

O'ZBEKINVEST
MILLIY SUG'URTA KOMPANIYASI

**NATIONAL EXPORT-IMPORT
INSURANCE COMPANY
«UZBEKINVEST»**

**Consolidated Financial Statements and
Independent Auditors' Report
for the year ended 31 December 2017**

CONTENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPERATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS	3
INDEPENDENT AUDITOR'S REPORT	4
CONSOLIDATED STATEMENT OF PROFIT AND LOSSES	8
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13-57

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPERATION AND
APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Management is responsible for the preparation of the consolidated financial statements that fairly present the financial position of the National Export-Import Insurance Company "Uzbekinvest" (the "Company") and its subsidiaries (the "Group") as at 31 December 2017, and results of its activity, cash flows and changes in equity for the year ended at the date in accordance with International Financial Reporting Standards ("IFRS").

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

- Ensuring the right choice and application of accounting policies;
- Presentation of information, including accounting policy data, in a form that ensures the relevance, reliability, comparability and comprehensibility of such information;
- Disclosure of additional information in cases where compliance with the requirements of IFRS proves insufficient for users to understand the impact that certain transactions, as well as other events or conditions, have on the consolidated financial position and consolidated financial performance of the Group; and
- Assessment of the Group's ability to continue to operate in the foreseeable future.

Management is also responsible for:

- Development, implementation and operation of an effective and reliable system of internal control in the Group;
- Keeping records in a form that allows to disclose and explain the transactions of the Group, and to provide information of sufficient accuracy as of any date on the consolidated financial position of the Group and ensure that the consolidated financial statements comply with the requirements of IFRS;
- Accounting in accordance with the legislation of the Republic of Uzbekistan and the United Kingdom;
- Taking all reasonably possible measures to ensure the safety of the Group's assets; and
- Identification and prevention of financial and other abuse.

These consolidated financial statements for the year ended 31 December 2017 were approved by the Group's management on 30 June 2018.

On behalf of the Management

Asatullaev A. I.
Deputy General Director

30 June 2018
Tashkent, Uzbekistan



Javliev A. I.
Chief Accountant

30 June 2018
Tashkent, Uzbekistan



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INDEPENDENT AUDITOR'S REPORT

**To the Founders and the Board of Directors of
National export-import insurance company
«Uzbekinvest»:**

Opinion

We have audited the accompanying consolidated financial statements of the National Export-Import Insurance Company "Uzbekinvest" (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the related consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, as well as their consolidated financial performance and their consolidated cash flows for the year ended on the specified date in accordance with International Financial Reporting Standards (IFRS).

Basis for expressing an opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibilities for the audit of the consolidated financial statements" of our opinion. We are independent of the Group in accordance with ethical requirements applicable to our audit of consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit issues are issues that, according to our professional judgment, were the most significant for our audit of financial statements for the current period. These issues were considered in the context of our audit of the financial statements in general and in the formation of our opinion on this reporting, and we do not express a separate opinion on these matters.



Key audit matters(Continued)

Key audit matters	What audit procedures were performed on the key audit issue
<p>1. Valuation of insurance reserves</p> <p>The Company's insurance reserves, which include the reserve for outstanding claims and reserve for unexpired risks, reflect the uncertainty inherent in the insurance business on the balance sheet. The estimation of insurance reserves is complex as it involves a high degree of judgement. With regards to the reserve for outstanding claims, the claims department will set up a loss reserve upon notification and after assessing all the information on the claim which has been provided. The claims information is then aggregated and considered as a whole to determine the total estimate of the ultimate losses that will be incurred in respect of the insurance policies underwritten for each line of business. The modelling for the loss reserves takes into account the claims experience, claims development, market conditions, as well as matters that are sensitive to the legal, economic, and various other factors and uncertainties, in order to arrive at the estimation of the ultimate losses. The reserve for unexpired risk is computed based on the premiums booked, nature of the policies, and generally accepted valuation basis. Management reviews the claims and premiums, the inputs into the models, and they also engage a certified independent actuary to review the estimation of ultimate losses and reserve for unexpired risks to ensure that the insurance reserves are adequate.</p>	<p>In auditing the insurance reserves, we performed test of controls, test of details, and analytical review procedures on the Company's insurance reserves. We also compared the actuarial valuation methodologies and assumptions used by management with industry data, and against recognized actuarial practices. Our procedures included a review of the assumptions used by the independent qualified certifying actuary and rationale for conclusions made thereon, an assessment of the consistency of valuation methodologies applied against prior years, and an assessment of whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience. In addition, we performed an independent analysis and re-computation of the insurance reserves of selected classes of business. Our focus of the independent analysis and re-computation were over the largest and most uncertain reserves. We also compared our independent analysis to those performed by the management and obtained explanations of significant differences noted, if any.</p>
<p>2. Exchange rate difference on transactions in foreign currency</p> <p>We paid special attention to this issue in connection with the implementation of the currency reform. According to the Decree of the President of the Republic of Uzbekistan No.UP-5177 of the 2nd of September 2017 "On Priority Measures for the Liberalization of Monetary Policy", the economy of the country, basically devalued the national currency to foreign currencies, 1 US dollar amounted 8,100 Uzbek soums. Measures have been taken to freely convert the national currency to foreign currencies, and restrictive measures for the use of foreign currency have been simplified.</p>	<p>We divided the Group's liabilities and assets by currency.</p> <p>We tested (on a selective basis) the accrual of income and expenses set in foreign currency and the application of the exchange rate at the time of reflection as to whether this was done properly.</p> <p>Income and expenses are reflected in Uzbek soums at the time of accrual.</p> <p>Before the adoption of the devaluation, 1 US dollar was 4210.35 Uzbek soums.</p>

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and for the internal control system that management considers necessary to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for assessing the ability of the Group to continue to operate continuously, for disclosure, as appropriate, of information relating to business continuity and for reporting based on the assumption of continuing operations, unless the management intends to liquidate the Group, cease its activities or when it lacks any other real alternative, except for liquidation or discontinuance of activities. Those charged with governance are responsible for overseeing the preparation of the Group's consolidated financial statements.

AUDITOR'S RESPONSIBILITIES OF FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue auditor's report that contains our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing always reveals material misstatement if it exists. Misstatements may result from fraud or error and are considered material if it can be reasonably assumed that individually or collectively they may affect the economic decisions of users made on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the 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 are required to communicate with people responsible for corporate governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide people responsible for corporate 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.

Partner:

A circular stamp from Grant Thornton LLP, Republic of Uzbekistan, is centered on the page. The stamp contains the text "RESPUBLIKASI JAMHIYATI SHAKLIDAGI" at the top, "GRANT THORNTON" in the middle, and "LLP" at the bottom. A handwritten signature in black ink is written over the stamp, extending from the "Partner:" label to the right.

Karimov N.F

Audit manager:

Usmanov L.A.

“Grant Thornton” LLC

Tashkent, the Republic of Uzbekistan

30 June 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSSES AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
INSURANCE:			
Written insurance premiums	5	190 191 966	134 249 529
Reinsurance premiums ceded	5	(59 681 988)	(52 663 159)
Written premiums, net of reinsurance		130 509 978	81 586 370
Change in provision for unearned premiums, net of reinsurance	5,21	(16 406 512)	914 183
Earned insurance premiums, net		114 103 466	82 500 554
Claims paid, gross	6	(56 955 454)	(34 181 515)
Claims on reinsured risks	6	2 227 943	2 820 414
Changes in provision for insurance losses, net of reinsurance	6,22	(45 128 964)	(11 981 144)
Net amount of claims incurred		(99 856 475)	(43 342 245)
Commission income		4 633 266	6 800 689
Acquisition costs		(18 129 877)	(19 277 494)
Change in deferred acquisition costs	18	1 556 304	3 208 823
Results of insurance activity		2 306 684	29 890 327
INVESTMENTS:			
Investment income from financial assets at fair value through profit or loss	7	3 067 248	2 128 744
Interest income from loans and deposits in banks		9 814 136	6 497 511
Provision for impairment of investments available-for- sale	13	(1 733 558)	-
Dividend income		5 705 249	3 066 902
Income from share of profit in associates		473 546	(97 983)
Other (expenses)/income from investing activities		709 585	367 847
Results of investing activity		18 036 206	11 963 021
OTHER:			
Net gain on foreign exchange operations		163 203 582	14 093 205
Administrative and operating expenses	8	(37 202 235)	(31 698 895)
Provision for impairment of other assets		(3 237 212)	-
Other income		3 012 816	2 225 623
Results of other activity		125 776 951	(15 380 067)
PROFIT BEFORE INCOME TAX		146 119 841	26 473 280
Income tax expense	9	(300 788)	(1 634 160)
NET PROFIT FOR THE YEAR		145 819 053	24 839 120
Attributable to:			
Owners of the Company		144 766 223	24 820 064
Non-controlling interest		1 052 830	19 055
		145 819 053	24 839 120

On behalf of the Management:

Asatullaev A.L.
Deputy General Director

30 June 2018
Tashkent, Uzbekistan




Javliev A. I.
Chief Accountant


30 June 2018
Tashkent, Uzbekistan

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
 INCOME (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2017

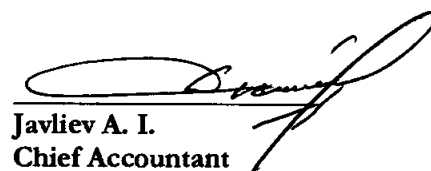
	Notes	Year ended 31 December 2017	Year ended 31 December 2016
NET PROFIT FOR THE YEAR		<u>145 819 053</u>	<u>24 839 120</u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>244 429 500</u>	<u>21 062 969</u>
OTHER COMPREHENSIVE INCOME		<u>244 429 500</u>	<u>21 062 969</u>
TOTAL COMPREHENSIVE INCOME		<u>390 248 553</u>	<u>45 902 088</u>
Attributable to:			
Owners of the Company		<u>389 195 723</u>	<u>45 883 033</u>
Non-controlling interest		<u>1 052 830</u>	<u>19 055</u>
TOTAL COMPREHENSIVE INCOME		<u>390 248 553</u>	<u>45 902 088</u>

On behalf of the Management:


 Asatullaev A.L.
 Deputy General Director



30 June 2018
 Tashkent, Uzbekistan


 Javliev A. I.
 Chief Accountant

30 June 2018
 Tashkent, Uzbekistan

The accompanying notes on pages 13 - 57 are an integral part of the current financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2017

	Notes	31 December 2017	31 December 2016
ASSETS:			
Cash and cash equivalents	10	19 429 467	7 225 149
Deposits in banks	11	331 365 896	144 099 346
Financial assets at fair value through profit or loss	12	415 005 320	163 222 342
Investments available for sale	13	48 588 892	38 563 324
Investments in associates	14	1 284 365	784 432
Reinsurer's share in provision for unearned premiums	21	34 504 413	34 183 732
Reinsurer's share in provision for insurance losses	22	3 839 776	4 522 435
Loans and receivables	15	1 996 533	1 632 150
Insurance and reinsurance receivable	16	14 429 009	3 825 367
Property and equipment and Intangible assets	17	14 439 901	15 243 588
Deferred acquisition costs	18	13 232 238	11 675 934
Other assets	19	7 894 727	8 392 017
TOTAL ASSETS		906 010 537	433 369 816
LIABILITIES AND EQUITY			
Insurance and reinsurance payable	20	16 961 862	3 019 848
Provision for unearned premiums	21	67 030 622	50 303 427
Provision for insurance losses	22	89 818 893	45 372 588
Deferred tax liabilities	9	2 581 353	2 996 261
Other liabilities	23	14 887 574	7 196 012
TOTAL LIABILITIES		191 280 304	108 888 135
Share capital	24	19 257 325	19 257 325
Reserve for investment purposes	24	15 454 598	15 454 598
Special insurance reserve	24	4 926 898	4 926 898
Translation reserve	24	404 853 500	160 424 000
Stabilization reserve	24	2 471 529	3 141 237
Retained earnings		264 538 658	119 102 728
Total equity attributable to owners of the Company		711 502 508	322 306 785
Non-controlling interest	25	3 227 725	2 174 895
TOTAL EQUITY		714 730 233	324 481 680
TOTAL LIABILITIES AND EQUITY		906 010 537	433 369 816

On behalf of the Management:

Asatullaev A. I.
 Deputy General Director

30 June 2018
 Tashkent, Uzbekistan



Javliev A. I.
 Chief Accountant

30 June 2018
 Tashkent, Uzbekistan

Consolidated Financial statements for the year ended 31 December 2017
NEIC «UZBEKINVEST»

(In thousands UZS)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Provision for investment purposes	Special insurance reserve	Exchange differences	Stabilization reserve	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	TOTAL
1 January 2016	19 257 325	15 454 598	4 926 898	139 361 031	2 151 467	99 211 837	280 363 156	2 026 044	282 389 200
Total comprehensive income for the year	-	-	-	21 062 969	-	24 820 065	45 883 033	19 055	45 902 089
Transfer to stabilization reserve	-	-	-	-	989 770	(989 770)	-	-	-
Dividends declared	-	-	-	-	-	(3 573 694)	(3 573 694)	-	(3 573 694)
Change in equity	-	-	-	-	-	(365 710)	(365 710)	129 796	(235 914)
31 December 2016	19 257 325	15 454 598	4 926 898	160 424 000	3 141 237	119 102 728	322 306 785	2 174 895	324 481 680
Total comprehensive income for the year	-	-	-	244 429 500	-	144 766 223	389 195 723	1 052 830	390 248 553
Transfer to stabilization reserve	-	-	-	-	(669 708)	669 708	-	-	-
31 December 2017	19 257 325	15 454 598	4 926 898	404 853 500	2 471 529	264 538 659	711 502 508	3 227 725	714 730 233

On behalf of the Management:

Asatullaev A. I.
Deputy General Director



Javliev A. I.
Chief Accountant

30 June 2018
Tashkent, Uzbekistan

30 June 2018
Tashkent, Uzbekistan

The accompanying notes on pages 13 - 57 are an integral part of the current financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Premiums received	5	190 191 966	131 804 385
Reinsurance premiums paid	5	(59 681 988)	(53 987 987)
Claims paid	6	(56 955 454)	(35 983 774)
Claims received on reinsured risks	6	2 227 943	2 996 262
Commission revenue received		4 633 266	6 832 361
Acquisition cost		(18 129 876)	(19 277 494)
Administrative and operating expenses paid	8	(37 202 235)	(28 392 107)
Provision for impairment of other assets		(3 237 212)	-
Income tax paid	9	(300 788)	(1 262 314)
Other revenue received		3 012 816	2 357 555
Cash flows from operating activities before changes in operating assets and liabilities		24 558 438	18 803 942
<i>Changes in operating assets and liabilities</i>			
Increase in other assets		7 796 727	411 886
Increase/(decrease) in other liabilities		7 943 063	4 380 001
Net cash inflow from operating activities		40 298 228	23 595 829
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from/(investment in) loans and receivables		(364 383)	1 959 850
Net investment in deposits in banks		(187 266 550)	(26 174 698)
Net investment in/(proceeds from) financial assets at fair value through profit or loss		150 516 951	(3 487 868)
Provision for impairment of available-for-sale investments	13	(1 733 558)	-
Purchase of property and equipment and intangible assets		(3 228 675)	(5 139 086)
Purchase of investments available for sale		(10 236 137)	(4 687 726)
Proceeds from redemption or sale of investments available for sale		210 569	250 000
Interest received		9 814 136	8 626 254
Proceeds from sale of property and equipment		114 475	69 127
Dividend income received		5 705 249	3 066 902
Net cash used in investing activities		(36 467 923)	(25 517 244)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		-	(3 573 694)
Net cash used in financing activities		-	(3 573 694)
Effect of changes in foreign exchange rate on cash and cash equivalents		8 374 013	376 151
Net (decrease)/increase in cash and cash equivalents		12 204 318	(5 118 957)
CASH AND CASH EQUIVALENTS, beginning of the year	10	7 225 149	12 344 106
CASH AND CASH EQUIVALENTS, end of the year	10	19 429 467	7 225 149

On behalf of the Management:

Asatullaev A.L.
 Deputy General Director

30 June 2018
 Tashkent, Uzbekistan

Javliev A. I.
 Chief Accountant

30 June 2018
 Tashkent, Uzbekistan

The accompanying notes on pages 13 - 57 are an integral part of the current financial statements.

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The national export-import insurance company "Uzbekinvest" (the "Company") is a legal entity of the Republic of Uzbekistan. It was created by the decision of the Cabinet of Ministers on 13 April 1994 as the National Insurance Company "Uzbekinvest" and started its activity on 1 June 1994. In accordance with the Decree of the President of 18 February 1997, the National Insurance Company "Uzbekinvest" was transformed into the National Export-Import Insurance Company "Uzbekinvest", with the increase of the share capital and the expansion of the volume of operations. The company provides protection of national exporters of the Republic of Uzbekistan from political, commercial and business risks and assists in the development of international markets. The company provides property insurance, accident insurance, construction insurance, life insurance and other types of insurance. The Company operates in accordance with license No. 00144 dated 29 June 2010 for the implementation of insurance activities issued by the Ministry of Finance of the Republic of Uzbekistan.

The company is registered at the following address: 2, Abdulla Kodiriy Str., Tashkent, the Republic of Uzbekistan 100017

Current location: 6, Chupon Ota Str., Tashkent, the Republic of Uzbekistan 100097

The Company is owned by the Ministry of Finance of the Republic of Uzbekistan (hereinafter referred to as "MF") and the National Bank for Foreign Economic Activity of the Republic of Uzbekistan (hereinafter referred to as "NBU"), whose shares in the Company's capital are 83.33% and 16.67%, respectively. The parent company of the Group is the Government of the Republic of Uzbekistan.

As at 31 December 2017, the Company had 14 branches (31 December 2016: 14) that carry out insurance activities in the territory of the Republic of Uzbekistan.

The Company is the parent company of the insurance group (the "Group"), which consists of the following entities consolidated in these financial statements:

Subsidiary	Country	Share of participation/votes, %		Industry
		2016	2015	
Uzbekinvest International Insurance Company Limited	Great Britain	100	100	Insurance of political risks
Uzbekinvest Sarmoyalari	Uzbekistan	100	100	Investment
Uzbekinvest Hayot	Uzbekistan	80	80	Life insurance
Uzbekinvest Assistance	Uzbekistan	100	100	Insurance service agency
Bosh Bino Ishlatmasi	Uzbekistan	75	75	Service
Bulungur Uzumzorlari	Uzbekistan	99	99	Gardening

Uzbekinvest International Insurance Company Limited ("UIIC") was incorporated in November 1994 in Great Britain with a share capital of 100,000 thousand US dollars. In December 1995, UIIC received permission from the UK Department of Trade and Industry to carry out insurance activities in the UK and provides insurance services for international investments in the economy of the Republic of Uzbekistan against political risks. In 2009, the shareholders agreed to reduce the total amount of the share capital of UIIC from USD 100,000 thousand to USD 80,000 thousand. In 2009, both UIIC shareholders, the Uzbekinvest National Export-Import Insurance Company (80% shareholder) and American International Underwriters Overseas Ltd (20% shareholder), reduced their investments by 20,000 thousand US dollars each. As a result, the National Export-Import Insurance Company "Uzbekinvest" became the sole owner of UIIC. In 2010, the National Export-Import Insurance Company "Uzbekinvest" reduced its share in the authorized capital of UIIC by 10,000 thousand US dollars, thereby reducing the total amount of the share capital from 60,000 thousand US dollars to 50,000 thousand US dollars.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on the assumption that the Group will continue to operate in the foreseeable future. Management and shareholders intend to further develop the Group's business in the Republic of Uzbekistan and the United Kingdom. Management believes that the assumption of continuing operations is applicable to the Group due to a satisfactory capital adequacy ratio.

These consolidated financial statements are presented in thousands of Uzbek Soums ("UZS"), unless otherwise indicated. These consolidated financial statements have been prepared in accordance with historical cost principles, except for certain financial instruments that are carried at cost at revaluation or fair value at each reporting date, as explained below.

Historical cost is usually determined on the basis of the fair value of the consideration transferred in exchange for goods and services.

The fair value reflects the price that would be received upon the sale of the asset or paid when transferring the obligation under a regular transaction between market participants as of the valuation date, whether such price is directly observable or received by calculation using another valuation technique. In assessing the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants consider such characteristics when forming the price of the asset or liability as of the valuation date. For fair value measurement and / or disclosure with respect to fair value measurement, the fair value in these consolidated financial statements is determined in this way.

In addition, for the purposes of preparing financial statements, the fair value is classified on the basis of a fair value hierarchy (Level 1, 2 or 3). The levels correspond to the possibility of direct determination of fair value based on market data and reflect the significance of the initial data used in estimating the fair value as a whole:

- The Level 1 inputs are non-quoted adjustments in active markets for identical assets or liabilities that the Group has access to at the time of valuation;
- The Level 2 inputs are not quotations determined for Level 1, but are observed in the market for an asset or liability either directly or indirectly;
- The Level 3 inputs are unobservable inputs on the asset or liability.

The Group presents items of the consolidated statement of financial position as a whole in the order of liquidity. The breakdown of repayment or repayment data within 12 months after the date of the consolidated statement of financial position (short-term) and for more than 12 months after the date of the consolidated statement of financial position (long-term) is disclosed in Note 28.

Functional currency

Items included in the Group's consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates ("functional currency"). The Group's functional currency is Uzbek Soum ("UZS"). The currency of presentation of these financial statements of the Group is Uzbek Soum. All values are rounded to the nearest thousand sums, unless otherwise specified.

Offsetting

The financial asset and financial liability are offset and the net consolidated amount is reflected in the consolidated statement of financial position only if the Group has a legally enforceable right to offset the amounts recognized in the balance sheet and intends either to offset the net amount or to realize the asset and fulfill the obligation simultaneously. Income and expenses are not offset in the consolidated income statement, unless required or permitted by the accounting standard or an appropriate interpretation, with such cases separately disclosed in the Group's accounting policies.

The main provisions of the accounting policy are given below.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Recognition of interest income and expenses

Interest income on financial assets is recognized if it is probable that the Group will receive economic benefits and the amount of revenue can be reliably measured. Interest income and expenses are recognized on an accrual basis and are calculated using the effective interest method. The effective interest method is a method that involves calculating the amortized cost of a financial asset or financial liability (or a group of financial assets/group of financial liabilities), as well as relating interest income or interest expense to the relevant period.

The effective interest rate is the discount rate for the expected future cash inflows (including all payments received or made on the debt instrument that are an integral part of the effective interest rate, as well as transaction costs and other premiums or discounts) for an expected period until the debt instrument is repaid or (if applicable) for a shorter period to the book value at the time the debt instrument is accepted for accounting.

If a financial asset or a group of similar financial assets has been written off (partially written off) as a result of impairment, interest income is determined taking into account the interest rate used to discount future cash flows for the purpose of calculating impairment losses.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive dividends is established (if there is a high probability that the Group will receive economic benefits and the amount of income can be reliably determined).

Insurance operations

IFRS 4 "Insurance Contracts" defines the accounting policy applied to insurance operations. The development and assimilation of this standard includes two stages.

During the first stage, this standard prescribes the requirements for the presentation of insurance contracts in the financial statements of the insurer until the International Accounting Standards Board has completed the second stage of its project regarding insurance contracts. In particular, at the first stage, an enterprise can continue to use local accounting policies for insurance transactions in financial statements prepared in accordance with IFRS, provided that the principles of adequacy of insurance reserves and disclosure of information established in IFRS are observed.

The second phase of the project, currently under implementation, should develop a unified international accounting principles for insurance contracts.

The Group's accounting policies for insurance contracts described below have been determined in accordance with IFRS of 1st stage – IFRS 4 Insurance Contracts, and the Group has decided to continue to use the statutory accounting policies for insurance transactions in the financial statements prepared in accordance with IFRS.

Insurance contract

Insurance contracts are contracts whereby the Group (the insurer) assumes a significant insurance risk from the policyholder, agreeing to provide compensation to the policyholder in the event that a specified future event, the occurrence of which is uncertain (an insurance event), will adversely affect the policyholder and/or its financial position. As a general recommendation, the Group determines whether it has a significant insurance risk compared to the potential insurance coverage of the amount payable if the insured event does not occur.

After the contract has been classified as an insurance contract, it remains an insurance contract until it expires, even if the level of insurance risk decreases significantly during this period.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Description of insurance products

The group offers insurance products that include all general insurance risks. The main business of the Group is:

- Insurance of transport, including third-party liability insurance;
- Property insurance;
- Personal accident insurance;
- Insurance of political risks;
- Life insurance.

Short-term insurance contracts include insurance for transport, property, accident insurance, voluntary medical insurance and short-term life insurance contracts.

Short-term insurance contracts

Transport and property insurance guarantees that the Group's customers are paid compensation for damage caused to their property, or their financial interests are covered. Customers are also insured against losses incurred as a result of their inability to use the insured property in their economic activities as a result of the occurrence of an insured event (business interruption).

Liability insurance contracts protect the Group's customers against the risk of harm to third parties as a result of their legal activities. Reimbursable losses include both contractual and non-contractual events. Typical protection is designed for employers who are legally responsible for paying compensation to injured employees or the company (the employer's liability), as well as for individual and business clients who are responsible for paying compensation to a third party for personal injury or property damage (social responsibility).

Personal accident insurance protects the customer from the risk of injury (injury) or other accidents. Voluntary health insurance was developed to provide the Group's customers with payment for medical services. These services are considered to be insurance only if, at the time of entry into force of the agreement, the Group cannot be sure of the probability, timeliness and amount of cash outflows related to this type of insurance.

Insurance of political risks protects the activity of clients and assets of companies-investors or companies engaged in business activities in the Republic of Uzbekistan. The cover provides for investments in infrastructure and trade operations, which are insured against political risks in Uzbekistan with respect to investors and creditors. The investment cover includes confiscation, expropriation and nationalization. Coverage of trade operations includes long-term refusals to fulfill obligations and illegal withdrawal of guarantees.

Long-term insurance contracts

Long-term life insurance contracts with fixed and guaranteed terms provide for insurance of events related to a person's life (for example, death or survival) for a long-term period. Premiums are recognized as income when they are payable by the owner of the contract. Bonuses are reflected until the commission is deducted. Rewards are recorded as expenses as they arise.

Insurance premiums

Premiums under insurance contracts are accounted for as issued at the time of the commencement of the operation of insurance contracts and relate to income proportionally during the validity of insurance policies.

Unearned premium reserve

The unearned premium reserve is created in the amount of the part of the premium issued under the insurance contract relating to the remaining term of the insurance contract as of the reporting date and is proportionally calculated by the "pro rata temporis" method.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Claims

Claims and related settlement costs are recorded in the consolidated statement of comprehensive income as incurred on the basis of an assessment of the liability for the amount of payment to the policyholder or third party, less subrogation. Subrogation is the right to demand from a third party a part or the entire amount of a claim settlement.

Deferred acquisition costs

Acquisition costs are commissions, salaries and other direct costs for attracting insurance, the amount of which varies and depends on the amount of premiums on newly signed and renewed contracts. Acquisition costs are deferred and amortized over the period for which the respective premiums will be earned. Deferred acquisition costs (DAC) are calculated separately by type of activity and are reviewed in each reporting period to verify their recoverability.

Allowance for losses

The loss reserve is an estimate of the liabilities for future insurance payments and includes a reserve of claimed losses (RCL) and a reserve of incurred but not settled losses (RINSL).

RCL is created with respect to existing claims that were not settled as of the reporting date. The valuation is based on information received by the Company during the investigation of the insured event. RINSL as a whole is determined by summing up the RINSL calculated for each type of insurance according to the requirements of the MF, which stipulate that the amount of RINSL in any case should not be less than 10 percent of the amount of the basic insurance premium under general insurance (reinsurance) contracts for the period of twelve months prior to the reporting dates.

The share of the reinsurer in the loss reserve is calculated in accordance with the share of the reinsurer under the relevant reinsurance contract. The share of reinsurers in RCL is accounted for in reinsurance assets under RCL until the full payment by the reinsurer of the insurance payment.

Test for the adequacy of the obligation. At each reporting date, an adequacy test is conducted to ensure the adequacy of contractual obligations, net of related deferred acquisition costs (DAC). During these tests, the most accurate available estimates of future contractual cash flows, claims settlement costs, administrative expenses, and investment returns from assets supporting these obligations are used.

Any deficiencies are immediately reflected in the consolidated statement of comprehensive income, initially by writing off the DAC, subsequently by creating a provision for losses arising from the adequacy test.

Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position of the Group when the Group becomes a party to the contract in respect of the related financial instrument. The Group records the acquisition and sale of financial assets and liabilities on a settlement date, which are regular. Standard purchase or sale transactions are the purchase or sale of financial assets that require the delivery of assets within the time limits established by regulatory enactments or market practices.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss (FVTPL); Available-for-sale (AFS); Loans and receivables. The assignment of financial assets to a particular class depends on their characteristics and acquisition objectives and occurs at the time they are taken into account.

Financial assets at fair value through profit or loss

A financial asset is classified as a FVTPL, if it is either intended for trading or is defined as a FVTPL at the time of initial recognition.

A financial asset is classified as held for sale if it:

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

- Is purchased with the main purpose of reselling it in the near future;
- At initial accounting, is part of a portfolio of financial instruments that are managed by the Group as a single portfolio, for which there is a recent history of short-term purchases and resale; or
- Is a derivative that is not classified and is not used as a hedging instrument.

A financial asset that is not held for sale can be designated as a control document at the time of acceptance to the account if:

- The application of this classification eliminates or significantly reduces the imbalance in the valuation or accounting of assets or liabilities that might otherwise arise;
- A financial asset is part of a group of financial assets, financial liabilities or a group of financial assets and liabilities that is managed and evaluated based on a fair value in accordance with a documented risk management strategy or investment strategy of the Company and information about such a group of financial assets is This basis; or
- The financial liability is part of a tool containing one or more embedded derivatives and IAS 39
- "Financial Instruments: Recognition and Measurement" permits the instrument to be classified as a whole (asset or liability) at fair value with recognition of its change in the income statement.

FVTPL financial assets recorded at fair value reflecting the revaluation in profit or loss. Net profit or loss incorporates any dividend or interest earned on the financial asset, are recognized in the line "Investment income" in the statement of comprehensive income.

Financial assets available-for-sale

Financial assets of the category "AFS" are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) investments held to maturity, (c) financial assets carried at fair value through profit or loss.

Shares and fixed-term bonds traded on organized markets are classified as "available-for-sale" and are recorded at fair value. The Group also has investments in shares that do not circulate on the organized market, which are also classified as financial assets of the category of the AFS and are accounted for at fair value (as the Company's management believes that fair value can be measured reliably). Income and expenses arising from changes in fair value are recognized in other comprehensive income as part of the investment revaluation reserve, with the exception of those that are permanent in cases of impairment of interest income calculated using the effective interest method, dividend income and foreign exchange gains that are recognized in profit or Losses. When a financial asset is derecognized or depreciated, the cumulative gain or loss previously recognized in the investment revaluation reserve relates to the financial results during the period of disposal or impairment.

The fair value of monetary assets classified as AFS in foreign currency is determined in that foreign currency and translated at the spot rate as at the reporting date. Exchange differences are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other exchange differences are recognized in other comprehensive income.

Investments in equity securities classified as AFS, which are not quoted in an active market and whose fair value cannot be reliably measured, are carried at cost less any impairment losses identified at the end of each reporting period.

Loans and receivables provided

Trade receivables, loans and other receivables with fixed or determinable payments that are not traded in an organized market, including funds in banks, insurance and reinsurance receivables and other financial assets are classified as "loans and receivables". Loans and receivables are carried at amortized cost using the effective interest method less impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables, interest income on which is insignificant.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. Financial assets are considered impaired if there is objective evidence of a decrease in the estimated future cash flows of the asset as a result of one or more events that occurred after the financial asset was recorded.

For non-traded investments in shares in the category of AFS, an objective evidence of impairment is a significant or prolonged decline in fair value below the cost of their acquisition.

For all other financial assets, objective evidence of impairment may be as follows:

- Significant financial difficulties of the issuer or counterparty; or
- Violation of the contract, for example, refusal or evasion from payment of interest or principal amount of debt; or
- Non-payment or delay in payment of interest and principal amount of debt or
- High probability of bankruptcy or financial reorganization of the borrower; or
- The disappearance of the active market for this financial asset due to financial difficulties.

For certain categories of financial assets, such as loans and receivables, assets that are not individually recognized as impaired are also assessed for impairment in the portfolio as a whole. An objective indication of the depreciation of the portfolio of loans and receivables can be the past experience of the Group in recovering debts, increasing the number of delays in repaying portfolio debts, as well as pronounced changes in the national and local economy, which are usually accompanied by a default on payments.

For financial assets carried at amortized cost, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate for the financial asset.

For financial assets carried at cost, the impairment loss is defined as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market interest rate for a similar financial asset. Such impairment losses are not reversible in future periods.

An impairment loss directly reduces the carrying amount of all financial assets, with the exception of loans and receivables, the reduction in value of which is due to the formation of a provision. If loans are recognized as uncollectible, loans and receivables are also written off against the reserve. The reimbursements of amounts previously written off are credited against the reserve account. Changes in the provision are recognized in profit or loss.

If a financial asset classified AFS is recognized as impaired, the gain or loss accumulated in other comprehensive income is recognized in profit or loss.

If, in a subsequent period, the amount of an impairment loss on a financial asset carried at amortized cost decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is recovered through the profit or loss account. At that, the carrying amount of financial assets as of the date of restoration of an impairment loss cannot exceed the amortized cost, which would be reflected in case if the impairment was not recognized.

Impairment losses on equity securities classified as AFS previously recognized in profit or loss is not reversed. Any increase in fair value of these assets after recognition of the impairment loss is recognized directly in other comprehensive income and accumulated under the heading of revaluation reserve investments.

In the case of debt securities classified as AFS impairment losses are subsequently reversed through profit or loss if the increase in fair value of financial investments can be objectively linked to an event occurring after the recognition of impairment loss.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Write-off of loans and receivables

If it is not possible to recover loans and receivables, including by foreclosure, they are written off against the provision for impairment. Write-off of loans and receivables occurs after the Company's management has taken all possible measures to recover the amounts due to the Group, and after the Company has realized the available collateral. Subsequent recoveries of amounts previously written off are recorded as a reduction in the cost of impairment of financial assets in the income statement during the recovery period.

Derecognition of financial assets

The Group derecognizes financial assets only in the event of termination of contractual rights over them to cash flows or in the event of the transfer of a financial asset and the related risks and benefits to the other party. If the Group does not transfer and does not retain all the main risks and rewards of ownership of the asset and continues to control the transferred asset, it continues to reflect its share in the asset and the associated possible liabilities for possible payment of the related amounts. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, it continues to account for this financial asset, and the proceeds from the transfer reflect a secured loan.

When a financial asset is fully written down, the difference between the carrying amount of the asset and the amount of consideration received and receivable, as well as the cumulative gain or loss recognized in other comprehensive income and accumulated in equity, relates to profit or loss.

If the recognition of a financial asset is not completely discontinued (for example, when the Group retains the opportunity to repurchase part of the transferred asset), the Group allocates the previous carrying amount of the financial asset between the part that it continues to recognize in the continuing participation and the part that it no longer recognizes. Based on the relative values of the fair values of these parts as of the date of transfer. The difference between the carrying amount allocated to the written-off part and the amount of consideration received for the written-off part, as well as any profits or losses accumulated and distributed to it recognized in other comprehensive income, relate to profit or loss. Income or expenses recognized in other comprehensive income are also distributed in proportion to the fair value, withheld and written-off parts.

Issued financial liabilities and equity instruments

Classification as an obligation or capital. Debt and equity instruments issued by the Company are classified as financial liabilities or capital based on the substance of the relevant contract, as well as the definitions of the financial liability and equity instrument.

Equity instruments. An equity instrument is any contract that confirms the right to a share of the company's assets after deducting all its liabilities. Equity instruments issued by the Company are recognized in the amount of proceeds from them, net of direct costs incurred for their issue.

The repayment of the Company's own equity instruments is deducted directly from the capital. The profit or loss arising from the purchase, sale, issue or cancellation of the Company's own shares is not recognized in profit or loss.

Financial liabilities

Financial liabilities, including insurance and reinsurance payables and other financial liabilities, are initially recorded at fair value, net of transaction costs. Subsequently, financial liabilities are measured at amortized cost. The interest expense is calculated using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and the allocation of interest expense in the relevant period. The effective interest rate is the discount rate of the expected future cash payments (including all payments received or effected on the debt instrument that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) for the expected period until the financial liability is paid or (if applicable) for a shorter period to the book value at the time of its adoption.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Derecognition of financial liabilities

The Group derecognizes financial liabilities only in case of redemption, cancellation or expiration of requirements on them. When an existing financial liability is replaced by another obligation to the same creditor under substantially different terms, or the terms of the existing liability substantially change, such an exchange or change is accounted for as a write-off of the original obligation and recognition of a new liability. The difference between the carrying amount of a financial liability that is derecognized and the consideration paid or receivable is recognized in profit or loss.

Investments in associates

The associate is the entity over which the Group has significant influence. Significant influence is the power to participate in decisions relating to the financial and economic activity of the enterprise, but is not control or joint control in respect of such activities.

Assets and liabilities and financial performance of associates are included in these consolidated financial statements on a participatory basis, unless the financial investment or part of it is classified as held for sale and accounted for in accordance with IFRS 5. For the equity investment method, investments in associates are initially recognized in the consolidated statement of financial position at cost and subsequently adjusted to including the Group's share of profit or loss and other comprehensive income of the associate. In the event that the Group's share of the loss of the associate exceeds the Group's investment in that associate (including any long-term investments that are in fact part of the Group's net investment in the associate), the Group ceases to recognize its share of the loss. Additional losses are recognized only in cases where the Group has a legal obligation or in accordance with the rules of business turnover to reimburse the corresponding share of losses or if the Group has made payments on behalf of the dependent enterprise.

Investments in an associate are accounted for using the equity method from the date on which it becomes an associate. When an investment in an associate is acquired, the positive difference between the acquisition cost of the investment and the Group's interest in the fair value of the identifiable assets and liabilities of the investee entity is goodwill, which is included in the carrying amount of such investments. If the Group's share in the net fair value of the identifiable assets and liabilities acquired exceeds the cost of acquisition of the investment after the revaluation, the excess is immediately recognized in profit or loss in the period in which the investment is acquired.

To determine whether recognition of an impairment loss on the Group's investment in associates it is applied the requirements of IAS 39. If necessary, the carrying value of the investment (including goodwill) is tested for impairment according to IAS 36 "Impairment of assets" as a whole by comparing its recoverable amount (the highest value of the value in use and fair value less costs to sell) with its carrying amount. A recognized impairment loss reduces the carrying amount of the investment. Reversals of such impairment loss is recognized in accordance with IAS 36 in cases where the recoverable amount of the investment subsequently increases.

The Group discontinues the application of the equity method from the date that the investment ceases to be an associate or when the investment satisfies the recognition criteria as held for sale. If the Group maintains a share in the former associate which is a financial asset, then this interest is measured at its fair value at that date, and the fair value of the investment is deemed to be the fair value at the time of initial recognition as a financial asset in accordance with IAS 39. The difference between the carrying amount of an associate as at the date of termination of the equity method of accounting and the fair value of all the remaining Interest and all proceeds from the retirement of a part of the interest in the associate is accounted for in determining the profit and loss from the sale of the associate. In addition, all amounts previously recognized in other comprehensive income in the part relating to the retiring associate are accounted for by the Group in the same manner as would be required if the associate independently sold the related assets and liabilities. Accordingly, if a gain or loss previously recognized in other comprehensive income is reclassified to profit or loss when the related assets or liabilities are sold, the Group reclassifies profit or loss from equity to profit or loss (as reclassified adjustment) at the time of termination of the use of the equity method Participation.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

When the Group reduces its interest in an associate but continues to apply the equity method, a portion of the profit or loss previously recognized in other comprehensive income and attributable to such reduction in the participatory interest is reclassified to profit or loss if such gains or losses are reclassified to profit or loss on disposal of the related assets or liabilities.

If the Group member entity conducts transactions with an associate, the gains and losses arising from transactions with the associate are recognized in the consolidated financial statements of the Group only to the extent of the interest in the associate that does not belong to the Group.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted current and deposit accounts with banks with an original maturity of less than three months.

Deposits in banks

In the normal course of business, the Group disburses funds and provides deposits to banks for various periods. Amounts due from banks are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Amounts due from banks are recorded net of any allowance for impairment.

Accounts receivable on insurance and reinsurance

The insurance receivable is recognized upon receipt of the relevant income and is measured at initial recognition at the fair value of the funds receivable. After initial recognition, the insurance receivables are measured at amortized cost using the effective interest method. The carrying amount of insurance receivables is the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of insurance receivables is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recovered and the impairment loss is recognized in the income statement.

The termination of recognition of accounts receivable for insurance is carried out when the criteria for derecognition of financial assets are met.

Reinsurance

In the normal course of business, the Group transfers insurance risks to reinsurance. Reinsurance assets represent funds receivable from reinsurance companies. The recoverable amounts are estimated in the same way as the unearned premium reserve and the reserve of losses and losses settlement costs and in accordance with the reinsurance contract.

The impairment assessment is carried out at each reporting date or more frequently if there are indications of impairment during the reporting year. Impairment arises when there is objective evidence that the Group will not be able to recover the amounts receivable from the reinsurer under the terms of the contract, and when the impact on them can be reliably measured. An impairment loss is recognized in the income statement.

The agreements transferred for reinsurance do not release the Group from liabilities to the insured.

In the ordinary course of business, the Company also assumes a risk in connection with reinsurance under general insurance contracts. Premiums and losses for accepted reinsurance are recognized as income and expenses in the same way as income and expenses for direct insurance, taking into account reinsurance classes.

Bonuses and payments are presented separately for both outgoing and incoming reinsurance. The termination of recognition of reinsurance assets and liabilities is carried out when the contractual obligations are fulfilled or expired or when the contract is transferred to a third party.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Fixed assets and intangible assets

Fixed assets and intangible assets are stated at cost less accumulated depreciation and impairment and accumulated impairment losses.

Depreciation and amortization are charged for the purpose of writing down fixed assets and intangible assets during their useful life. Depreciation is accrued on the basis of the method of uniform write-off of cost using the following annual rates:

Buildings and other real estate	5 %
Transport	15 %
Computers	20 %
Other	15-20 %
Intangible assets	15 %

At each reporting date, the Group assesses whether the carrying amount of fixed assets and intangible assets exceeds their replacement cost. In case of excess of the book value of fixed assets and intangible assets of their replacement value, the Company reduces the carrying amount of fixed assets and intangible assets to their replacement value.

The gain or loss arising from the sale or disposal of an asset is recognized as the difference between the sale price and the carrying amount of the asset in the income statement.

Taxation

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

Current income tax

The amount of expenses for income tax in the current period is determined taking into account the amount of taxable profit received for the year. Taxable profit differs from net profit recorded in the income statement, as it does not include items of income or expense that are taxable or deductible in other years, and excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that are effective during the reporting period.

Deferred income tax

Deferred tax is provided on the basis of the balance sheet method of accounting and represents income tax claims or liabilities accrued on the difference between the carrying amount of assets and liabilities and the corresponding tax records used to calculate taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recorded to reflect the likelihood of future taxable profits for offsetting the related deferred tax assets.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the tax benefit will be obtained sufficient to recover the asset in whole or in part.

Deferred taxes are calculated at rates that are expected to apply in the period when the liability is settled or the asset is sold. Deferred income tax expense is charged to the income statement, except when they relate to items that are directly attributable to other comprehensive income, in which case deferred taxes are also recognized in other comprehensive income.

The assessment of deferred tax liabilities and assets reflects the tax consequences of the Group's intentions (as of the end of the reporting period) with respect to how to recover or pay off the carrying amount of assets and liabilities.

Current tax and deferred income tax are recognized in profit or loss unless they relate to items that are directly recognized in other comprehensive income or equity.

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

In the Republic of Uzbekistan there are requirements for the calculation and payment of various taxes applicable to the activities of the Group. These taxes are included in operating expenses in the statement of income.

Accounts payable on insurance and reinsurance

Accounts payable for insurance includes advances received, debts to policyholders for claims and reimbursement for canceled contracts and debts to agents and brokers, as well as advances received from insurers and reinsurers.

Accounts payable for reinsurance includes net indebtedness for reinsurance. Indebtedness for reinsurance includes premiums transferred to reinsurance, reimbursement of premiums accepted for reinsurance for canceled contracts and claims for accepted reinsurance. Accounts payable for insurance and reinsurance are recorded at amortized cost.

Reserves

Reserves are recognized when the Group has contingent liabilities arising from past events that are determined by law or implied, for the settlement of which it is probable that an outflow of resources embodying economic benefits will be required and the amount of such liabilities can be estimated reliably.

The amount of the provision for future expenses recorded is the best estimate of the amount necessary to settle the obligations, determined at the end of the reporting period, taking into account the risks and uncertainties inherent in these obligations. If the amount of the reserve of future expenses is calculated on the basis of the estimated cash flows for the repayment of liabilities, the reserve of future expenses is defined as the present value of such cash flows (if the influence of the value of money over time is significant).

If it is expected that the payments necessary to settle the obligations will be partially or fully recovered by a third party, the related receivables are recognized as assets subject to full assurance that the reimbursement will be received and if there is an opportunity to reliably estimate the amount of that receivable.

Share capital and dividends

Contributions to the share capital are recorded at cost. Dividends on common shares are reflected as a decrease in equity in the period in which they were declared. Dividends declared after the balance sheet date are treated as events after the reporting date in accordance with IAS 10 Events after the Reporting Date ("IAS 10") and disclosed accordingly.

Foreign currency

In preparing the financial statements, transactions in currencies other than the functional currency of the Group ("foreign currencies") are accounted for at the exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the UZS at the appropriate current exchange rate as at the balance sheet date. Transactions in foreign currencies are recorded at the rate applicable at the date of the transaction. The gains and losses arising from such translation are included in the net profit / (loss) on foreign exchange transactions. The exchange rates at the end of the year used by the Company in preparing the financial statements are as follows:

	31 December 2017	31 December 2016
UZS/1 US Dollar	8120.07	3231.48
UZS/1 Euro	9624.72	3419.23
UZS /1 Russian Ruble	139.30	53.10
UZS /1 British Pound Sterling	10850.04	3969.23

2 BASIC PRINCIPLES OF ACCOUNTING POLICIES (Continuation)

Essential assumptions and sources of uncertainty in estimates

In the process of applying the Group's accounting policies, management must make assumptions, estimates and assumptions about the carrying amount of assets and liabilities that are not apparent from other sources. Estimates and underlying assumptions are based on past experience and other factors that are considered relevant in the particular circumstances. Actual results may differ from these estimates.

Estimates and associated assumptions are regularly reviewed. Changes in estimates are recorded in the period in which the estimate was revised, if the change affects only that period, or in the period in which the estimate was revised, and in future periods, if the change affects both current and future periods.

Essential assumptions used in applying accounting policies

Below are significant assumptions other than those where there is uncertainty in the estimates (see below) that the Group's management used in applying the Company's accounting policies and which most significantly affect the amounts reflected in the financial statements.

Valuation of financial instruments

The Group uses valuation methods that take into account inputs that are not based on observable market data used in determining the fair value of financial instruments, as well as a detailed analysis of the sensitivity of estimates with respect to these assumptions. Management believes that the valuation techniques chosen and the assumptions used are appropriate to determine the fair value of financial instruments.

Investments are recorded at cost

Management cannot reliably estimate the fair value of the Group's investments in equity instruments available for sale.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that affect financial reporting

New and Revised IFRSs	Effective for Annual Periods Beginning On or After
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 Firsttime Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary 	1 January 2018
Amendments to IFRS 2 Share-Based Payment regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 Financial Instruments and the forthcoming new insurance contracts standard	1 January 2018
Amendments to IAS 40 Investment Property: to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive	1 January 2018

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

New and Revised IFRSs	Effective for Annual Periods Beginning On or After
<p>Finalised version of IFRS 9 [IFRS 9 Financial Instruments (2014)] was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model »</p> <p>Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized »</p> <p>Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures »</p> <p>Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39</p> <p>A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets</p> <p>A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract</p>	<p>1 January 2018</p>
<p>IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9</p>	<p>1 January 2018</p>
<p>IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15</p>	<p>1 January 2018</p>
<p>Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts</p>	<p>1 January 2018</p>

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

New and Revised IFRSs	Effective for Annual Periods Beginning On or After
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances 	1 January 2019
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17	1 January 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied	1 January 2019
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021	1 January 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 17, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continuation)

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has in previous years adopted the first phase of the IFRS 9 with regards to classification and measurement of financial instruments and plans to adopt the final phase of IFRS 9 (impairment and hedge accounting) on the required effective date from 1 January 2018.

Based on an analysis of the Group financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, Directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements.

Based on 31 December 2017 data, the Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 January 2018). The Group estimates the adoption of IFRS 9 to lead to an overall reduction in the Group total shareholders' equity of approximately AED 222 million. This reduction is predominately driven by the impairment requirements of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group until the Group presents its first consolidated financial statements that include the date of initial application.

4 IMPORTANT EVALUATION VALUES AND JUDGMENTS IN APPLICATION OF ACCOUNTING POLICIES

The Company makes accounting estimates and assumptions that affect the amounts reflected in the financial statements and the carrying amount of assets and liabilities in the next financial year. Accounting estimates and judgments are subject to constant analysis and are based on past management experience and other factors, including expectations of future events that are considered reasonable under the circumstances. In the process of applying accounting policies, management also makes use of professional judgments, except for accounting estimates. Professional judgments that have the most significant effect on the amounts recognized in the financial statements and accounting estimates that could result in the need for a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Recognition of deferred tax asset. Recognized deferred tax assets represent the amount of income tax that can be offset against future income taxes. They are reflected in the statement of financial position. A deferred tax asset is recognized only if the use of the relevant tax deduction is highly probable. This assumes the existence of temporary differences, the restoration of which is expected in the future, and the existence of sufficient future taxable profits for the production of deductions. The definition of future taxable profits and the amount of tax deductions likely to offset in the future is based on the medium-term business plan prepared by the management and the results of its extrapolation for the future. The business plan is based on management expectations that are considered reasonable in the circumstances.

Tax legislation. The tax, currency and customs legislation of the Republic of Uzbekistan allows for different interpretations.

Initial recognition of transactions with related parties. In the ordinary course of business, the Company conducts transactions with related parties. Under IAS 39, initial recognition of financial instruments is based on their fair value. Judgment is used in determining if transactions are valued at market or non-market interest rates when there is no active market for such transactions. The basis of the judgment is to evaluate similar types of transactions with unrelated parties and to analyze the effective interest rate.

Consolidated Financial statements for the year ended 31 December 2017
 NEIIC «UZBEKINVEST»

(In thousands UZS)

5 NET EARNED PREMIUMS

Net earned premiums for the year ended 31 December 2017, included:

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2017 Total
Premiums for direct insurance	23 257 728	92 516 853	4 111 403	5 868 639	1 689 963	53 722 948	181 167 534
Premiums for the reinsurance	5 439 548	2 817 249	653 543	1 13 992	100	-	9 024 432
General insurance premiums	28 697 276	95 334 102	4 764 946	5 982 631	1 690 063	53 722 948	190 191 966
Insurance premiums transferred to reinsurance	(3 897 473)	(54 991 649)	(498 631)	(294 235)	-	-	(59 681 988)
Insurance premiums, minus transferred to reinsurance	24 799 803	40 342 453	4 266 315	5 688 396	1 690 063	53 722 948	130 509 978
Change in the reserve of unearned insurance premiums, minus the share of the reinsurer	667 305	(10 070 041)	(2 501 732)	(1 329 070)	(3 172 974)	-	(16 406 512)
Net earned premiums	25 467 108	30 272 412	1 764 583	4 359 326	(1 482 911)	53 722 948	114 103 466

Consolidated Financial statements for the year ended 31 December 2017
NEIC «UZBEKINVEST»

(In thousands UZS)

5 NET EARNED PREMIUMS (Continuation)

Net earned premiums for the year ended 31 December 2016, included:

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2016 Total
Premiums for direct insurance	26 593 121	44 599 560	4 072 474	4 313 086	578 351	27 817 028	107 973 619
Premiums for the reinsurance	14 899 366	6 310 226	156 198	164 052	4 746 069	-	26 275 910
General Insurance premiums	41 492 486	50 909 785	4 228 672	4 477 138	5 324 420	27 817 028	134 249 529
Insurance premiums transferred to reinsurance	(12 529 029)	(36 621 738)	(555 468)	(2 232 725)	(724 199)	-	(52 663 159)
Insurance premiums, minus transferred to reinsurance	28 963 457	14 288 048	3 673 204	2 244 412	4 600 221	27 817 028	81 586 370
Change in the reserve of unearned insurance premiums, minus the share of the reinsurer	250 499	(3 073 642)	859 056	498 917	2 379 353	-	914 183
Net earned premiums	29 213 956	11 214 406	4 532 261	2 743 329	6 979 574	27 817 028	82 500 554

Consolidated Financial statements for the year ended 31 December 2017
NEIIC «UZBEKINVEST»

(In thousands UZS)

6 NET LOSSES OCCURRED

Net payments for the year ending 31 December 2017, included

	Obligatory types of insurance	Property	Personal Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2017 Total
In thousands of UZS						
Claims paid for direct insurance	12 153 481	4 723 974	2 348 221	-	35 005 524	54 231 200
Claims paid on reinsurance accepted	2 218 789	242 018	30 047	-	-	2 724 254
Gross claims paid	14 372 270	4 965 992	2 378 268	-	35 005 524	56 955 454
Claim paid transferred to reinsurance	(1 841 021)	(231 724)	(155 198)	-	-	(2 227 943)
Case of compensation paid, net	12 531 249	4 734 268	2 223 070	-	35 005 524	54 727 511
Changes in the allowance for possible losses of insurance, net of reinsurance	908 909	31 574 055	(5 697 253)	-	23 552 984	45 128 964
Net claims amount	13 440 158	36 308 323	(3 474 183)	-	58 558 508	99 856 475

6 NET LOSSES OCCURRED (Continuation)

Net payments for the year ending 31 December 2016, included

	Obligatory types of insurance	Property	Personal	Responsibility	Insurance of financial risks, export-import contracts and credits	Life insurance	31 December 2016 Total
In thousands of UZS							
Claims paid for direct insurance	8 935 221	2 375 571	1 613 035	-	65 856	18 321 845	31 311 528
Claims paid on reinsurance accepted	2 790 381	77 796	1 810	-	-	-	2 869 987
Gross claims paid	11 725 602	2 453 367	1 614 845	-	65 856	18 321 845	34 181 515
Claim paid transferred to reinsurance	(2 277 669)	(480 767)	(61 977)	-	-	-	(2 820 414)
Case of compensation paid, net	9 447 933	1 972 600	1 552 868	-	65 856	18 321 845	31 361 102
Changes in the allowance for possible losses of insurance, net of reinsurance	(50 049)	(1 897 261)	337 348	286 872	-	13 304 234	11 981 144
Net claims amount	9 397 884	75 339	1 890 216	286 872	65 856	31 626 079	43 342 245

7 INVESTMENT INCOME FROM OPERATIONS WITH FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	4 605 192	2 474 822
Unrealised gains/(losses) on change in fair value	(909 084)	208 246
Investment management expenses including interest expense	(812 709)	(505 210)
Losses on the realisation of investments	183 849	(49 115)
Total investment income from financial assets at fair value through profit or loss	3 067 248	2 128 744

8 ADMINISTRATIVE AND OPERATING EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Staff cost and related taxes	10 639 489	10 943 709
Taxes other than income tax	8 953 344	6 107 114
Charity	5 149 669	4 503 256
Depreciation and amortisation charges	3 917 888	1 893 917
Rent of premises and utilities expenses	1 251 390	1 013 427
Office supplies	708 036	977 813
Bank commission charges	704 832	821 641
Transport expenses	524 393	744 256
Professional services	676 645	734 525
Security services	424 241	475 300
Business trip expenses	436 112	458 123
Communication	338 937	303 849
Maintenance of property and equipment	471 320	242 183
Training	288 482	132 555
Other	2 717 457	2 347 230
Total administrative and operating expenses	37 202 235	31 698 895

9 INCOME TAX

The Company prepares tax settlements based on the data of tax accounting carried out in accordance with the requirements of the legislation of the Republic of Uzbekistan, which may differ from IFRS.

Due to the fact that certain types of expenses are not taken into account for tax purposes, and due to the availability of non-taxable income, the Company has permanent tax differences. Investment income arising from government securities and securities quoted on the exchange is exempt from taxation.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount that is determined for tax purposes. The temporary differences available as at 31 December 2016 and 2015 are mainly attributable to various methods of accounting for income and expenses, as well as the recorded value of certain assets.

The income tax rate applicable to the majority of the Company's profits consists of corporate income tax (2017: 7.5%, 2016: 7.5% and 2015: 7.5%) and an infrastructure development tax (2017: 8%, 2016: 8% and 2015 : 8%) (tax base for infrastructure development tax).

9 INCOME TAX (Continuation)

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	715 696	1 262 314
Deferred income tax	<u>(414 908)</u>	<u>371 846</u>
Income tax expense	<u>300 788</u>	<u>1 634 160</u>

The tax effect of temporary differences as at 31 December 2017 and 2016 is as follows

	31 December 2017	31 December 2016
Tax effect of deductible temporary differences:		
Investments available for sale	735 234	293 285
Deposits in banks	86 364	86 364
Provision for impairment of other assets	242 791	-
Provision for impairment of investments available-for-sale	130 017	-
Insurance and reinsurance payable	<u>3 911 971</u>	<u>311 721</u>
Total deferred tax assets	<u>5 106 377</u>	<u>691 370</u>
Tax effect of deductible temporary differences:		
Investments in associates	(96 877)	(41 836)
Deferred acquisition costs	(1 618 474)	(1 501 897)
Provision for insurance losses	(5 745 552)	(1 948 935)
Other	<u>(226 827)</u>	<u>(194 963)</u>
Total deferred tax liabilities	<u>(7 687 730)</u>	<u>(3 687 631)</u>
Net deferred tax liabilities	<u>(2 581 353)</u>	<u>(2 996 261)</u>

10 CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Balances with banks in foreign currencies	8 685 854	4 373 641
Balances with banks in UZS	<u>10 743 613</u>	<u>2 851 508</u>
Total cash and cash equivalents	<u>19 429 467</u>	<u>7 225 149</u>

11 DEPOSITS IN BANKS

	31 December 2017	31 December 2016
Placements denominated in foreign currencies with original maturities of more than three months	274 777 773	113 028 698
Placements denominated in UZS with original maturities of more than three months	56 588 123	31 650 270
Less impairment provision	<u>-</u>	<u>(579 622)</u>
Total deposits in banks	<u>331 365 896</u>	<u>144 099 346</u>

12 FINANCIAL ASSETS REFLECTED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017	31 December 2016
Government bonds	138 836 096	62 422 829
Corporate bonds	<u>276 169 224</u>	<u>100 799 514</u>
Total financial assets at fair value through profit or loss	<u>415 005 320</u>	<u>163 222 342</u>

Financial assets at fair value through profit or loss include investments in foreign currencies held by UIIC. These securities were managed by Falcon Private Wealth Limited (UK) under an investment management contract. These investments are deformed into several types of freely convertible currencies with fixed interest rates, fluctuating between 0.42% and 3.75%.

13 INVESTMENTS AVAILABLE FOR SALE

	31 December 2017	31 December 2016
JSICB Ipak Yuli Bank	18 869 546	15 129 625
JSCB Qishloq Qurilish Bank	5 294 697	5 170 236
JSCB Microcredit Bank	3 028 156	2 735 999
JSMCB Ipoteka Bank	6 084 223	4 364 301
JSCB "Uzagroexportbank"	3 606 160	-
JSC Kizilkum Cement	2 670 742	2 356 338
JSC Guarantee Fund	2 000 000	-
CJSC Azia Invest Bank	1 384 681	1 384 681
JSCB Uzpromstroybank	728 358	695 038
SK Asko Vostok LLC	696 660	696 660
JSC Tashsvetmedzavod	612 954	612 954
JSCB Asaka Bank	648 565	576 502
SJSC Uzmarkazimpex	593 082	593 082
SJCS Markazsanoatexport	425 000	425 000
Baraka Leasing	573 135	539 916
SJSC Uzinterimpex	524 074	524 074
SJSC Uzprommashimpex	616 402	616 402
Kashkadarya Technologic Transporti LLC	670 185	499 525
JS Navoipakhtosanoat	177 301	177 301
SJCIC Kafolat	249 793	227 160
JSCB Hamkorbank	-	210 569
OJSC Mulk sarmoya brokerlik uyi	148 945	148 945
JSC Agrobank	143 987	143 987
JSIC Alskom	96 938	96 938
Karakul Paxta Tozalash zavodi LLC	64 063	64 063
Other	414 803	574 026
Total investments available for sale	<u>50 322 450</u>	<u>38 563 324</u>
Less provision for impairment of investments available-for-sale	(1 733 558)	-
Total net investments available for sale	<u>48 588 892</u>	<u>38 563 324</u>

As at 31 December 2017 and 2016, investments available-for-sale are carried at market value, less impairment losses.

14 INVESTMENTS IN ASSOCIATES

Dependent companies	Country	Share in the statutory fund		Retained earnings	Total as of December 31, 2017
		%	In thousands of UZS		
AIG Uzbekistan Limited	United Kingdom	49	127 403	837 345	964 748
Muborakneftegaztrans	Uzbekistan	24,2	141 540	178 077	319 617
Total Associates			268 943	1 015 422	1 284 365

15 LOANS AND RECEIVABLES

	31 December 2017	31 December 2016
Corporate bonds	800 000	800 000
Corporate loans	-	493 083
Loans to employees	1 196 533	339 067
Total loans and receivables	1 996 533	1 632 150

16 RECEIVABLES FOR INSURANCE AND REINSURANCE

	31 December 2017	31 December 2016
Amounts due from policyholders	13 913 712	2 672 345
Amounts due from reinsurers	506 713	493 765
Amounts due from agents and brokers	8 584	659 257
Total insurance and reinsurance receivable	14 429 009	3 825 367

17 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Land	Office equipment and computers	Construction in progress	Total Fixed assets	Intangible assets	Property and equipment and Intangible assets
<i>Historical cost</i>						
As at 1 January 2016	15 982 946	8 430 156	59 571	24 472 673	118 218	24 590 891
Additions	24 545	890 284	4 134 281	5 049 110	89 976	5 139 086
Transfer	2 319 602	1 612 611	(3 932 213)	-	-	-
Disposals	-	(367 965)	-	(367 965)	-	(367 965)
As at 31 December 2016	18 327 093	10 565 086	261 639	29 153 818	208 194	29 362 012
Additions	1 546 226	1 406 047	-	2 952 273	276 402	3 228 675
Transfer	-	-	-	-	-	-
Disposals	-	(987 660)	(16 249)	(1 003 909)	-	(1 003 909)
As at 31 December 2017	19 873 319	10 983 473	245 390	31 102 182	484 596	31 586 778
<i>Accumulated depreciation</i>						
As at 1 January 2016	(5 858 333)	(5 155 263)	-	(11 013 596)	(96 877)	(11 110 473)
Depreciation and amortisation charge	(2 024 255)	(1 272 693)	-	(3 296 948)	(9 841)	(3 306 789)
Disposals	-	298 837	-	298 837	-	298 837
As at 31 December 2016	(7 882 588)	(6 129 119)	-	(14 011 706)	(106 718)	(14 118 424)
Depreciation and amortisation charge	(2 735 017)	(1 140 292)	-	(3 875 309)	(42 578)	(3 917 887)
Disposals	-	889 434	-	889 434	-	889 434
As at 31 December 2017	(10 617 605)	(6 379 977)	-	(16 997 581)	(149 296)	(17 146 877)
<i>Net book value</i>						
As at 31 December 2016	10 444 505	4 435 967	261 639	15 142 112	101 476	15 243 588
As at 31 December 2017	9 255 714	4 603 496	245 390	14 104 601	335 300	14 439 901

18 DEFERRED ACQUISITION COSTS

	31 December 2017	31 December 2016
Deferred acquisition costs as at 1 January	11 675 934	8 467 111
Additions:		
Brokerage and selling commissions	9 510 175	10 686 890
Payroll and related taxes	7 799 308	6 625 914
Advertising and marketing	709 992	598 677
Total	18 019 475	17 911 481
Amortisation:		
Brokerage and selling commissions	(9 492 658)	(9 052 626)
Payroll and related taxes	(6 391 600)	(5 210 728)
Advertising and marketing	(578 913)	(439 304)
Total	(16 463 171)	(14 702 658)
Deferred acquisition costs at 31 December	13 232 238	11 675 934
<i>Change in deferred acquisition costs</i>		
Deferred acquisition cost at 1 January	11 675 934	8 467 111
Increase in deferred acquisition costs	1 556 304	3 208 823
Balance at 31 December	13 232 238	11 675 934

19 OTHER ASSETS

	31 December 2017	31 December 2016
Other financial assets		
Other accounts receivable	4 218 655	3 135 427
Less provision for impairment of other financial assets	(1 339 307)	-
Total other financial assets	2 879 348	3 135 427
Other non-financial assets		
Advances to suppliers	4 660 330	3 406 151
Prepaid expenses	722 491	901 930
Tax prepayments	1 111 819	186 412
Other	848 267	762 097
Less provision for impairment of other non-financial assets	(2 327 528)	-
Total non-financial assets	5 015 379	5 256 590
Total other assets	7 894 727	8 392 017

20 ACCOUNTS PAYABLE ON INSURANCE AND REINSURANCE

	31 December 2017	31 December 2016
Amounts payable to reinsurers	15 757 130	2 481 524
Amounts payable to insurers	1 053 893	307 860
Advances received for the insurance activity	-	181 182
Amounts payable to agents and brokers	150 839	49 282
Total insurance and reinsurance payable	<u>16 961 862</u>	<u>3 019 848</u>

21 UNEARNED PREMIUMS RESERVE

	Provision for unearned premiums	Reinsurer's share in provision for unearned premiums	Net
Provision for unearned premiums as at 1 January 2017	50 303 427	(34 183 730)	16 119 697
Change in provision for unearned premiums, net of reinsurance	16 727 195	(320 683)	16 406 512
Provision for unearned premiums as at 31 December 2017	<u>67 030 622</u>	<u>(34 504 413)</u>	<u>32 526 209</u>

	Provision for unearned premiums	Reinsurer's share in provision for unearned premiums	Net
Provision for unearned premiums as at 1 January 2016	32 421 590	(17 627 238)	14 794 352
Change in provision for unearned premiums, net of reinsurance	17 881 837	(16 556 490)	1 325 348
Provision for unearned premiums as at 31 December 2016	<u>50 303 427</u>	<u>(34 183 730)</u>	<u>16 119 700</u>

22 RESERVES FOR INSURANCE LOSSES

	RBNS	IBNR	Life insurance provision	31 December 2017 Total
Provision for insurance losses	21 355 749	11 565 808	56 897 336	89 818 893
Reinsurer's share in provision for insurance losses	(935 048)	(2 904 728)	-	(3 839 776)
Provision for insurance losses, net of reinsurance	<u>20 420 701</u>	<u>8 661 080</u>	<u>56 897 336</u>	<u>85 979 117</u>

21 RESERVES FOR INSURANCE LOSSES(Continued)

	RBNS	IBNR	Life insurance provision	31 December 2017 Total
Provision for insurance losses, net of reinsurance for January 1	2 760 522	3 626 165	34 463 466	40 850 153
Increase/(decrease) in provision for insurance losses	18 079 444	3 932 991	22 433 870	44 446 305
Increase/(decrease) in reinsurer's share in provision for insurance losses	(419 265)	1 101 924	-	682 659
Provision for insurance losses, net of reinsurance for December 31	20 420 701	8 661 080	56 897 336	85 979 117
	RBNS	IBNR	Life insurance provision	31 December 2016 Total
Provision for insurance losses	3 276 305	7 632 817	34 463 466	45 372 588
Reinsurer's share in provision for insurance losses	(515 783)	(4 006 652)	-	(4 522 435)
Provision for insurance losses, net of reinsurance	2 760 522	3 626 165	34 463 466	40 850 153
	RBNS	IBNR	Life insurance provision	31 December 2016 Total
Provision for insurance losses, net of reinsurance for January 1	4 109 152	3 321 152	21 262 857	28 693 161
Increase/(decrease) in provision for insurance losses	(1 265 654)	130 247	13 200 609	12 065 202
Increase/(decrease) in reinsurer's share in provision for insurance losses	(82 976)	174 766	-	91 790
Provision for insurance losses, net of reinsurance for December 31	2 760 522	3 626 165	34 463 466	40 850 153

23 OTHER LIABILITIES

	31 December 2017	31 December 2016
Other financial liabilities		
Payables to suppliers	537 572	292 670
Payables to employees	483 254	401 135
Other accounts payable	4 148 270	1 490 840
Total other financial liabilities	5 169 096	2 184 645
Other non-financial liabilities		
Payables to budget and non-budget funds	2 076 472	1 406 676
Accruals and deferred income	7 642 006	3 604 691
Total other non-financial liabilities	9 718 478	5 011 367
Total other liabilities	14 887 574	7 196 012

24 EQUITY

Share capital

In February 1997, by the Decree of the President of the Republic of Uzbekistan, the share capital of the Group was increased from the equivalent of 10 million US dollars to the equivalent of 60 million US dollars, i.e. 3 453 000 thousand sum.

In accordance with the Decree of the President of the Republic of Uzbekistan "On Measures for Further Liberalization and Development of the Insurance Market" of January 31, 2002, all insurance companies operating in the Republic of Uzbekistan were exempt from income tax for a period of 3 years until January 31, 2005 of the year. According to the Decree, the funds, exempted from taxes at a nominal value of 2,189,070 thousand UZS, were classified in the authorized capital after the expiration of the tax exemption period.

	31 December 2017		31 December 2016	
	Nominal amount	Inflation adjusted amount	Nominal amount	Inflation adjusted amount
Share capital	5 642 070	19 257 325	5 642 070	19 257 325

The effect of inflation on ordinary shares is accounted for in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

In accordance with IAS 29, the economy of the Republic of Uzbekistan was considered to be hyperinflationary during 2005 and prior years. Since 1 January 2006, the economy of the Republic of Uzbekistan has ceased to be considered as hyperinflationary, and the value of the Bank's non-monetary assets, liabilities and equity capital, presented in the measuring units current as at 31 December 2005, was used to generate incoming balance balances as of 1 January 2006

Reserve for investment purposes

The Government of the Republic of Uzbekistan contributed to the Group a contribution of 24,779,214 thousand UZS, which is equivalent to 80,245 thousand US dollars, for the purpose of investing US \$ 80,000,000 in UIIC and US \$ 245,000 in AIG Uzbekistan Limited (formerly "Chartis Uzbekinvest Limited") located in the UK. As indicated in Note 1, in 2009, both the UIIC shareholder, the Uzbekinvest National Export-Import Insurance Company (with 80% of the interest) and American International Underwriters Overseas Ltd (with a 20% interest), reduced their investments by 20,000 thousand dollars USA each. As a result, the Group became the sole owner of UIIC with an authorized capital of 60,000 thousand US dollars. The group returned funds to the Government of the Republic of Uzbekistan in the amount of 6,191,278 thousand UZS.

24 EQUITY (Continuation)

On July 27, 2010, the Group reduced its interest in the UIIC to USD 50 million by a subsequent withdrawal of USD 10 million of investments from the share capital and returned these funds to the Government of the Republic of Uzbekistan in the amount of 3,133,338 thousand UZS. As a result of this transaction, the remaining amount of the Group's contribution to the share capital of UIIC was US \$ 50,000 thousand, equivalent to 15,454,598 thousand UZS.

Special insurance reserve

By the Decree of the President of the Republic of Uzbekistan, the Company was exempt from income tax and property tax for five years ending in February 2002. In accordance with this Decree, part of the Company's profits and the released funds from the profits tax and property tax benefits are directed to replenish the Company's share capital. After the authorized capital is fully formed, the released funds are sent to the Special Insurance Reserve. As of May 1, 1999, the Company's authorized capital was fully formed, and from that moment all released funds were sent to the Special Insurance Reserve.

In addition, in accordance with the Decree of the President of the Republic of Uzbekistan, the company was also exempt from income tax on dividends and interest income from June 2008 for three years.

Exchange differences

Exchange differences - the difference from the transfer of net investment in UIIC from the functional currency - the dollar - to the presentation currency of the Group - UZS. As at 31 December 2017 and 2016, exchange differences from translation of foreign units into the reporting currency were 404 853 500 thousand UZS and 160 424 000 thousand UZS, respectively.

Stabilization reserve

According to the Regulations of the Ministry of Finance No. 107 of November 20, 2008 on insurance reserves of the insurer, insurance companies must create a stabilization reserve for CICL, CICLI and CICLC. Stabilization reserve is formed due to the transfer of funds from undistributed profits to cover unforeseen future losses of the Company. As at 31 December 2017 and 2016, the stabilization reserve was 2 471 529 thousand UZS and 3 141 237 thousand UZS, respectively.

25 NON-CONTROLLING INTEREST

Dependent companies	Non-controlling interest in the statutory fund		Uncontrollable profit	Total as at 31 December 2017
	%	In thousands of UZS		
Bosh bino ishlatmasi LLC	25	25 000	10 800	35 800
Uzbekinvest Hayot LLC	20	1 896 329	1 295 596	3 191 925
Total non-controlling interest		1 921 329	1 306 396	3 227 725

26 FINANCIAL COMMITMENTS AND CONTINGENCIES

Lawsuits

From time to time, in the course of the Company's business, customers and counterparties may raise claims against the Company. Management believes that as a result of the proceedings on them the Company will not incur significant losses and, accordingly, no reserves have been created in the financial statements.

Taxation

Due to the existence in the tax legislation of Uzbekistan of norms permitting ambiguous interpretation, management's assessment of the facts of the Company's economic activities may not coincide with the interpretation of these facts by the tax authorities.

26 FINANCIAL COMMITMENTS AND CONTINGENCIES(Continued)

Taxation(Continued)

Tax authorities may take a more assertive position in interpreting legislation and determining the amount of taxes, and operations and activities that have not previously been challenged may be challenged. As a result, taxes may be added, as well as fines and penalties. The five preceding calendar years remain open for inspection by the tax authorities. Under certain circumstances, inspections may cover longer periods. The Company's management believes that its interpretation of the relevant tax legislation is appropriate and the Company's tax position is protected.

Liabilities on capital commitments

As at 31 December 2017 and 2016, the Company did not have any significant capital commitments.

Operating lease commitments

As at 31 December 2017 and 2016, the Company had no material liabilities under operating leases.

Operating environment

The markets of developing countries, including the Republic of Uzbekistan, are subject to economic, political, social, judicial and legislative risks, different from the risks of more developed markets. Laws and regulations governing business in the Republic of Uzbekistan can change rapidly, there is the possibility of their arbitrary interpretation. The future direction of the development of the Republic of Uzbekistan largely depends on the tax and monetary policy of the state, the laws and regulations adopted, as well as changes in the political situation in the country.

27 TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties in accordance with the definition in IAS 24 "Related Party Disclosures" are set out below.

When considering the possible existence of relations between related parties, attention is paid to the substance of the relationship, and not only to their legal design. As at 31 December 2017, the Company has the following transactions with related parties:

	31 December 2017	31 December 2016
Lease of Fixed assets	26 277	25 142
Loans and receivables	11 998	4 389
Gross insurance premiums	122 024	948
Dividend income	-	899 475
Total	160 299	929 955

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS, the fair value is determined taking into account the price that would have been received upon the sale of the asset or paid when transferring the obligation under a regular transaction between market participants as of the valuation date.

The fair value of financial assets and financial liabilities of the Company recorded at fair value on a permanent basis

Certain financial assets and financial liabilities of the Company are accounted for at fair value at the end of each reporting period. The table below provides information on how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation technique (s) used and the inputs).

28 FAIR VALUE OF FINANCIAL INSTRUMENTS(Continued)

	31 December 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Deposits in banks	331 365 896	331 365 896	144 678 968	144 099 346
Loans and receivables	415 005 320	415 005 320	163 715 425	163 222 342

The fair value of financial assets and financial liabilities that are not taken into account but the fair value on an ongoing basis (but with a mandatory disclosure of fair value)

In the opinion of management of the Group, the carrying amount of financial assets and liabilities recorded in the consolidated financial statements approximates their fair value.

The fair value of financial assets and financial liabilities was determined in accordance with generally accepted valuation models based on discounted cash flow analysis, with the most significant initial data being the discount rate that reflects market quotes for similar financial instruments with a similar maturity.

29 RISK MANAGEMENT POLICY

Risk management is critical in insurance operations and is one of the main elements of the Company's business. The main risks inherent in the Company's activities are insurance risk, credit risk, market risk, operational risk and liquidity risk. The following is a description of the Company's policy regarding the management of these risks.

Insurance risk

The risk for any insurance contract is the possibility that, in the event of an insurance event, there will be an uncertainty in the amount of the insurance claim. Due to the different characteristics of insurance contracts, this risk is accidental and therefore unpredictable.

For the purposes of the portfolio of insurance contracts, where the probability theory is applied in relation to the cost and creation of reserves, the main risk to which the Group is exposed is the risk that the actual payments for claims will exceed the book value of insurance liabilities. This can happen if the frequency or severity of claims is higher than estimated. Insurance cases are an irregular event, and the actual number and amount of claims and benefits will differ from year to year from estimates made using statistical methods.

Factors that increase insurance risk include the inadequacy of risk diversification depending on the type and amount of risk, geographic location and type of coverage of the insured.

Experience shows that the larger the portfolio of similar insurance contracts, the less the relative variability of the result will be. In addition, a more diversified portfolio is less susceptible to changes in any subset of the portfolio.

The group has developed an insurance underwriting strategy that consists in diversifying the types of insurance and the geography of the risks taken in order to achieve sufficient occupancy in each of these categories and thereby reducing the variability of the expected result. The group included a significant margin in the cost of premiums.

The Group also has the right to refuse payment of a falsified claim or claim arising from a policy where the policyholder provided false information during the preparation of the policy statement and the insurance stage.

Insurance contracts are divided into five groups of risk: property and accidents, liability, political risks, construction and installation works, life insurance. Liability insurance includes general liability insurance and professional liability insurance. In addition, political risk insurance mainly includes insurance against confiscation, deprivation of property and nationalization, which are issued exclusively by the UIIC. During 2016, insurance risks for these groups were not concentrated on any of the individual currencies; In the total portfolio, there is a balance between customers who are legal entities and individuals.

Given these circumstances, the Group intends to achieve the required level of risk diversification and reinsurance in order to minimize risk.

29 RISK MANAGEMENT POLICY (Continuation)

Settlement of claims for the Group's policies occurs as they arise. The Group takes all reasonable steps to obtain the necessary information regarding risks and claims. However, if one takes into account the possibility of uncertainty in the creation of reserves for claims, the final result may differ significantly from the original obligation. Obligations under these contracts include IBNR.

Reinsurance

In the normal course of business, the Company enters into obligatory and facultative reinsurance agreements with Uzbek and foreign reinsurers. Contracts for reinsurance do not exempt the Company from its obligations to the insured. The Company assesses the financial position of its reinsurers and monitors the concentration of credit risk arising in similar geographic regions, activities or economic characteristics of reinsurers, in order to minimize the risks of significant losses due to insolvency of the reinsurer.

Investment risks

The Company's investment policy follows several principles based on the level of income and the level of acceptable risk at a certain point in time. The activity of insurance companies in Uzbekistan is under strict supervision. State Insurance Supervision and the Company are not allowed to be a professional participant in the securities market.

The investment portfolio of the Company consists of financial instruments that are selected according to the rates of return, maturity and the level of investment risk. The investment portfolio formed in this way provides an even return during the investment period. Investment income is usually reinvested to increase the volume of the investment portfolio.

Credit risk

The Group is exposed to credit risk, which is the risk that one of the parties to a transaction with a financial instrument will cause the other party to incur financial losses as a result of default on the contractual obligation. The main areas of activity where the Group is exposed to credit risk are:

- exposure to corporate bonds;
- the share of reinsurers in insurance liabilities;
- amounts receivable from reinsurers regarding previously paid claims;
- amounts receivable from holders of insurance contracts;
- amounts receivable from insurance intermediaries; and
- counterparty risk in relation to derivative transactions.

Reinsurance is used to manage insurance risk. However, this does not relieve the Group from being a primary insurer. In the event that the reinsurer is unable to pay claims for any reason, the Group remains responsible for payments to the policyholders. The creditworthiness of reinsurers is reviewed annually by reviewing their financial sustainability before each contract is drawn up. The Insurance Committee of the Group assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit ratings provided by rating agencies and other publicly available financial information. The Committee also receives details of the history of recent payments and the status of any negotiations between the Group and these third parties.

The Group monitors credit risk by setting limits on one counterparty or a group of counterparties, as well as by setting limits on geographical and industry segments. Such risks are monitored regularly, with limits being reviewed at least once a year. Limits of credit risk by category and territory are approved on a quarterly basis by the Board of Directors. Credit risk management is carried out through regular analysis of the ability of existing and potential borrowers to repay interest payments and principal amounts of debt, and, if necessary, by changing credit limits. Credit risk management is also carried out by obtaining collateral and guarantees of companies and individuals.

The most significant credit risk is a decrease in the creditworthiness of the Group's investment portfolio.

29 RISK MANAGEMENT POLICY (Continuation)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk can vary significantly, depending on the individual risks inherent in specific assets and on general market risks.

The following table presents the maximum exposure to credit risk for financial assets. For financial assets recorded on balance sheet accounts, the maximum exposure to credit risk is the book value of these assets, not including offsets of assets and liabilities and collateral.

The maximum amount of creditor risk for 31 December 2017 is as follows:

	Maximum Exposure	Offset	31 December 2017		
			Net exposure after offset	Collateral pledged	Net exposure
Cash and cash equivalents	19 429 467	-	19 429 467	-	19 429 467
Deposits in banks	331 365 896	-	331 365 896	-	331 365 896
Financial assets at fair value					
through profit or loss	415 005 320	-	415 005 320	-	415 005 320
Investments available for sale	48 588 892	-	48 588 892	-	48 588 892
Loans and receivables	1 996 533	-	1 996 533	-	1 996 533
Insurance and reinsurance receivable	14 429 009	-	14 429 009	-	14 429 009
Other financial assets	2 879 348	-	2 879 348	-	2 879 348
TOTAL FINANCIAL ASSETS	833 694 465	-	833 694 465	-	833 694 465

The maximum amount of creditor risk for 31 December 2016 is as follows:

	Maximum Exposure	Offset	31 December 2016		
			Net exposure after offset	Collateral pledged	Net exposure
Cash and cash equivalents	7 225 149	-	7 225 149	-	7 225 149
Deposits in banks	144 099 346	-	144 099 346	-	144 099 346
Financial assets at fair value					
through profit or loss	163 222 342	-	163 222 342	-	163 222 342
Investments available for sale	38 563 324	-	38 563 324	-	38 563 324
Loans and receivables	1 632 150	-	1 632 150	-	1 632 150
Insurance and reinsurance receivable	3 825 367	-	3 825 367	-	3 825 367
Other financial assets	6 589 261	-	6 589 261	-	6 589 261
TOTAL FINANCIAL ASSETS	365 156 939	-	365 156 939	-	365 156 939

Financial assets are classified based on current credit ratings assigned by internationally recognized rating agencies. The highest possible rating is AAA. The investment level of financial assets corresponds to the ratings from AAA to BBB, assigned by international rating agencies. Financial assets with a rating lower than BBB refer to the speculative level.

29 RISK MANAGEMENT POLICY (Continuation)

	<AAA	<BBB	<CCC	Not rated	31 December 2017 Total
Cash and cash equivalents	745 398	18 684 069	-	-	19 429 467
Deposits in banks	-	331 365 896	-	-	331 365 896
Financial assets at fair value through profit or loss	415 005 320	-	-	-	415 005 320
Investments available for sale	-	-	-	48 588 892	48 588 892
Loans and receivables	-	800 000	-	1 196 533	1 996 533
Insurance and reinsurance receivable	-	-	-	14 429 009	14 429 009
Other financial assets	96 282	571 179	-	2 211 888	2 879 349
TOTAL FINANCIAL ASSETS	415 847 000	351 421 144	-	66 426 322	833 694 466
	<AAA	<BBB	<CCC	Not rated	31 December 2016 Total
Cash and cash equivalents	668 218	6 556 931	-	-	7 225 149
Deposits in banks	-	143 519 724	579 622	-	144 099 346
Financial assets at fair value through profit or loss	163 222 342	-	-	-	163 222 342
Investments available for sale	-	-	-	38 563 324	38 563 324
Loans and receivables	-	800 000	-	832 150	1 632 150
Insurance and reinsurance receivable	-	-	-	3 825 367	3 825 367
Other financial assets	96 282	571 179	-	2 245 301	2 912 762
TOTAL FINANCIAL ASSETS	163 986 842	151 447 834	579 622	45 466 142	361 480 441

The Group's credit risk is mainly concentrated in the Republic of Uzbekistan and the United Kingdom. The degree of credit risk is constantly monitored to ensure compliance with limits and creditworthiness in accordance with the Company's approved risk management policy.

Consolidated Financial statements for the year ended 31 December 2017
NEIIC «UZBEKINVEST»

(In thousands UZS)

29 RISK MANAGEMENT POLICY (Continuation)

	Neither past due nor impaired	0-3 months	3-6 months	Impaired 3-6 months	Financial assets 6 months to 1 year	Greater than one year	Financial assets that have been impaired	Impair- ment provision	Total as at 31 December 2017
Cash and cash equivalents	19 429 467	-	-	-	-	-	-	-	19 429 467
Deposits in banks	331 365 896	-	-	-	-	-	-	-	331 365 896
Financial assets at fair value through profit or loss	415 005 320	-	-	-	-	-	-	-	415 005 320
Investments available for sale	48 588 892	-	-	-	-	-	1 733 558	(1 733 558)	48 588 892
Loans and receivables	1 996 533	-	-	-	-	-	-	-	1 996 533
Insurance and reinsurance receivable	14 429 009	-	-	-	-	-	-	-	14 429 009
Other financial assets	2 879 348	-	-	-	-	-	1 339 307	(1 339 307)	2 879 348
TOTAL FINANCIAL ASSETS	833 694 465	-	-	-	-	-	3 072 864	(3 072 864)	833 694 465

	Neither past due nor impaired	0-3 months	3-6 months	Impaired 3-6 months	Financial assets 6 months to 1 year	Greater than one year	Financial assets that have been impaired	Impair- ment provision	Total as at 31 December 2016
Cash and cash equivalents	7 225 149	-	-	-	-	-	-	-	7 225 149
Deposits in banks	144 099 346	-	-	-	-	-	579 622	(579 622)	144 099 346
Financial assets at fair value through profit or loss	163 222 342	-	-	-	-	-	-	-	163 222 342
Investments available for sale	38 563 324	-	-	-	-	-	-	-	38 563 324
Loans and receivables	1 632 150	-	-	-	-	-	493 083	493 083	1 632 150
Insurance and reinsurance receivable	3 825 367	-	-	-	-	-	-	-	3 825 367
Other financial assets	6 589 261	-	-	-	-	-	-	-	6 589 261
TOTAL FINANCIAL ASSETS	365 156 939	-	-	-	-	-	1 072 705	(1 072 705)	365 156 939

29 RISK MANAGEMENT POLICY (Continuation)

Geographical concentration

Management monitors risk associated with changes in legislation and assesses its impact on the Group's operations. This approach allows the Group to minimize possible losses from changes in the investment climate in the Republic of Uzbekistan.

Information on the geographical concentration of assets and liabilities is presented in the following tables:

	Republic of Uzbekistan	Non-OECD countries	OECD countries	31 December 2017 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	18 320 184	-	1 109 283	19 429 467
Deposits in banks	250 165 196	81 200 700	-	331 365 896
Financial assets at fair value through profit or loss	-	-	415 005 320	415 005 320
Investments available for sale	47 204 211	1 384 681	-	48 588 892
Loans and receivables	1 996 533	-	-	1 996 533
Insurance and reinsurance receivable	13 550 551	-	878 458	14 429 009
Other financial assets	2 783 066	-	96 282	2 879 348
TOTAL FINANCIAL ASSETS	334 019 741	82 585 381	417 089 343	833 694 465
FINANCIAL LIABILITIES:				
Insurance and reinsurance payable	16 406 396	-	555 466	16 961 862
Other financial liabilities	15 899 610	-	1 569 317	17 468 927
TOTAL FINANCIAL LIABILITIES	32 306 006	-	2 124 783	34 430 789
OPEN BALANCE SHEET POSITION	301 713 735	82 585 381	414 964 560	799 263 676

29 RISK MANAGEMENT POLICY (Continuation)

	Republic of Uzbekistan	Non-OECD countries	OECD countries	31 December 2016 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	5 447 648	-	1 777 501	7 225 149
Deposits in banks	115 999 546	28 099 800	-	144 099 346
Financial assets at fair value through profit or loss	-	-	163 222 342	163 222 342
Investments available for sale	37 178 643	1 384 681	-	38 563 324
Loans and receivables	1 632 150	-	-	1 632 150
Insurance and reinsurance receivable	2 946 908	-	878 458	3 825 367
Other financial assets	6 492 979	-	96 282	6 589 261
TOTAL FINANCIAL ASSETS	169 697 875	29 484 481	165 974 584	365 156 940
FINANCIAL LIABILITIES:				
Insurance and reinsurance payable	2 464 382	-	555 466	3 019 848
Other financial liabilities	903 883	-	1 569 317	2 473 200
TOTAL FINANCIAL LIABILITIES	3 368 265	-	2 124 782	5 493 047
OPEN BALANCE SHEET POSITION	166 329 610	29 484 481	163 849 802	359 663 893

Liquidity risk

Liquidity risk is the risk that an enterprise may have difficulty in attracting funds needed to meet all requirements for obligations associated with financial instruments. Liquidity risk may arise as a result of the inability to quickly realize assets at their fair value; or the inability of the counterparty to pay off its contractual obligations; or earlier than expected, the time for payment of insurance obligations; or inability to generate cash flows as expected.

The main liquidity risk facing the Group is the daily cash requirements for its available cash resources in respect of payments arising from insurance contracts.

The Group manages liquidity risk through the Group's separate policy to manage this risk, which determines what is the liquidity risk; Establishes the minimum ratio of funds to meet emergency payment requirements; Establishes contingency financing plans; Determines the sources of funding and the events that will bring the plan into action; Concentrates funding sources; Reports on the exposure to liquidity risk and violations to the supervisory authorities; Monitors compliance with liquidity risk policies and reviews liquidity risk management policies for relevance and compliance with changes in the operating environment.

Consolidated Financial statements for the year ended 31 December 2017
NEIIC «UZBEKINVEST»

(In thousands UZS)

29 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months	From 3 to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2017 Total
FINANCIAL ASSETS:								
Deposits in banks	12.50%	3 745 418	4 829 201	36 690 991	286 100 286	-	-	331 365 896
Financial assets at fair value through profit or loss	0.49%	-	-	62 305 508	352 699 812	-	-	415 005 320
Loans and receivables	14.0%	-	-	-	1 996 533	-	-	1 996 533
Total interest bearing financial assets		3 745 418	4 829 201	98 996 499	640 796 631	-	-	748 367 749
Cash and cash equivalents		19 429 467	-	-	-	-	-	19 429 467
Investments available for sale		48 588 892	-	-	-	-	-	48 588 892
Insurance and reinsurance receivable		14 429 009	-	-	-	-	-	14 429 009
Other financial assets		2 879 348	-	-	-	-	-	2 879 348
TOTAL FINANCIAL ASSETS		89 072 134	4 829 201	98 996 499	640 796 631	-	-	833 694 465
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		16 961 862	-	-	-	-	-	16 961 862
Other financial liabilities		17 468 927	-	-	-	-	-	17 468 927
TOTAL FINANCIAL LIABILITIES		34 430 789	-	-	-	-	-	34 430 789
Liquidity gap		54 641 345	4 829 201	98 996 499	640 796 631	-	-	799 263 676

29 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months	From 3 to 1 year	From 1 to 5 years	Over 5 years
Interest sensitivity gap		3 745 418	4 829 201	98 996 499	640 796 631	-
Cumulative interest sensitivity gap		3 745 418	8 574 619	107 571 118	748 367 749	-
Cumulative interest sensitivity gap as a percentage of total financial assets		1,0%	2,3%	29,5%	204,9%	

(In thousands UZS)

29 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months	From 3 to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2016 Total
FINANCIAL ASSETS:								
Deposits in banks	5,55%	81 411	875 853	36 046 413	107 271 328	-	-	144 099 346
Financial assets at fair value through profit or loss	0,49%	92 214	992 085	40 830 025	121 308 018	-	-	163 222 342
Loans and receivables	10,0%	-	-	-	800 000	-	-	800 000
Total interest bearing financial assets		173 625	1 867 938	76 876 438	229 379 346	-	-	308 121 689
Cash and cash equivalents		7 225 149	-	-	-	-	-	7 225 149
Investments available for sale		38 563 324	-	-	-	-	-	38 563 324
Insurance and reinsurance receivable		3 825 367	-	-	-	-	-	3 825 367
Loans and receivables		832 150	-	-	-	-	-	832 150
Other financial assets		6 589 261	-	-	-	-	-	6 589 261
TOTAL FINANCIAL ASSETS		57 208 876	1 867 938	76 876 438	229 379 346	-	-	365 156 941
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		3 019 848	-	-	-	-	-	3 019 848
Other financial liabilities		10 227 469	-	-	-	-	-	10 227 469
TOTAL FINANCIAL LIABILITIES		13 247 317	-	-	-	-	-	13 247 317
Liquidity gap		43 961 560	1 867 938	76 876 438	229 379 346	-	-	351 909 624

29 RISK MANAGEMENT POLICY (Continuation)

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months	From 3 to 1 year	From 1 to 5 years	Over 5 years
Interest sensitivity gap		173 625	1 867 938	76 876 438	229 379 346	-
Cumulative interest sensitivity gap		173 625	2 041 563	78 918 000	308 297 346	-
Cumulative interest sensitivity gap as a percentage of total financial assets		0,0%	0,6%	21,6%	84,4%	

29 RISK MANAGEMENT POLICY (Continuation)

The Group does not include insurance reserves in the liquidity analysis, including amounts from reinsurers, classified as reinsurance assets, since reserves do not have a certain maturity. In addition, actual liabilities may differ from the reserve amounts and are not included in the table above.

Discounted liabilities presented in the previous tables coincide with the amounts of undiscounted obligations due to the fact that all liabilities are short-term.

Financial assets available-for-sale are represented by maturity dates, although they are fairly liquid and can be sold at fair value for three months if necessary.

Market risk

The company is also exposed to market risks associated with the presence of open positions in interest rates and currencies subject to general and specific market fluctuations. The Group manages market risk by periodically evaluating potential losses as a result of negative changes in the market environment, and by establishing and maintaining adequate limits on the amount of allowable losses and the requirements for the rate of return.

Currency risk

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

	UZS	USD USD 1 = 8,120.07 UZS	EUR EUR 1 = 9,624.72 UZS	Other	31 December 2017 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	8 293 717	10 303 837	255 573	576 340	19 429 467
Deposits in banks	56 588 123	274 777 773	-	-	331 365 896
Financial assets at fair value through profit or loss	-	415 005 320	-	-	415 005 320
Investments available for sale	47 204 211	1 384 681	-	-	48 588 892
Loans and receivables	1 996 533	-	-	-	1 996 533
Insurance and reinsurance receivable	14 173 259	255 750	-	-	14 429 009
Other financial assets	2 879 348	-	-	-	2 879 348
TOTAL FINANCIAL ASSETS	131 135 191	701 727 361	255 573	576 340	833 694 465
FINANCIAL LIABILITIES:					
Insurance and reinsurance payable	2 418 998	14 542 864	-	-	16 961 862
Other financial liabilities	17 468 927	-	-	-	17 468 927
TOTAL FINANCIAL LIABILITIES	19 887 925	14 542 864	-	-	34 430 789
OPEN BALANCE SHEET POSITION	111 247 266	687 184 497	255 573	576 340	799 263 676

29 RISK MANAGEMENT POLICY (Continuation)

	UZS	USD USD 1 = 3,231.48 UZS	EUR EUR 1 = 3,419.23 UZS	Other	31 December 2016 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	4 426 021	2 729 452	3 820	65 856	7 225 149
Deposits in banks	30 674 912	113 028 698	395 736	-	144 099 346
Financial assets at fair value through profit or loss	-	163 222 342	-	-	163 222 342
Investments available for sale	-	38 563 324	-	-	38 563 324
Loans and receivables	1 632 150	-	-	-	1 632 150
Insurance and reinsurance receivable	2 940 268	885 099	-	-	3 825 367
Other financial assets	6 589 261	-	-	-	6 589 261
TOTAL FINANCIAL ASSETS	46 262 612	318 428 915	399 556	65 856	365 156 939
FINANCIAL LIABILITIES:					
Insurance and reinsurance payable	737 909	2 281 939	-	-	3 019 848
Other financial liabilities	10 170 311	43 230	13 211	717	10 227 469
TOTAL FINANCIAL LIABILITIES	10 908 220	2 325 168	13 211	717	13 247 317
OPEN BALANCE SHEET POSITION	35 354 392	316 103 747	386 345	65 139	351 909 622

Analysis of sensitivity to foreign exchange risk

The table below summarizes the sensitivity of the Group to 151% and 15% of the increase and decrease in the sum to the US dollar and euro as at 31 December 2017 and 2016, 181% and 11%, respectively. The Group's management believes that, given the current economic situation in the Republic of Uzbekistan, it is possible for the sum to fluctuate against the US dollar and euro at a rate of up to 25%. This level of sensitivity is used internally in the preparation of foreign exchange risk reports for key management personnel of the Company and represents management's assessment of possible changes in exchange rates. The sensitivity analysis includes only foreign currency amounts available at the end of the period, when converted at the end of the year, rates that are changed by 25% are used as compared to those effective as at 31 December 2017 and 2016, respectively.

	As at 31 December 2017		As at 31 December 2016	
	+25%	-25%	+25%	-25%
in USD Impact on net profit and equity	171 796 124	(171 796 124)	79 025 937	(79 025 937)
	As at 31 December 2017		As at 31 December 2016	
	+25%	-25%	+25%	-25%
in EUR Impact on net profit and equity	63 893	(63 893)	96 586	(96 586)

29 RISK MANAGEMENT POLICY (Continuation)

Limitations of sensitivity analysis

The above tables reflect the effect of a change in the main assumption, while other assumptions remain unchanged. In fact, there is a connection between assumptions and other factors. It should also be noted that the sensitivity is nonlinear, so interpolation or extrapolation of the results should not be performed.

The sensitivity analysis does not take into account that the Group actively manages assets and liabilities. In addition to this, the financial position of the Company may vary depending on the changes taking place in the market. For example, the Group's strategy in the area of financial risk management is aimed at managing the risk of market volatility. In the event of sharp negative price fluctuations in the securities market, management can resort to such methods as selling investments, changing the composition of the investment portfolio, and also to other methods of protection. Consequently, the change in assumptions may not have an impact on liabilities and significantly affect the assets recorded on the balance sheet at the market price. In this situation, different methods of valuation of assets and liabilities can lead to significant fluctuations in the amount of capital.

Other limitations in the above sensitivity analysis include the use (with the aim of disclosing the potential risk) of hypothetical market movements, which are just the Company's forecast of forthcoming market changes that cannot be predicted with any degree of certainty. Also a limitation is the assumption that all interest rates change in an identical way.

30 SUBSEQUENT EVENTS AFTER REPORTING DATE

According to the Decree of the President of the Republic of Uzbekistan No. PD-3583 of 5 March 2018 "On the Organization of the Ministry of Physical Education and Sports of the Republic of Uzbekistan", the Ministry of Physical Education and Sports of the Republic of Uzbekistan is located at 2, A.Kodiriy Street, Tashkent.

In this regard, the national export-import insurance company "Uzbekinvest" was transferred to the building, which is on the balance of the Tashkent region Prosecutor's Office and located at the address: Tashkent city, Chilonzor district, Central Massif, Chupon-ota street.

The national export-import insurance company "Uzbekinvest" developed a project of the decision, which was submitted for consideration to the Cabinet of Ministers of the Republic of Uzbekistan. This decision provides for the transfer of part of the building on the balance of the Company, located at the address 2, A. Kodiriy street to the balance of the Ministry of Physical Education and Sports of the Republic of Uzbekistan, as well as the transfer of part of the building on the balance of the Tashkent region Prosecutor's Office, located at the address Tashkent, Chilanzar district, Chupon-ota street of the Company.

At present, this project is under consideration of the Government of the Republic of Uzbekistan.