rows "Gross reserve for insurance cases incurred in corresponding year" is a portion of the reserve recognised at reporting date specified in corresponding row for losses occurring during the period specified in the headline of corresponding column.

The rows "Current surplus/(deficit) evaluation" is the difference between the amount of accumulated paid claims and the current assessment of incurred claims (loss reserve balance) and the initial gross reserve for unpaid claims and claims expenses.

In its loss provisions, the Group assess expected insurance payments on insurance cases that arose. To assess expected losses, it is assumed that loss trends will be the same as in previous periods, and that the ratio between the value of final losses and settlements will not change significantly over time. However, as the uncertainty estimate is based on previous experience, the difference between the general loss provision and the forecast provision may not always be positive.

The table below shows gross liability for unpaid claims and claims expenses at 31 December 2018 and 1 January 2018 for six classes of insurance: employer's civil liability, agriculture insurance, collateral insurance, credit default insurance, vehicle owner's liability and accident insurance. These gross liability for unpaid claims and claims expenses differ from the amount included in the preliminary consolidated statement of financial position because the amount in the preliminary consolidated statement of financial position is based on the total amount of reserves for claims and claims adjustment expenses for all classes of insurance.

(in thousands of Uzbekistan Soums)

31 December of corresponding year	2015	2016	2017	2018
Gross liability for unpaid claims and claims expenses (IBNR & RBNS)	**7,765,271**	**9,163,769**	**27,449,391**	**52,640,837**
Reinsurance amount to be reimbursed			1,617,670	613,443
Net liability for unpaid claims and claims expenses (net IBNR & net RBNS)	**7,765,271**	**9,163,769**	**25,831,721**	**52,027,394**
Gross reserve for insurance cases incurred in corresponding year:	**2015**	**2016**	**2017**	**2018**
At the end of the year	**7,237,579**	**8,613,611**	**21,452,397**	**44,288,856**
Paid claims (accrual basis) of insurance cases incurred in:				
One year later	10,332,868	21,603,971	14,467,316	
Two years later	11,164,854	26,421,269		
Three years later	11,327,217			
Current aggregated claims paid	**11,327,217**	**26,421,269**	**14,467,316**	

Gross reserve for insurance cases incurred in corresponding year:	2015	2016	2017	2018
One year later	53,876	5,858,827	7,199,719	
Two years later	167,881	838,969		
Three years later	235,335			
Current estimate of accumulated claims	**235,335**	**838,969**	**7,199,719**	
Current surplus/(deficit) evaluation (accumulated)	-4,324,974	-18,646,627	-214,638	
Current surplus/ (deficit) of initial gross reserve, %	**-59.8%**	**-216.5%**	**-1.0%**	

Reinsurance

In the normal course of business the Group enters into treaty and facultative reinsurance agreements with reinsurers in the Republic of Uzbekistan. Reinsurance contracts do not relieve the Group from its obligations to policyholders. The Group evaluates the financial strengths of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Investment risks

The investment policy of the Group is based on levels of income and the Group's risk appetite at a point in time.

The investment portfolio of the Group comprises financial instruments that are chosen according to profitability rates, maturity and the risk level of the investment. The investment portfolio is diversified so as to provide smooth income receipts during the investing period. Investment income is generally reinvested to increase the investment portfolio.

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by the Management Board and the Board of Directors on a regular basis. Such risks are monitored continuously and subject to an annual or more frequent reassessment.

The Group regularly monitors the collectability of receivables from the insurance and reinsurance businesses. If receivables are impaired, impairment charges are recognized in the financial statements.

(in thousands of Uzbekistan Soums)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets the maximum exposure is equal to the carrying value of those assets prior to any offset or collateral.

	31 December 2018				
	Maximum exposure	Offset	Net exposure after offset	Collateral	Net exposure after offset and collateral
Cash and cash equivalents	18,142,028	-	18,142,028	-	18,142,028
Due from banks	113,924,884	-	113,924,884	-	113,924,884
Available-for-sale financial assets	32,988,876	-	32,988,876	-	32,988,876
Insurance and reinsurance receivable	1,482,368	-	1,482,368	-	1,482,368
Other financial assets	3,777,788	-	3,777,788	-	3,777,788

	1 January 2018				
	Maximum exposure	Offset	Net exposure after offset	Collateral	Net exposure after offset and collateral
Cash and cash equivalents	4,471,692	-	4,471,692	-	4,471,692
Due from banks	16,322,542	-	16,322,542	-	16,322,542
Available-for-sale financial assets	28,232,825	-	28,232,825	-	28,232,825
Insurance and reinsurance receivable	4,659,478	-	4,659,478	-	4,659,478
Other financial assets	4,988,457	-	4,988,457	-	4,988,457

Financial assets are graded according to the current credit ratings which have been issued by internationally recognized agencies. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Group:

	31 December 2018				
	<AAA	BBB	>BBB	Not rated	Total
Cash and cash equivalents	-	-	18,119,306	22,722	18,142,028
Due from banks	-	-	107,524,884	6,400,000	113,924,884
Available-for-sale financial assets	-	-	24,700,246	8,288,630	32,988,876
Insurance and reinsurance receivable	-	-	-	1,482,368	1,482,368
Other financial assets	-	-	-	3,777,788	3,777,788

	1 January 2018				
	<AAA	BBB	>BBB	Not rated	Total
Cash and cash equivalents	-	-	4,471,692	-	4,471,692
Due from banks	-	-	16,192,542	130,000	16,322,542
Available-for-sale financial assets	-	-	21,564,193	6,668,632	28,232,825
Insurance and reinsurance receivable	-	-	-	4,659,478	4,659,478
Other financial assets	-	-	-	4,988,457	4,988,457

The credit risk exposure of the Group is mainly concentrated within the Republic of Uzbekistan. The exposure is monitored on a regular basis to ensure that the limits and creditworthiness guidelines established by the Group's risk management policy are not breached.

(in thousands of Uzbekistan Soums)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Group manages liquidity through:

- the Group liquidity risk policy which determines what constitutes liquidity risk for the Group;
- the minimum proportion of funds to meet emergency calls;
- setting up of contingency funding plans;
- the sources of funding and the events that would trigger the plan;
- concentration of funding sources;
- reporting of liquidity risk exposures and breaches to the monitoring authority;
- monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	31 December 2018 Total
FINANCIAL ASSETS:							
Due from banks	14%	1,774,884	3,100,000	103,650,000	5,400,000	-	113,924,884
Other financial assets	6%	39,488	78,976	355,391	3,215,951	-	3,689,806
Total interest bearing financial assets		**1,814,372**	**3,178,976**	**104,005,391**	**8,615,951**	**-**	**117,614,690**
Cash and cash equivalents		18,142,028	-	-	-	-	18,142,028
Available-for-sale financial assets		-	-	-	-	32,988,876	32,988,876
Insurance and reinsurance receivable		134,644	930,698	355,957	61,069	-	1,482,368
Other financial assets		87,982	-	-	-	-	87,982
Total financial assets		**20,179,026**	**4,109,674**	**104,361,348**	**8,677,020**	**32,988,876**	**170,315,944**
FINANCIAL LIABILITIES:							
Insurance and reinsurance payable		1,074,462	798,873	2,394,456	1,821	-	4,269,612
Customer accounts		22,009,686	14,776,867	17,460,202	3,047,707	34,170	57,328,632
Other financial liabilities		4,229,644	60,121	58,505	-	-	4,348,270
Total financial liabilities		**27,313,792**	**15,635,861**	**19,913,163**	**3,049,528**	**34,170**	**65,946,514**
Interest sensitivity gap		1,814,372	3,178,976	104,005,391	8,615,951	-	
Cumulative interest sensitivity gap		**1,814,372**	**4,993,348**	**108,998,739**	**117,614,690**	**117,614,690**	
Liquidity gap		(7,134,766)	(11,526,187)	84,448,185	5,627,492	32,954,706	
Cumulative liquidity gap		**(7,134,766)**	**(18,660,953)**	**65,787,232**	**71,414,724**	**104,369,430**	

(in thousands of Uzbekistan Soums)

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	1 January 2018 Total
FINANCIAL ASSETS:							
Due from banks	12%	30,535	-	15,092,007	1,200,000	-	16,322,542
Other financial assets	6%	45,481	90,961	409,326	3,916,162	-	4,461,930
Total interest bearing financial assets		**76,016**	**90,961**	**15,501,333**	**5,116,162**	**-**	**20,784,472**
Cash and cash equivalents		4,471,692	-	-	-	-	4,471,692
Available-for-sale financial assets		-	-	-	-	28,232,825	28,232,825
Insurance and reinsurance receivable		89,090	260,992	4,074,065	235,331	-	4,659,478
Other financial assets		89,120	437,407	-	-	-	526,527
Total financial assets		**4,725,918**	**789,360**	**19,575,398**	**5,351,493**	**28,232,825**	**58,674,994**
FINANCIAL LIABILITIES:							
Insurance and reinsurance payable		398,152	838,426	20,582,825	737,045	-	22,556,448
Customer accounts		693,778	1,376,872	6,355,815	692,240	-	9,118,706
Other financial liabilities		2,775,538	80,339	521,361	41,756	-	3,418,994
Total financial liabilities		**3,867,468**	**2,295,637**	**27,460,001**	**1,471,041**	**-**	**35,094,148**
Interest sensitivity gap		76,016	90,961	15,501,333	5,116,162	-	
Cumulative interest sensitivity gap		**76,016**	**166,977**	**15,668,310**	**20,784,472**	**20,784,472**	
Liquidity gap		858,449	(1,506,277)	(7,884,603)	3,880,452	28,232,825	
Cumulative liquidity gap		**858,449**	**(647,828)**	**(8,532,431)**	**(4,651,979)**	**23,580,846**	

The Group does not include its insurance reserves in its liquidity and maturity analysis, including amounts due from reinsurers classified as reinsurance assets, due to the realistic maturity of such balances being undeterminable. In addition, the actual liabilities may vary from the amount reserved and as such these amounts are not included in the above table.

Discounted liabilities presented in the tables above are the same as contractual undiscounted liabilities due to their short-term nature.

Market risk

The Group takes on exposure to market risks which arise from open positions in interest rates and assets and liabilities in foreign currencies, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin.

The Group has available-for-sale financial assets. As the available-for-sale financial assets are carried as cost there is no possibility to assess risk associated to equity price change. However, management believes that Group is not significantly exposed to price risk.

Interest rate sensitivity

Interest rate risk is the risk that changes in the interest rates will have an adverse financial effect on the Group's financial condition and/or results.

The Group is not exposed to the risk of changes in market interest rates as preliminary consolidated statement of financial position does not comprise any financial instruments with floating interest rates.

(in thousands of Uzbekistan Soums)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UZS	USD (1 USD = 8339.55 UZS	EUR (1 EUR = 9479.57 UZS	Other currencies	31 December 2018 Total
ASSETS:					
Cash and cash equivalents	18,055,431	86,597	-	-	18,142,028
Due from banks	113,924,884	-	-	-	113,924,884
Insurance and reinsurance receivable	1,481,557	811	-	-	1,482,368
Other financial assets	3,777,788	-	-	-	3,777,788
TOTAL MONETARY ASSETS	**137,239,660**	**87,408**	**-**	**-**	**137,327,068**
LIABILITIES:					
Insurance and reinsurance payable	4,269,612	-	-	-	4,269,612
Customer accounts	57,328,632	-	-	-	57,328,632
Other financial liabilities	4,348,270	-	-	-	4,348,270
TOTAL MONETARY LIABILITIES	**67,992,427**	**-**	**-**	**-**	**67,992,427**
NET POSITION	**69,247,233**	**87,408**	**-**	**-**	**69,334,641**

	UZS	USD (1 USD = 8120.07UZS	EUR (1 EUR = 9624.72 UZS	Other currencies	1 January 2018 Total
ASSETS:					
Cash and cash equivalents	3,282,298	1,189,394	-	-	4,471,692
Due from banks	15,510,310	812,232	-	-	16,322,542
Insurance and reinsurance receivable	4,659,478	-	-	-	4,659,478
Other financial assets	4,988,457	-	-	-	4,988,457
TOTAL MONETARY ASSETS	**28,440,543**	**2,001,626**	**-**	**-**	**30,442,169**
LIABILITIES:					
Insurance and reinsurance payable	22,556,448	-	-	-	22,556,448
Customer accounts	9,118,706	-	-	-	9,118,706
Other financial liabilities	3,418,994	-	-	-	3,418,994
TOTAL MONETARY LIABILITIES	**35,094,148**	**-**	**-**	**-**	**35,094,148**
NET POSITION	**(6,653,605)**	**2,001,626**	**-**	**-**	**(4,651,979)**

Currency risk sensitivity

The following table details the Group's sensitivity to a 15% (1 January 2018: 15%) increase and decrease in the UZS against the relevant foreign currencies. 15% (1 January 2018: 15%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% (1 January 2018: 15%) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the USD strengthens 15% (1 January 2018: 15%) against the relevant currency. For a 15% (1 January 2018: 15%) weakening of the USD against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

The impact on income before tax and equity, based on asset values as at 31 December 2018, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the last two years; see the details in the following table:

(in thousands of Uzbekistan Soums)

	As at 31 December 2018		As at 1 January 2018	
	UZS/USD +15%	UZS/USD -15%	UZS/USD +15%	UZS/USD -15%
Impact on net profit and equity	13,111	(13,111)	300,244	(300,244)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

34. Subsequent events

In January 2019, the Ministry of Finance of the Republic of Uzbekistan transferred shares of ownership of the Company's shares to the State Asset Management Agency of the Republic of Uzbekistan, on the basis of which ownership share of the Agency is 94% on the date of the issuance of these the preliminary consolidated financial statements.

According to Presidential Decree #UP-5755 dated 27 June 2019, the government incentives in terms of exemption from personal income tax of wages and other incomes of individuals allocated for payment of insurance premiums for long-term life insurance, became applicable only for those life insurance contracts, under which the insured receives monthly rent payments starting after the 12 months from the start date of the insurance period. In the previous resolution, there was no requirement related to the date of the commencement of rent payments.

According to the Resolution #505 dated 17 June 2019 issued by the Cabinet of Ministers of the Republic of Uzbekistan, the government has provided a subsidy for agriculture insurance, by setting limits of exposure of the Company to only 80% of insurance premium, while the residual insurance claims are being paid out of the state budget funds. The Group expects that this resolution would decrease vulnerability and enable to avoid high loss ratios during low-yield for the line of business that was previously subject to high correlation between losses and weather circumstances.

The management is not aware of any other material events subsequent to the reporting date.