APEX INSURANCE JSC

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

31 December 2022

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AUDIT

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No. 16
From March 06, 2023

Founders and Management
AS "APEX INSURANCE"

Independent auditor's report

Opinion

We have audited the consolidated financial statements of APEX INSURANCE JSC, prepared in accordance with IFRS as of December 31, 2022, consisting of:
□ Consolidated statement of financial position for the year ended 31 December 2022,
□ Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022,
□ Consolidated Statement of Changes in Equity for the year ended December 31, 2022,
□ Consolidated statement of cash flows for the year ended December 31, 2022,
and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements, in all material respects, fairly represent the financial position of APEX INSURANCE JSC as at 31 December 2022, as well as its financial results, comprehensive income and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards.

Basis for expressing opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further discussed in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Declaration of Independence

We are independent of APEX INSURANCE JSC in accordance with the ethical requirements established by the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) applicable to our audit of financial statements in the Republic of Uzbekistan, as well as in accordance with the requirements of the Law "On Auditing" in terms of compliance with the principle of independence, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our approach to audit

The main business activity of APEX INSURANCE JSC is the provision of insurance services.
We paid special attention to issues related to the specifics of the operating activities of APEX INSURANCE JSC in the field of insurance services.
When planning the audit, we determined materiality and assessed the risks of material misstatement of the financial statements. As with all of our audits, we considered the risk of management override of internal controls, including, but not limited to, an assessment of whether management biases exist that create the risk of material misstatement due to fraud.
Our work as a whole included audit procedures for the entire audited period following the results and at the end of 2022. We discussed various issues with the management of JSC "APEX INSURANCE" during the audit.

Materiality

We used our professional judgment to determine materiality at the financial statement level of APEX INSURANCE JSC. We have determined the materiality level at 2.5% of the total assets of the Consolidated Statement of Financial Position of APEX INSURANCE JSC. We reviewed and determined the indicator of the amount of assets as a fairly representative one, since most of the assets are accounts receivable, and taking into account the fact that a true assessment of the amount of accounts receivable significantly affects the financial condition.
The reliability of financial statements in all material respects refers to such a degree of accuracy of financial statements that a qualified user of these statements is able to draw the right conclusions and make the right decisions based on them. The materiality of information is its property, which makes it capable of influencing the decisions of a reasonable user of such information.
The level of materiality is understood as the limiting value of the distortion of financial statements, starting from which a qualified user of these statements will no longer be able to draw correct conclusions and make correct decisions based on them.

The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement in the financial statements, whether due to fraud or error.
An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of estimates made by the entity's management, as well as assessing the overall presentation of the financial statements.
An audit includes the performance of procedures to identify non-compliance with the requirements of regulatory legal acts by the management and personnel of an economic entity, which have a significant impact on the financial results of operations and have led to material misstatements of the financial statements.

Audit Scope

We carried out audit work in the office of APEX INSURANCE JSC located in Tashkent. This work consisted of a full audit of all significant amounts of transactions, and a full audit of individual control points. As a result, having carried out the above scope of work, we have achieved the following coverage of financial statements: 96% of revenue, 95% of assets, 90% of insurance reserves, and on average for all items of financial statements - 94%.

Key Audit Matter	***How the relevant key issue was addressed in our audit***
Recognition and measurement of revenue from insurance services	
Recognition and measurement of revenue from insurance services was one of the most significant issues of our audit due to certain specifics of the mechanisms of the insurance market, which leads to disagreements between insurance companies regarding the volume and cost of insurance services. The amount of reinsurers' revenue in total revenue is significant for the Company's financial statements. The assessment by the management of the Company of the probability of resolving disagreements in its favor is largely subjective. Revenue is recognized when, subject to assumptions, the disputes are resolved in favor of the Company.	We reviewed the accounting policy applied in relation to the recognition of revenue from insurance services, studied the system of internal control over the reflection of this revenue, audited the determination of the relevant amounts of revenue based on insurance, reinsurance and co-insurance contracts, received confirmation of balances of receivables from counterparties on a selective basis, conducted analysis of the results of litigation in relation to the disputed amounts of services rendered, if any, and assessment of existing procedures to confirm the volumes of insurance transferred.
Recognition, evaluation and disclosure of contingent facts of economic activity	
Recognition, measurement and disclosure of contingent liabilities in relation to litigation with	The audit procedures included, among others, the analysis of decisions rendered by the courts

reinsurers, co-insureds and insured events were among the most significant issues of our audit due to the fact that they require significant management judgment in relation to significant amounts of balances of settlements with counterparties disputed in litigation. litigation or in the process of pre-trial settlement.

of various instances and consideration of management's judgments regarding the assessment of the likelihood of an outflow of economic resources due to the resolution of disputes, the study of the compliance of the prepared documentation with the provisions of applicable contracts and legislation, the analysis of disclosures in the notes to the financial statements of information about insurance and other reserves and contingent liabilities.

Impairment of assets, credit and financial risks

Due to the presence of signs of impairment of non-current and current assets as of December 31, 2022, the Company performed an impairment test. The value in use of assets in the form of property, plant and equipment, long-term and short-term financial investments, which represent a significant share of the Company's assets, as of December 31, 2022 was determined using the projected cash flow method.

The issue of testing fixed assets, long-term and short-term financial investments for impairment was one of the most significant for our audit, since the balance of fixed assets, long-term and short-term financial investments constitute a significant part of the Company's total assets at the reporting date, and also because the management's assessment process value in use is complex, largely subjective, and is based on assumptions such as insurance revenue projections, insurance service rates, interest and dividend income, and operating costs that are dependent on estimated future market or economic conditions in the Republic of Uzbekistan.

As part of our audit procedures, we have, among other things, evaluated the assumptions and methodologies used by the Company, in particular those relating to projected insurance revenues, tariff decisions, operating and capital costs, long-term tariff growth rates and discount rates.

We have tested the inputs to the model and tested the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test for property, plant and equipment and right-of-use assets.

We engaged internal valuation specialists to analyze the model used to determine the recoverable amount in the impairment test for property, plant and equipment.

We also analyzed the sensitivity of the model to changes in the key valuation indicators and the information disclosed by the Company about the assumptions on which the results of impairment testing are most dependent.

Impact of the COVID-19 epidemic on the Company's activities

The Company has analyzed the impact of the COVID-19 epidemic on its operations.

We analyzed the objectivity of the assessment carried out by the Company of the results of the impact of the covid epidemic on the Company's activities in 2022.

Responsibilities of management and those charged with corporate Management and for financial reporting

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

In preparing the financial statements, management is responsible for assessing APEX INSURANCE's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on a going concern basis, unless management intends liquidate APEX INSURANCE JSC, terminate its activities or when it has no other viable alternative other than liquidation or termination of activities.

Those charged with governance are responsible for overseeing the preparation of the financial statements of APEX INSURANCE JSC.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

In addition, we do the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; the risk of not detecting a material misstatement from fraud is greater than the risk of not detecting it from error, as fraud may include collusion, forgery, omission, misrepresentation, or circumvention of internal controls;
- obtain an understanding of the internal control system relevant to the audit for the purpose of developing audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system of APEX INSURANCE JSC;
- assess the appropriateness of the accounting policies applied and the reasonableness of accounting estimates and related disclosures prepared by management;
- conclude on the appropriateness of management's use of the going concern assumption, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on APEX INSURANCE JSC's ability to continue as a going concern its activities. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause APEX INSURANCE JSC to cease to be able or able to continue as a going concern;
- evaluate the presentation of the financial statements as a whole, their structure and content, including disclosure of information, as well as whether the financial statements present underlying transactions and events in such a way that their fair presentation is ensured;

- obtain sufficient appropriate audit evidence relating to the financial information of third parties or activities within APEX INSURANCE JSC to express an opinion on the financial statements.
- We are responsible for the management, control and audit of APEX INSURANCE JSC. We remain fully responsible for our audit opinion.

We communicate with those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the results of the audit, including significant deficiencies in the internal control system, which we identified during the audit.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements for independence and have kept those individuals informed of all relationships and other matters that could reasonably be considered to have an impact on the auditor's independence, and where appropriate – appropriate precautions.
From the matters that we have brought to the attention of those charged with governance, we identify matters that were most significant to the audit of the financial statements for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report because it can reasonably be expected that the adverse effects of reporting such information would outweigh the public benefit of reporting it.

Information about the audited entity

APEX INSURANCE JSC. Address: Republic of Uzbekistan, Tashkent, Mirza Ulugbek district, st. Buyuk Ipak Yuli, 154A. R/S 2020 8000 1009 0678 5001 to OPERA PJSCB "INFINBANK", MFO 01041, TIN 305684696, OKED 65120.

Information about the audit organization "MARIKON AUDIT"

Address: Republic of Uzbekistan, Tashkent, st. M. Yusuf house 46/2, settlement account: 2020 8000 2040 5017 9001 in the M. Ulugbek branch of ChZ JSCB "DAVR-BANK", bank code 01072, OKED 69202. Audit organization liability insurance policy No. 0105/1308/21/002- 2 dated 04/07/2022, from the INSON Insurance Company, TIN 203248237, tel. 71 208-49-50, f.71 208-09-76. Director of the audit organization: Makhmudova G.G., Auditor Qualification Certificate No. 04404 issued by the Ministry of Finance of the Republic of Uzbekistan on September 12, 2012, certified accountant of the CAP.

The leader of the assignment, as a result of which this audit report was issued, Makhmudova Gulnara (Auditor certificate No. 04404 dated September 12, 2012 issued by the Ministry of Finance of the Republic of Uzbekistan). The audit of the reliability of the financial statements of the business entity APEX INSURANCE JSC from 01/01/2022 to 12/31/2022, as of 12/31/2022, was carried out on the basis of agreement No. AO - 1601/1 dated 16/01/2023.

Director
MARIKON-AUDIT LLC ________ Makhmudova G.G.

MARIKON AUDIT

06 March 2023
Tashkent, Republic of Uzbekistan

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APEX INSURANCE JSC

Consolidated Statement of Financial Position

In thousands of Uzbekistan Soums	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	8	459 598 789	162 218 839
Intangible assets	9	10 101 064	5 454 683
Investment property	10	10 375 681	10 753 902
Loans issued	11	789 461	295 507
Total non-current assets		**480 864 995**	**178 722 931**
Current assets			
Inventories	12	845 325	525 454
Trade and other receivables	13	7 354 238	2 615 483
Cash and cash equivalents	14	542 959 324	172 139 385
Reinsurer's share in the insurance reserve	18	148 755 227	24 918 461
Loans issued	11	1 175 612	4 027 600
Prepayments		15 823 556	1 424 192
Income tax prepayments		-	200
Other assets		5 510 182	684 238
Total current assets		**722 423 464**	**206 335 013**
TOTAL ASSETS		**1 203 288 459**	**385 057 944**
EQUITY			
Share capital	15	72 000 000	52 000 000
Retained earnings		123 627 989	30 144 823
TOTAL EQUITY		**195 627 989**	**82 144 823**
LIABILITIES			
Non-current liabilities			
Borrowings	16	14 616 811	12 639 810
Deferred income tax liabilities	24	2 738 165	1 420 038
Total non-current liabilities		**17 354 976**	**14 059 848**
Current liabilities			
Borrowings	16	429 711	133 811
Insurance reserves	18	636 802 954	215 215 968
Trade and other payables	17	353 072 829	73 485 987
Income tax payables		-	17 507
Total current liabilities		**990 305 494**	**288 853 273**
TOTAL LIABILITIES		**1 007 660 470**	**302 913 121**
TOTAL EQUITY AND LIABILITIES		**1 203 288 459**	**385 057 944**

Approved for issue and signed on

APEX INSURANCE

Jakhongir Yunusov
General Director
Tashkent, Uzbekistan

Nadejda Saidjanova
Chief Accountant
Tashkent, Uzbekistan

APEX INSURANCE JSC

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Uzbekistan Soums	Note	2022	2021
Insurance revenue	19	870 820 089	238 705 502
Net expenses from reinsurance contracts held		(152 772 217)	(22 121 072)
Changes in insurance reserves		(279 252 224)	(92 993 145)
Total revenue		**438 795 648**	**123 591 285**
Cost of sales	20	(365 268 140)	(108 418 014)
Insurance service results		**73 527 508**	**15 173 271**
Selling, general and administrative expenses	21	(41 452 513)	(26 192 030)
Other operating income	22	50 829 190	17 599 785
Operating profit		**82 904 185**	**6 581 026**
Finance income	23	39 718 570	16 402 315
Finance costs		(5 909 071)	(4 620 814)
Net foreign exchange loss		(1 922 177)	(223 046)
Profit before income tax		**114 791 507**	**18 139 481**
Income tax expense	24	(19 264 133)	(3 166 688)
Profit for the year		**95 527 374**	**14 972 793**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**95 527 374**	**14 972 793**

APEX INSURANCE JSC

Consolidated Statement of Changes in Equity

In thousands of Uzbekistan Soums	Share capital	Retained earnings	Total
Balance at 1 January 2021	**52 000 000**	**15 172 030**	**67 172 030**
Profit for the year	-	14 972 793	14 972 793
Other comprehensive income for the year	-	-	-
Total comprehensive income for the 2021	-	14 972 793	14 972 793
Balance at 31 December 2021	**52 000 000**	**30 144 823**	**82 144 823**
Profit for the year	-	95 527 374	95 527 374
Other comprehensive income for the year	-	-	-
Total comprehensive income for the 2022	-	95 527 374	95 527 374
Contribution to share capital	20 000 000	-	20 000 000
Dividends declared	-	(2 044 208)	(2 044 208)
Balance at 31 December 2022	**72 000 000**	**123 627 989**	**195 627 989**

The accompanying notes on pages 5 to 61 are an integral part of these consolidated financial statements.

APEX INSURANCE JSC

Consolidated Statement of Cash Flows

In thousands of Uzbekistan Soums	**2022 г.**	**2021**
Cash flows from operating activities		
Profit before income tax	114 791 507	18 139 481
Adjustments for:		
Depreciation of property, plant and equipment	11 001 145	6 963 863
Амортизация нематериальных активов	169 405	28 234
Net allowances for bad and doubtful accounts	204 614	216 633
Net foreign exchange loss	1 922 177	223 046
Finance income	(39 718 570)	(16 402 315)
Finance costs	5 909 071	4 620 814
Other non-cash operating income	(77 555)	(873 658)
Other non-cash operating costs	764 050	-
Operating cash flows before working capital changes	**94 965 844**	**12 916 098**
Changes in working capital:		
Trade and other receivables	28 812 158	1 148 082
Prepayments	(14 823 364)	(1 389 245)
Inventories	(319 871)	489 186
Other assets	14 052 029	(363 974)
Trade and other payables	269 690 082	17 527 282
Changes in insurance reserves	298 418 160	114 578 479
Changes in working capital	**690 795 038**	**144 905 908**
Interest paid	(592 985)	(3 977 346)
Interest received	5 640 760	16 461 517
Income tax paid	(11 005 273)	(711 733)
Net cash from operating activities	**684 837 540**	**156 678 346**
Cash flows from investing activities		
Purchase of property, plant and equipment	(298 306 681)	(78 596 523)
Proceeds from sale of property, plant and equipment	1 353 624	21 559
Purchase of intangible assets	(4 815 786)	(5 482 917)
Loans issued	(26 393 309)	(3 993 000)
Repayment of loans issued	10 265 189	6 504 767
Net cash used in investing activities	**(317 896 963)**	**(81 546 114)**
Cash flows from financing activities		
Proceeds from borrowings	-	2 900 000
Repayment of borrowings	(14 296 030)	(10 975 671)
Capital contributions from participants	18 000 019	-
Net cash used in financing activities	**3 703 989**	**(8 075 671)**
Effect of exchange rate changes on cash and cash equivalents	175 373	(5 534)
Cash and cash equivalents at the beginning of the year	**172 139 385**	**105 088 358**
Cash and cash equivalents at the end of the year	**542 959 324**	**172 139 385**

1. Reporting Entity and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2022 for "APEX INSURANCE" JSC (the "Company") and its subsidiaries (the "Group").

The Company was incorporated and domiciled in the form of limited liability company ("LLC") in the territory of the Republic of Uzbekistan in accordance with the Registration File # 626994 by the Ministry of Justice of the Republic of Uzbekistan on 3 August 2018. Legal form was changed into JSC on 22 January 2022.

As of 31 December 2022, and 31 December 2021 the shares of the Group's participants were as follows:

In thousands of Uzbekistan Soums	31 December 2022		31 December 2021	
	% ownership	**Nominal amount**	**% ownership**	**Nominal amount**
ORIENT INVEST GROUP LLC	46,31%	33 340 330	43,27%	22 500 000
MUXITDINOV X.	23,31%	16 779 730	31,05%	16 145 000
MUXITDINOVA M.	19,42%	13 982 560	18,47%	9 605 000
PULATOVA M.	10,97%	7 897 380	7,21%	3 750 000
Total share capital	**100%**	**72 000 000**	**100%**	**52 000 000**

Principal activity. The Group's principal business activity is insurance both in voluntary and mandatory under 17 classes of insurance as well as reinsurance, such as:

No. of class	Name of class
Class 1	Accident insurance
Class 2	Sickness insurance
Class 3	Land vehicles damage or loss insurance
Class 4	Railway damage or loss insurance
Class 5	Aircraft damage or loss insurance
Class 6	Ships damage or loss insurance
Class 7	Goods in transit insurance
Class 8	Property insurance due to fire and natural disasters
Class 9	Property damage or loss insurance
Class 10	Motor liability insurance
Class 11	Aviation liability insurance
Class 12	Marine liability insurance
Class 13	General liability insurance
Class 14	Credit insurance
Class 15	Suretyship insurance
Class 16	Miscellaneous financial losses
Class 17	Legal expense insurance

The license on voluntary insurance was obtained from Ministry of Finance of the Republic of Uzbekistan on 27 September 2018. The license on mandatory insurance and reinsurance was obtained from Ministry of Finance of the Republic of Uzbekistan on 15 April 2019.

Registered address and place of business. The Company's registered address and place of business is 154A Buyuk Ipak Yuli str, Mirza Ulugbek district, Tashkent, Republic of Uzbekistan.

As at 31 December 2022 and 2021, the Group had in total 357 and 265 employees, respectively.

Presentation currency. These consolidated financial statements are presented in Uzbek soums ("UZS"), unless otherwise stated.

2. Operating Environment of the Group

The Uzbekistan economy continues to display characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Uzbekistan authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of those measures were subsequently relaxed, however, as of 31 December 2022, there remains a risk that the authorities may impose additional restrictions in 2023 as a response to possible new variants of the virus.

Uzbekistan experienced the following key economic indicators in 2022:

- Official exchange rate as at 31 December 2022: USD 1 = UZS 11,225.46 (31 December 2021: USD 1 = UZS 10,837.66)
- Inflation: 9.98% (2021: 9.98%%);
- GDP growth: 12.3% (2021: 1.6%);
- Refinancing rate of the Central Bank of Uzbekistan – 14%-15% (2021: 14%%).

3. Significant Accounting Policies

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

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

Going concern. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

3. Significant Accounting Policies (Continued)

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Foreign currency translation. The functional currency of the Group's is the currency of the primary economic environment in which the entity operates. The Group's functional and the presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soums.

Transactions and balances. Monetary assets and liabilities in foreign currencies are translated into the Group's functional currency at the official exchange rate of the Central Bank of Uzbekistan ("CBU") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss as 'Net foreign exchange gain/(loss)'.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and improvements	20 - 35
Computer and office equipment	5 - 10
Motor vehicles	3 - 6
Other	5 - 10

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3. Significant Accounting Policies (Continued)

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

Earned rental income is recorded in profit or loss for the year within other income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Amendment of the consolidated financial statements after issue. Any changes to these consolidated financial statements after issue require approval of the Group's management who authorised these consolidated financial statements for issue.

Impairment of non-financial assets. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

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

3. Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the Group. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loan from related parties, loans to related parties that are not traded in an active market.

3. Significant Accounting Policies (Continued)

Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight-line basis over the term of the loan from related parties and loans to related parties.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio changes as a whole. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Debt instruments measured at AC, trade receivables and loans issued are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

3. Significant Accounting Policies (Continued)

The Group applies simplified approach for impairment of trade and lease receivables. For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12-Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for trade and other receivables.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

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

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

3. Significant Accounting Policies (Continued)

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

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Operating lease. Where the Group is a lessor in a lease which does not transfers substantially all the risks and rewards incidental to ownership to the lessee (i.e. operating lease), lease payments from operating leases are recognised as other income on a straight-line basis. Modification of a lease is accounted for by the lessor as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Taxation. The Group was subject to pay the following taxes and mandatory contributions during the reporting period:

- Corporate income tax;
- Value added tax;
- Property tax;
- Land tax;
- Water tax (on the ground);
- Unified social tax.

3. Significant Accounting Policies (Continued)

Furthermore, the Group acts as a tax agent of tax authorities and is responsible for the withholding and payment of relevant taxes and mandatory contributions on remunerations of its employees and dividends of participants.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax expense comprises current tax and deferred tax and is recognised in profit or loss for the year.

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

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

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

Value added tax. Output value added tax related to sales is payable to tax authorities up to 20th of the next month after the sales occurred. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

VAT related to sales and purchases is recognised in the statement of financial position on a net basis and disclosed as an asset or a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3. Significant Accounting Policies (Continued)

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Charter capital. Participants' contributions to the charter capital are classified as equity. Contributions made to charter capital in the form of tangible and intangible assets are recognised at their fair value at the time of contribution.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations. Local legislation identifies the basis of distribution as the current year net profit.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Employee benefits. Wages, salaries, contributions to the social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond above listed contributions.

Summary of measurement approaches for insurance contracts. The Group uses different measurement approaches, depending on the type of contracts, as follows:

3. Significant Accounting Policies (Continued)

Contracts held	Product classification	Measurement model
Term life insurance contracts	Insuranc contracts	General measurement model
Universal life insurance contracts	Insurance contracts without direct participation features	General measurement model
Direct participating contracts	Insurance contracts with direct participation features	Variable fee approach
Investment contracts with DPF	Insurance contracts with direct participation features	General measurement model
Investment contracts without DPF	Financial instruments	Financial liabilities measured at FVTPL
Automobile insurance	Insurance contracts	Premium allocation approach for policies issued (with coverage of one year or less) General measurement model for contracts acquired in the run-off period
Reinsurance contracts held		
Term life - quota share reinsurance	Reinsurance contracts held	General measurement model
Automobile third party liability - excess of loss reinsurance	Reinsurance contracts held	Premium allocation approach for policies issued (with coverage of one year or less)

The Group does not have any reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by that other entity.

Definition and classification of insurance contacts. Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement a to assess whether contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without DPF issued by the Group fall under this category.

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under IFRS 17.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

3. Significant Accounting Policies (Continued)

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contract terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Group's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary

Investment components in Savings and Participating products comprise policyholder account values less applicable surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value- of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for instance contracts with direct participation features is referred to as the VFA. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Group are contracts with direct participation features where the Group holds the pool of underlying assets and accounts for these groups of contacts under the VFA.

All other insurance contracts originated by the Group are without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose tie reinsurance to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

Unit of account. The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

3. Significant Accounting Policies (Continued)

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that 'all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For Life Risk and Savings product lines, sets of contracts usually correspond to policyholder pricing groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing groups with no information available at a more granular level.

Contracts issued within Participating product lines are always priced with high expected profitability margins, and thus, such contracts are allocated to groups of contracts that have no significant possibility of becoming onerous as at initial recognition.

Automobile insurance contracts acquired in the run-off period in 2019 were included in a single group of contracts and assessed as having no significant possibility of becoming onerous through the pre-acquisition due diligence performed.

For other automobile contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. Similar to Life Risk and Savings contracts, this assessment is performed at a policyholder pricing groups level.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Transition approaches that were applied by the Group on adoption of IFRS 17 with respect to contracts aggregation requirements are included in Methods used and judgements applied in determining the IFRS 17 transition amounts.

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

3. Significant Accounting Policies (Continued)

Recognition and derecognition. Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Investment contracts with DPF are initially recognised at the dare the Group becomes a party to the contract.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Group does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition. An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract

i. is not in scope of IFRS 17;

ii. results in different separable components;

iii. results in a different contract boundary; or iv. belongs to a different group of contracts;

b. the original contract represents an insurance contra t with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

3. Significant Accounting Policies (Continued)

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Group:

a. Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group.

b. Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition :

i. If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.

ii. If the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party.

iii. If the original contract is modified resulting in its derecognirion, in the amount of the FCF adjustment in a. adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Group assumes such a hypothetical premium as actually received.

c. Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged • immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;

b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;

c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Fulfilment cash Dows within contract boundary. The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;

b. are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and

c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the UC.

3. Significant Accounting Policies (Continued)

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary. The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b. both of the following criteria are satisfied:

i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

ii . the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included .

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with an option to buy an annuity upon the initially issued policies maturity. The Group assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Group until they are exercised.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

3. Significant Accounting Policies (Continued)

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group's quota share life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within one-year' s boundary are included in each of the reinsurance contracts' measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs. The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a. costs directly attributable to individual contracts and groups of contracts; and

b. costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognised, the Group could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed further.

Contractual service margin. The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

a. the initial recognition of the FCF;

b. the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and

c. cash flows arising from the contracts in the group at that date.

3. Significant Accounting Policies (Continued)

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss.

For reinsurance contracts held, the CSM represents a. deferred gain or loss that the Group will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

a. the initial recognition of the FCF; and

b. cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

No contracts acquired were assessed as onerous at initial recognition.

Subsequent measurement. The carrying amount at the end of each reporting period of a group of insurance contract s issued at the is the sum of:

a. the LRC, comprising:

i. the FCF related to future service allocated to the group at that date; and

ii the SM of the group at that date; and

b. the UC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a. the remaining coverage, comprising:

i. the FCF related to future service allocated to the group at that date; and

ii. the CSM of the group at that date; and

b. The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows. The FCF are updated by the Group for current assumptions at the end of every reporting period , using the current estimates of the amount, riming and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and

b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

3. Significant Accounting Policies (Continued)

a. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a.-c. are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

b. changes in the FCF relating to the U C; and

c. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For investment contracts with DPF that are measured under the GMM and provide the Group with discretion as to the timing and amount of the cash flows to be paid to the policyholders, a change in discretionary cash flows is regarded as. relating to future service and accordingly adjusts the CSM. At inception of such contracts, the Group specifies its commitment as crediting interest to the policyholder's account balance based on the return on a pool of assets less a spread. The effect of discretionary changes in the spread on the FCF adjusts the CSM while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses.

When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes thereof on the FCF is recognised in insurance finance expenses.

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

a. changes in the Group's share of the (air value of the underlying items; and

b. changes in the FCF that do not vary based on the returns of underlying items:

i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;

ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

iii. charges in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

v. changes in the risk adjustment for non-financial risk that relate to future service. Adjustments ii.-v. are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

3. Significant Accounting Policies (Continued)

a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

b. changes in the FCF that do not vary based on the returns of underlying items:

i. changes in the FCF relating to the LIC; and

ii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Changes to the contractual service margin. For insurance contracts issued, at the end of each reporting period (which the Group defines as three-month interim), the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.

b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.

c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

d. The effect of any currency exchange differences.

e. The amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

Interest accretion on the CSM. Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied t nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Group revises the locked in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM far changes in the FCF relating to future service. The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to profit or loss. The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the, CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

3. Significant Accounting Policies (Continued)

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

a. for term life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk;

b. for direct participating contracts and for investment contracts with DPF, the coverage period corresponds to the period in which insurance or investment management services are expected to be provided; and

c. for automobile insurance contracts acquired in the run-off period, management estimates the expected timeframe over which the ultimate cost of the claims is expected to be determined.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a. the quantity of benefits provided by contracts in the group;

b. the expected coverage duration of contracts in the group; and

c. the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The Group determines coverage units as follows:

a. for term life and universal life insurance contracts, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts;

b. for direct participating contracts, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' account values;

c. for investment contracts with DPF, coverage units are based on policyholders' account values;

d. for automobile insurance contracts acquired in the run-off period, coverage units are based on the expected amount of claims covered in the period and the expected amount of claims remaining to be covered in future periods.

The Group reflects the time value of money in the allocation of the CSM to coverage units except for the automobile insurance contracts acquired in the run-off period.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values taking into account new business projected within the reinsurance contract boundary.

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the Contract boundary section.

Onerous contracts - Loss component. When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses and records it as loss component of the LRC.

3. Significant Accounting Policies (Continued)

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. expected incurred claims and expenses for the period;

b. changes in the risk adjustment for non-financial risk for the risk expired; and

c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Initial and subsequent measurement. The Group uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for originated automobile insurance contracts as each of these contracts has a coverage period of one year or less.

The portfolio of the automobile insurance contracts .in the run-off period acquired in 20X4 is considered protection against adverse ultimate loss development with a coverage period of more than one year. The respective groups of acquired contracts do not meet the PAA eligibility criteria and have been measured under the GMM.

The excess of loss reinsurance contracts held provide coverage on the automobile insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash £lows paid and any amounts arising from the derecognition of the prepaid acquisition cash £lows asset.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and

b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a. the remaining coverage; and

b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

3. Significant Accounting Policies (Continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period;

b. decreased for insurance acquisition cash £lows paid in the period;

c. decreased for the amounts of expected premiums received recognised as insurance revenue for the serv1ces provided in the period; and

d. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a. increased for ceding premiums paid in the period; and

b. decreased for the amounts of ceding premiums recognised as reinsurance expenses for the

services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since automobile insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

If a group of contracts becomes onerous, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses. Subsequently, the Group amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Group remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

Insurance revenue. As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following: Amounts relating to the changes in the LRC:

a. insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

i. amounts related to the loss component;

ii. repayments of investment components;

iii. amounts of transaction-based taxes collected in a fiduciary capacity; and

b. changes in the risk adjustment for non-financial risk, excluding:

i. changes included in insurance finance income (expenses);

ii. changes that relate to future coverage (which adjust the CSM); and

iii. amounts allocated to the loss component;

3. Significant Accounting Policies (Continued)

c. amounts of the CSM recognised in profit or loss for the services provided in the period; and

d. experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses. Insurance service expenses include the following:

a. incurred claims and benefits excluding investment components;

b. other incurred directly attributable insurance service expenses;

c. amortisation of insurance acquisition cash flows;

d. changes that relate to past service (i.e. changes in the FCF relating to the LIC; and

e. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components)

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

Net income (expenses) from reinsurance contracts held. The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;

b. incurred claims recovery;

c. other incurred directly attributable insurance service expenses;

d. effect of changes in risk of reinsurer non-performance;

e. for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

a. insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;

b. changes in the risk adjustment for non-financial risk, excluding:

3. Significant Accounting Policies (Continued)

i. changes included in finance income (expenses) from reinsurance contracts held; and

ii. changes that relate to future coverage (which adjust the CSM);

c. amounts of the CSM recognised in profit or loss for the services received in the period; and

d. ceded premium experience adjustments relating to past and current service.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses. Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. . the effect of the time value of money and changes in the time value of money; and

b. the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

a. interest accreted on the FCF and the CSM;

b. the effect of changes in interest rates and other financial assumptions; and

c. foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:

a. changes in the fair value of underlying items;

b. interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and

c. the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a. interest accreted on the LIC; and

b. b. the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the GMM and the PAA, "the Group includes all insurance finance income or expenses for the period in profit or loss (i.e. the profit or loss option (the PL option) is applied).

For the contracts measured using the VFA, the OCI option is applied. As the Group holds the underlying items for these contracts, the use of the OCI option results in the elimination of accounting mismatches with income or expenses included in profit or loss on the underlying assets held. The amount that exactly matches income or expenses recognised in profit or loss on underlying assets is included in finance income or expenses from insurance contracts issued. The remaining amount of finance income or expenses from insurance contracts issued for the period is recognised in OCI.

The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets where the Group is a lessor are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The Group reduced the weights assigned to the upside scenario during 2019 as a result of the most recent developments.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Write-off policy. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 365 days, liquidation or bankruptcy proceedings, fair value of collateral is less than the costs to repossess it or enforcement activities were completed. Management also considers, based on past practices, that contractual default interest is not collectible for loan overdue over 90 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 5% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Groups' loans include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Group or achieving certain criteria. The cash flows are SPPI if such clauses merely reduce the Group's overall profit margin on the instrument and there are no other features inconsistent with a basic lending arrangement.

The Group considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation relevant to bank deposits in certain countries), are not relevant for assessing whether cash flows are SPPI.

The Group's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Insurance contracts. The Group has adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impractical. The full retrospective approach was applied to the insurance contracts in force at the transition date were originated less than three years prior to transition. The modified retrospective approach was applied to the insurance contracts that were originated from three to five years prior to transition. The- fair value approach was applied to insurance contracts that were originated more than five years prior to transition.

The transition approach was determined at a group of insurance contracts level and affected the approach to calculating the CSM on initial adoption of IFRS 17:

a. full retrospective approach - the CSM at inception is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;

b. modified retrospective approach - the CSM at inception is calculated based on assumptions at transition using some simplifications and taking into account the actual pre-transition FCF; and

c. fair value approach - the pre-transition FCF and experience are not considered.

The Group has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

1. The effects of the full retrospective application were not determinable, for example:

a. Some reasonable and supportable information about actual historical cash flows may have been available from the Group's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information makes it impracticable to accurately calculate the FCF on a retrospective basis and segregate groups based on profitability.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

b. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases. This was particularly challenging for large portfolios of long-term contracts for which terms and circumstances (for example, s e and number of contracts issued in prior reporting periods) often change.

2. The full retrospective application required assumptions that would have been made in an earlier period, for example:

a. For contracts with direct participation features, the Group's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.

b. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (e.g. discount rates, risk adjustment for non-financial risk, expenses).

c. Changes in assumptions have not been historically documented on an ongoing basis.

d. The older the in force contracts (e.g. term life products), the more challenging it would have been to retrieve data from the past on assumptions. .

3. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:

a. The Group had limited or no information required for the allocation of acquisition costs and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs as previous accounting policies did not require this. In addition, the allocation of applicable overheads to groups of contracts could require information that has not historically been tracked/recorded.

b. The Group has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

Full retrospective approach. The Group has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.

In addition, for insurance contracts originated by the Group that are eligible for the PAA, the Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for automobile insurance contracts issued by the Group.

Accordingly, the Group has recognised and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

Modified retrospective and fair value approaches. After making reasonable efforts to gather necessary historical information, the Group has determined that for certain groups of contracts, such information was not available or not available in a form that would enable it to be used without undue cost and effort It was therefore impracticable to apply the full retrospective approach, and either the modified retrospective approach or the fair value approach has been used for these groups. The Group applied significant judgement in determining the transition amounts under these approaches.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Judgements in applying the modified retrospective approach. The Group has determined that transactional level data and annual actuarial assumptions are available as far as five years prior to the IFRS 17 transition date. The Group has used that threshold to apply the modified retrospective approach to all groups of contracts in force as at transition and originated within five to three years prior to the transition date, where the full retrospective approach has not been applied as it was impracticable but the closest possible outcome could have been achieved using reasonable and supportable information.

Judgements in applying the fair value approach. The Group applied the fair value approach to insurance contracts that were originated more than five years prior to transition.

Applying the fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, Fair Value Measurement (IFRS 13), and its FCF at the transition date. The Group did not apply the deposit floor when measuring insurance contracts when using the fair value approach on transition.

The fair value of an insurance liability is the price a market participant would be willing to pay to assume the obligation and the remaining risks of the in force contracts as at the transition date. Where available, recent market transactions were used to estimate the fair value of groups of contracts. Absent recent market transactions of similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

a. only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;

b. assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view as required by IFRS 13; and

c. profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

Discount rates. A mix of the bottom-up and top-down approaches was applied in the determination of the discount rates for different products.

The bottom-up approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the Participating contracts (excluding investment contracts without DPF that are not in the scope of IFRS 17). Under this approach, the discount rate is determined as the risk free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cash flows (known as an illiquidity premium). The risk free yield was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgement to assess liquidity characteristics of the liability cash flows. Direct participating contracts and investment contracts with DPF are considered less liquid than the financial assets used to derive the risk free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premium in financial assets adjusted to reflect the illiquidity characteristics of the liability cash flows.

The top-down approach was used to derive the discount rates for the cash flows that do not vary based on the returns on underlying items in all other contracts within the scope of IFRS 17. Under this approach, the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio comprises a mix of sovereign and corporate bonds available on the markets. The assets were selected in order to match the liability cash flows. The yield from the reference portfolio was adjusted to remove both expected and unexpected credit risk. These adjustments were estimated using information from observed historic levels of default and credit default swaps relating to the bonds included in the reference portfolio.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

For both the bottom-up and top-down approaches, observable market information is available for up to 20 years. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Smith-Wilson method.

Cash flows varying based on underlying items are discounted using a discount rate that reflects the variability of the underlying assets. The Savings and Participating contracts include investment components where cash flows vary based on the return of investment assets. The cash flows arising from the investment component are discounted using the expected return of the assets supporting the investment component. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent stochastic model.

Investment assets returns. For Savings and Participating contracts (excluding investment contracts without DPF not in the scope of IFRS 17), assumptions about future underlying investment returns are made. Due to the measurement models applied and the nature of the products, particularly the determination of the discount rates used to discount future estimates of cash flows that vary with returns on underlying items, assumptions about future underlying investment returns do not impact contract measurement significantly. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent stochastic model.

Estimates of future cash flows to fulfill insurance contracts. Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written.

Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Claims settlement related expenses are allocated based on the number of claims expected for all groups except for Property and Casualty insurance where such expenses are allocated based on claims costs.

For the Life Risk and Savings contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholder behaviour and uncertainties regarding future inflation rates and expenses growth.

For the Participating contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the variability in policyholder behaviour. The interest rate guarantee embedded in investment contracts with DPF was measured using stochastic modelling because the gurantantee does not move symmetrically with different interest rate scenarios. The guarantee was measured using a full range of scenarios representing possible future interest rate environments.

For the Property and Casualty contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

Mortality - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF). The Group derives mortality rates assumptions from the recent credible national mortality tables published by the Life Insurance Actuarial Society. An investigation into the Group's experience over the most recent five years is performed, and statistical methods are used to adjust the mortality tables to produce the probability weighted expected mortality rates in the future over the duration of the insurance contracts. Mortality rates are differentiated between policyholder groups based on gender and smoker status.

A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM.

Persistency - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF). The Group derives assumptions about lapse and surrender rates based on the Group's own experience. Historical lapse and surrender rates are derived from the Group's policy administration data. An analysis is then performed of the Group's historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Group's own experience and any trends in the data to arrive at the probability weighted expected lapse and surrender rates. Analysis is performed and assumptions are set by major product line.

Possible increases in lapse and surrender rates may increase or decrease estimates of future cash outflows and thus decrease or increase the CSM depending on the product specifics.

Expenses - Life Risk, Savings and Participating contracts (excluding investment contracts without DPF) and Property and Casualty contracts. The Group projects estimates of future expenses relating to fulfilment of contracts in o the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads . In addition, under certain methods used to assess claims incurred for the Property and Casualty contracts, estimates of future claim payments are adjusted for inflation.

Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, the Group projects future expenses based on the direct costs as incurred by the Group rather than based on management fees charged explicitly to the policyholder account values or internal fees charged to the insurance operating segments for providing these services.

The expense inflation assumption is based on Oneland's retail price inflation swap curve adjusted to the Group's own experience and is considered to be a non-financial risk. The Group has not changed its methods or assumptions used to project expenses in 2021.

Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM and increase the LIC for Property and Casualty contracts measured under the PAA.

Methods used to measure Property and Casualty contracts. The Group estimates insurance liabilities in relation to claims incurred for automobile insurance separately for property damage and third party liability coverage and for major products. Estimates are performed on an accident year basis with further allocation to annual cohorts in proportion to the gross or reinsurance premiums earned by the respective cohort of contracts in a given accident year.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contracts.

The most common methods used to estimate property damage claims incurred are the chain-ladder and the Bornhuetter Ferguson methods, which are the industry standards for this type of claims.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The chain-ladder technique involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. The chain-ladder technique is the most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Group does not have a developed claims history for a particular type of claims.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as gross or reinsurance premiums; the latter is based on the paid or incurred claims to date. The two estimates ate combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (i.e. the recent accident years or new products).

For the bodily injury claims incurred estimations, the Group uses the frequency severity method. The estimated cost of claims for each year and each class is the product of the projections of claims number and the average claims sizes adjusted for inflation projections. These amounts are then summed up over years subject to maximum loss payable under the terms of the policies.

The Group has not changed the methods used to estimate incurred claims in 2021 with the exception of a small number of policy groups where the Group now has sufficient claims statistics to apply the chain-ladder method instead of the Bornhuetter-Ferguson method, which was previously used. The change in method applied bad no significant impact on the consolidated financial statements of the Group.

In its claims incurred assessments, the Group uses internal and market data. Internal data is derived mostly from the Group's claims reports. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims. Market data consists of inflation projections, large claims threshold, large claims quantity, market claims ratios and other.

Methods used to measure the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The cost of capital method was used to derive the overall risk adjustment for noni financial risk. lo the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non -financial risk. The cost rate is set at 6% per annum representing the return required to compensate for the exposure to non-financial risk. The capital is determined at a 99.5% confidence level and is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification in contracts sold across geographies as this reflects the compensation that the entity requires.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 80% (2021 - 80%).

5. New Accounting Pronouncements

The following amendments became effective from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

6. Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results ate regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Board of Directors (the management board) of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of two main business segments:

- Segment 1'- representing insurance;
- Segment 2 - representing life insurance;

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service levels.

Segment financial information reviewed by the CODM includes fixed assets of the Group's subsidiaries, but not their results and other items in the statement of financial position- Regular review of these subsidiaries is delegated to the local management teams. The CODM obtains financial statements of the Group's subsidiaries. Such financial information overlaps with the segment analysis provided internally to the CODM. Management therefore applied the core principle of IFRS 8, *Operating Segments*, in determining which of the overlapping financial information sets should form the basis of operating segments. Management considered that information on subsidiaries is available less frequently in concluding that segments exclude details of the subsidiaries other than information about fixed assets.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Uzbekistan accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) income taxes are not allocated to segments;

(ii) liabilities for the Group's post-employment obligations are not recognised;

(iii) receivables provisions are recognised based on management judgment and availability of information rather than based on ECL model prescribed in IFRS 9.

The CODM evaluates performance of each segment based on profit before tax.

6. Segment Information (Continued)

d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segment for the year ended 31 December 2022 is set out below:

In thousands of Uzbekistan Soums	Segment 1	Segment 2	Total
External revenues:			
-Revenues from core activities	787 574 430	83 245 659	870 820 089
-Interest income	28 217 475	11 501 095	39 718 570
-Other income	50 793 568	36 522	50 830 090
Total revenues	**866 585 473**	**94 783 276**	**961 368 749**
Payments to agents	12 044 139	876 554	12 920 693
Insurance payments	250 520 026	62 788 699	313 308 725
Depreciation of property, plant and equipment	9 458 074	1 864 283	11 322 357
Payrol costs including social charges	9 676 769	5 786 507	15 463 276
Finance cost	5 271 250	592 984	5 864 234
Fees and other charges	12 108 016	99 106	12 207 122
Rental expenses	1 601 176	386 382	1 987 558
Reserve of preventive measures	1 591 763	-	1 591 763
Materials and components used	1 928 514	428 452	2 356 966
Foreign exchange gains less losses (net)	1 926 814	(4 637)	1 922 177
Taxes other than on income	17 718 200	227 806	17 946 006
Utilities	679 256	93 765	773 021
Reinsurance expenses	152 772 217	-	152 772 217
Changes in insurance reserves	279 252 224	-	279 252 224
Other	29 164 531	6 755 311	35 919 842
Segment results	**80 872 504**	**14 888 064**	**95 760 568**

Segment information for the reportable segment as of 31 December 2022 is set out below:

In thousands of Uzbekistan Soums	Segment 1	Segment 2	Total
Other reportable segment assets	669 928 295	73 761 375	743 689 670
Total reportable segment assets	**669 928 295**	**73 761 375**	**743 689 670**
Other reportable segment liabilities	948 221 205	59 439 265	1 007 660 470
Total reportable segment liabilities	**948 221 205**	**59 439 265**	**1 007 660 470**
Capital expenditure	**282 321 849**	**27 034 649**	**309 356 498**

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts.

6. Segment Information (Continued)

Segment information for the reportable segment for the year ended 31 December 2021 is set out below:

In thousands of Uzbekistan Soums	Segment 1	Segment 2	Total
External revenues:			
-Revenues from core activities	203 306 063	35 399 439	238 705 502
-Interest income	10 417 954	5 984 361	16 402 315
-Other income	17 565 524	34 261	17 599 785
Total revenues	**231 289 541**	**41 418 061**	**272 707 602**
Payments to agents	18 200 455	1 053 509	19 253 964
Insurance payments	40 677 662	30 420 686	71 098 348
Depreciation of property, plant and equipment	6 567 433	644 802	7 212 235
Payrol costs including social charges	7 716 922	3 897 975	11 614 897
Finance cost	3 963 733	633 579	4 597 312
Fees and other charges	6 885 208	54 832	6 940 040
Rent expenses	1 230 561	272 896	1 503 457
Reserve of preventive measures	2 000 519	-	2 000 519
Inventory write-offs	576 194	14 026	590 220
Materials and components used	666 800	310 205	977 005
Foreign exchange gains less losses (net)	223 046	-	223 046
Taxes other than on income	1 522 849	20 403	1 543 252
Utilities	288 583	40 811	329 394
Reinsurance expenses	22 115 072	6 000	22 121 072
Changes in insurance reserves	94 305 645	-	94 305 645
Other	9 567 286	3 857 117	13 424 403
Segment results	**14 781 573**	**191 220**	**14 972 793**

Segment information for the reportable segment as of 31 December 2021 is set out below:

In thousands of Uzbekistan Soums	Segment 1	Segment 2	Total
Other reportable segment assets	147 090 332	51 090 183	198 180 515
Total reportable segment assets	**147 090 332**	**51 090 183**	**198 180 515**
Other reportable segment liabilities	234 663 079	43 331 581	277 994 660
Total reportable segment liabilities	**234 663 079**	**43 331 581**	**277 994 660**
Capital expenditure	**75 483 268**	**12 389 283**	**87 872 551**

e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 19.

f) Geographical Information

Revenues generated are mainly in Uzbekistan and expenses incurred, assets hold and liabilities accrued only in Uzbekistan.

7. Balances and Transactions with Related Parties

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

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Participants	Entities under common control	Employees	Total
Loans issued	-	-	1 923 558	**1 923 558**
Borrowings	4 224 131	10 792 970	-	**15 017 101**

The income and expense items with related parties for the year ended 31 December 2022 were as follows:

In thousands of Uzbekistan Soums	Participants	Entities under common control	Employees	Total
Finance income	-	-	130 669	**130 669**
Finance costs	2 486 477	2 794 454	-	**5 280 931**

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Participants	Entities under common control	Employees	Total
Loans issued	-	-	4 021 197	**4 021 197**
Prepayments	9 563	-	-	**9 563**
Borrowings	5 911 638	6 800 014	-	**12 711 652**
Trade and other payables	32 098	102 913	-	**135 011**

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

In thousands of Uzbekistan Soums	Participants	Entities under common control	Employees	Total
Finance income	-	-	103 079	**103 079**
Finance costs	2 344 334	1 699 734	-	**4 044 068**

8. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Uzbekistan Soums	Buildings and improve-ments	Motor vehicles	Computer and office equipment	Other assets	Assets under finance lease	Advances, contruction in progress and equipment for installment	Total
Cost at 1 January 2021	37 880 510	112 300	4 234 249	1 339 272	16 690 323	25 070 495	85 327 149
Accumulated depreciation	(1 064 871)	(17 204)	(714 772)	(206 687)	(2 338 579)	-	(4 342 113)
Carrying amount at 1 January 2021	**36 815 639**	**95 096**	**3 519 477**	**1 132 585**	**14 351 744**	**25 070 495**	**80 985 036**
Additions	-	-	47 548	-	541 106	87 283 897	87 872 551
Transfer from CIP to PPE	14 575 788	4 957	2 086 432	539 629	8 662 886	(25 869 692)	-
Depreciation charge	(1 565 191)	(21 464)	(868 003)	(244 194)	(3 918 337)	-	(6 617 189)
Carrying amount at 31 December 2021	**49 826 236**	**78 589**	**4 785 454**	**1 428 020**	**19 637 399**	**86 484 700**	**162 240 398**
Cost at 31 December 2021	52 456 298	117 257	6 368 229	1 857 342	25 894 315	86 484 700	173 178 141
Accumulated depreciation	(2 630 062)	(38 668)	(1 582 775)	(450 881)	(6 256 916)	-	(10 959 302)
Carrying amount at 31 December 2021	**49 826 236**	**78 589**	**4 785 454**	**1 406 461**	**19 637 399**	**86 484 700**	**162 218 839**
Additions	-	-	-	-	20 500	309 335 998	309 356 498
Disposals	-	-	-	-	(1 353 624)	-	(1 353 624)
Transfer from CIP to PPE	45 458 000	637 637	2 424 166	649 254	11 106 757	(60 275 814)	-
Depreciation charge	(2 838 998)	(98 458)	(1 359 339)	(342 241)	(5 983 888)	-	(10 622 924)
Carrying amount at 31 December 2022	**92 445 238**	**617 768**	**5 850 281**	**1 713 474**	**23 427 144**	**335 544 884**	**459 598 789**
Cost at 31 December 2022	97 914 298	754 894	8 792 395	2 506 596	34 560 437	335 544 884	480 073 504
Accumulated depreciation	(5 469 060)	(137 126)	(2 942 114)	(793 122)	(11 133 293)	-	(20 474 715)
Carrying amount at 31 December 2022	**92 445 238**	**617 768**	**5 850 281**	**1 713 474**	**23 427 144**	**335 544 884**	**459 598 789**

At 31 December 2022 buildings with NBV of UZS in thousands 25 085 593 have been pledged to third parties as collateral for borrowings.

Advances, construction in progress and equipment for instalment category consists of mainly from advances for buildings.

9. Intangible Assets

In thousands of Uzbekistan Soums	Software	Other intangible assets	Acquisition of intangible assets	Total
Cost at 1 January 2021	-	-	-	-
Accumulated depreciation	-	-	-	-
Carrying amount at 1 January 2021	-	-	-	-
Additions	2 660 147	200 000	2 622 770	5 482 917
Depreciation charge	(28 234)	-	-	(28 234)
Carrying amount at 31 December 2021	**2 631 913**	**200 000**	**2 622 770**	**5 454 683**
Cost at 31 December 2021	2 660 147	200 000	2 622 770	5 482 917
Accumulated depreciation	(28 234)	-	-	(28 234)
Carrying amount at 31 December 2021	**2 631 913**	**200 000**	**2 622 770**	**5 454 683**
Additions	4 765 030	-	50 756	4 815 786
Depreciation charge	(169 405)	-	-	(169 405)
Carrying amount at 31 December 2022	**7 227 538**	**200 000**	**2 673 526**	**10 101 064**

10. Investment Property

The table below table summarizes the carrying amount of the Group's investment property. The property is rented by third parties.

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Cost of Investment Property	11 555 800	11 555 800
Accumulated depreciation of Investment Property	(1 180 119)	(801 898)
Carrying amount of Investment Property	**10 375 681**	**10 753 902**

11. Loans Issued

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Loans to employees	1 923 558	2 491 740
Loans to other individuals	41 515	1 831 367
Total carrying amount of loans at AC	**1 965 073**	**4 323 107**

The loans to employees are paid off over 3 months to 4 years (depending on the amount) mainly with the interest rate of 8%-17%. These loans are repaid on a timely basis and therefore classified as "excellent" by credit quality.

12. Inventories

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Insurance policy form	646 856	326 911
Other	198 469	198 543
Total Inventory	**845 325**	**525 454**

13. Trade and Other Receivables

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Insurance receivables - from agents	3 688 665	1 785 671
Interest receivables on investment assets	4 092 417	481 700
Insurance receivables - from clients	36 790	6 405
Other receivables	851	601 578
Less credit loss allowance	(464 485)	*(259 871)*
Total trade and other receivables	**7 354 238**	**2 615 483**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

13. Trade and Other Receivables (Continued)

The expected loss rates are based on the payment profiles of customers over a period of 36 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due, adjusted for prognosed information.

	31 December 2022			31 December 2021		
In thousands of Uzbekistan Soums	Loss Rate	Gross carrying amount	Lifetime ECL	Loss Rate	Gross carrying amount	Lifetime ECL
Insurance receivables - from agents						
- current	0,6%	1 955 812	(11 930)	0,7%	1 264 850	(8 333)
- less than 30 days overdue	6,7%	847 634	(56 791)	7,4%	181 811	(13 389)
- 30 to 90 days overdue	8,8%	537 691	(47 317)	9,4%	115 801	(10 830)
- over 360 days overdue	100,0%	347 528	(347 528)	100,0%	223 209	(223 209)
Insurance receivables - from clients						
- current	0,6%	26 523	(162)	0,7%	5 071	(33)
- less than 30 days overdue	6,7%	7 238	(485)	7,4%	534	(39)
- 30 to 90 days overdue	8,8%	3 029	(267)	9,4%	800	(75)
Other receivables						
- current	0,6%	851	(5)	0,7%	601 578	(3 963)
- less than 30 days overdue	6,7%	-	-	7,4%	-	-
- 30 to 90 days overdue	8,8%	-	-	9,4%	-	-
Insurance receivables - investment assets						
- current	0,0%	4 092 417	-	0,0%	481 700	-
Total		**7 818 723**	**(464 485)**		**2 875 354**	**(259 871)**

14. Cash and Cash Equivalents

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Cash at bank - Deposit account	529 957 743	166 069 005
Cash at bank on demand - UZS	11 514 219	5 434 715
Cash at bank on demand - RUR	73 583	536 619
Cash at bank on demand - EUR	107 670	64 165
Cash at bank on demand - Corporate plastic cards	54 885	25 679
Cash at bank on demand - USD	1 251 224	9 202
Total cash and cash equivalents	**542 959 324**	**172 139 385**

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as "BB-" as of 31 December 2022 and 31 December 2021.

15. Share Capital

Share capital. All contributions to Share Capital were made fully from participants:

In thousands of Uzbekistan Soums	31 December 2022		31 December 2021	
	% ownership	Nominal amount	% ownership	Nominal amount
ORIENT INVEST GROUP LLC	46,31%	33 340 330	43,27%	22 500 000
MUXITDINOV X.	23,31%	16 779 730	31,05%	16 145 000
MUXITDINOVA M.	19,42%	13 982 560	18,47%	9 605 000
PULATOVA M.	10,97%	7 897 380	7,21%	3 750 000
Total share capital	**100%**	**72 000 000**	**100%**	**52 000 000**

16. Borrowings

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Short-term borrowings		
Orient Invest Group LLC	305 522	30 898
Orient Leasing Invest LLC	131 935	10 286
APEX Leasing LLC	6 776	92 627
Total short-term borrowings	**444 233**	**133 811**

The Group entered into lease agreement for procurement of vehicles with interest rate of 20%-26% with maturity of 3 years.

The Group's borrowings are all denominated in UZS.

17. Trade and Other Payables

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Insurance contract payables - reinsurance	138 490 323	32 447 812
Payables to suppliers	1 559 174	1 630 420
Insurance contract payables - brokers	2 601 259	1 554 132
Other payables	589 415	598 363
Total financial payables within trade and other payables at AC	**143 240 171**	**36 230 727**
Advances received from customers	200 555 456	34 209 061
Taxes other than income tax payables	8 243 002	2 379 648
Accrued employee benefit costs	819 261	556 224
Payables to State budgetary funds	214 939	110 327
Total trade and other payables	**353 072 829**	**73 485 987**

Payables to suppliers represent the amount payable for the real estate and inventories. Advances received from customers includes mainly advances received in local currency (UZS). Refer to Note 29 for disclosure of the fair value of each class of other financial liabilities.

18. Insurance Reserves

Below table illustrates detailed movement of insurance reserves:

In thousands of Uzbekistan Soums	Unerned premium reserve	Reserve for reported but unsettled losses	Life insurance reserves	Other reserves	Total
Insurance reserves at 1 January 2021	51 404 028	12 147 191	18 982 283	14 761 982	97 295 485
Share of reinsurers at 1 January 2021	(17 695 585)	-	-	(3 756 706)	(21 452 291)
Net Insurance reserves 1 January 2021	**33 708 444**	**12 147 191**	**18 982 283**	**11 005 277**	**75 843 194**
Net Change in insurance reserves	91 760 549	(9 717 082)	22 157 785	13 719 232	117 920 483
Net Change in share of reinsurers	(3 035 955)	-	-	(430 215)	(3 466 170)
Insurance reserves at 31 December 2021	143 164 577	2 430 109	41 140 068	28 481 214	215 215 968
Share of reinsurers at 31 December 2021	(20 731 540)	-	-	(4 186 921)	(24 918 461)
Net Insurance reserves 31 December 2021	**122 433 037**	**2 430 109**	**41 140 068**	**24 294 293**	**190 297 507**
Net Change in insurance reserves	341 210 970	(1 254 136)	16 043 936	65 586 216	421 586 986
Net Change in share of reinsurers	(107 682 462)	-	-	(16 154 304)	(123 836 766)
Insurance reserves at 31 December 2022	484 375 547	1 175 973	57 184 004	94 067 430	636 802 954
Share of reinsurers at 31 December 2022	(128 414 002)	-	-	(20 341 225)	(148 755 227)
Net Insurance reserves 31 December 2022	**355 961 545**	**1 175 973**	**57 184 004**	**73 726 205**	**488 047 727**

19. Insurance Revenue

Below table illustrates detailed external customers for each group of similar products:

In thousands of Uzbekistan Soums	2022	2021
Revenue from volunatry insurance	754 516 003	180 512 477
Revenue from long-term life insurance	82 762 763	35 393 059
Revenue from mandatory insurance	33 058 426	22 799 966
Other	482 897	-
Total revenue	**870 820 089**	**238 705 502**

20. Cost of Sales

In thousands of Uzbekistan Soums	2022	2021
Insurance payments	332 186 698	73 796 791
Payments to agents	12 920 693	19 253 964
Payroll costs including social charges	7 312 453	5 893 971
Reserve of preventive measures	1 591 763	2 000 519
Rent expenses	1 393 251	1 228 054
Depreciation of property, plant and equipment	1 692 144	1 383 304
Materials and components used	1 568 819	948 771
Utilities	137 564	102 120
Amortisation of intangible assets	169 405	28 234
Other	6 295 350	3 782 286
Total cost of sales	**365 268 140**	**108 418 014**

21. Selling, General and Administrative Expenses

In thousands of Uzbekistan Soums	2022	2021
Fees and other charges	13 425 672	7 948 868
Depreciation of property, plant and equipment	9 309 001	5 580 559
Payroll costs including social charges	8 150 823	5 720 926
Taxes other than on income	2 358 792	1 543 253
Selling expenses	1 693 408	389 553
Business trip expenses	1 547 508	574 816
Charity	1 000 000	1 200 000
Inventory write-offs	788 147	838 592
Utilities	635 457	283 007
Legal fees	606 945	302 523
Rental expenses	594 307	275 403
Other	1 342 453	1 534 530
Total expenses	**41 452 513**	**26 192 030**

22. Other operating income

In thousands of Uzbekistan Soums	2022	2021
Collected fines	49 082 397	3 959 525
Insurance premiums	1 610 853	13 605 999
Income from disposal of property, plant and equipment	99 418	-
Income from short-term rentals	36 522	34 261
Total other operating income	**50 829 190**	**17 599 785**

23. Finance income

In thousands of Uzbekistan Soums	2022	2021
Interest income on bank deposits	39 597 413	16 291 357
Interest income on loans issued to employees	121 157	110 958
Total finance income recognised in profit or loss	**39 718 570**	**16 402 315**

Finance income mainly includes interests accrued on deposits at banks which is classified as cash and cash equivalents as they are withdrawable on demand with no loss of interests earned.

24. Income Taxes

a) Components of income tax

In thousands of Uzbekistan Soums	2022	2021
Current tax	17 946 006	3 086 013
Deferred tax	1 318 127	80 675
Income tax expense for the year	**19 264 133**	**3 166 688**

b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group in 2022 is 15% (2021: 15%). A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Uzbekistan Soums	2022	2021
Profit before income tax	**114 791 507**	**18 139 481**
Theoretical tax charge at statutory rate of 15%	17 218 726	2 720 922
Tax effect of deductible / (taxable) temporary differences		
- Non-deductible expenses	2 045 407	445 766
Income tax expense for the year	**19 264 133**	**3 166 688**

25. Principal Subsidiaries and Associates

Name of Subsidiaries	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
APEX LIFE JSC	Life insurance	100%	100%	Uzbekistan
APEX ASSIST LLC	Medical assist	100%	100%	Uzbekistan

26. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

As of 31 December 2022, and 31 December 2021, the Group did not have pending litigations or claims for significant amounts.

Taxation – the tax environment in the Republic of Uzbekistan is subject to change and inconsistent application, interpretation and enforcement. Non-compliance with Uzbekistan law and regulations can lead to the imposition of penalties and interest. The management believes that it has adequately provided for all tax liabilities in accordance with its interpretations of laws and regulations. However, the risk remains that relevant authorities could interpret tax laws and regulations differently and take differing positions with regard to interpretative issues, and as such, the effect could be significant. Consequently, additional taxes may be assessed including penalties and interest, which, however is not expected to be significant. No provision has been made for these contingencies.

The Group is liable for unified social payment and payroll related taxes and contributions. Laws related to these contributions have not been in force for significant periods, in contrast to more developed market economies. Therefore, regulations are often unclear or non-existent and few precedents with regards to many issues have been established.

Assets pledged and restricted. At 31 December 2022, the Group has buildings pledged as collateral for borrowing. Please refer to note 8 for details.

Environmental matters. The enforcement of environmental regulation in the Republic of Uzbekistan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated and are not expected material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

27. Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

27. Financial Risk Management (Continued)

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's ? "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies (S&P)	Correspondin g PD interval
Excellent	[1 – 6]	AAA to BB+	0,01% – 0,5%
Good	[7 – 14]	BB to B+	0,51% – 3%
Satisfactory	[15 – 21]	B, B-	3% – 10%
Special monitoring	[22 – 25]	CCC+ to CC-	10% – 99,9%
Default	[26 – 30]	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent - strong credit quality with low expected credit risk;
- Good - adequate credit quality with a moderate credit risk;
- Satisfactory - moderate credit quality with a satisfactory credit risk;
- Special monitoring - facilities that require closer monitoring and remedial management; and
- Default - facilities in which a default has occurred.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated, if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: investments in debt securities.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

27. Financial Risk Management (Continued)

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the commitments amounts to an on-balance sheet exposure within a defined period. The Group's management estimates that 12-month and lifetime CCFs are materially the same. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
- the borrower is deceased;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- it is becoming likely that the borrower will enter bankruptcy; and
- the loans were purchased or originated at a deep discount that reflects the incurred credit losses.]

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

27. Financial Risk Management (Continued)

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group decided not to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For loans issued to legal entities and bonds issued by corporate customers:

- 30 days past due;
- award of risk grade "Special monitoring";
- SICR based on relative threshold based either on external ratings or internal ratings. The following thresholds are used for external ratings: decrease of rating by 2 notches, for internal ratings by 5 notches, which corresponds to approximate increase of PD by 2.5 times;
- inclusion of loan into a watch list according to the internal credit risk monitoring process.

For trade and other receivable and contract assets:

- 30 days past due;

Relative threshold defined on the basis of a portfolio for products without existing scoring models: the Group regularly monitors debtors with increased credit risk and considers such portfolios to have a SICR.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

27. Financial Risk Management (Continued)

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of loans: loans with unique credit risk characteristics, individually significant loans, that is, individual exposures above UZS 50 000 thousand and credit-impaired loans. The Group performs an assessment on a portfolio basis for the following types of loans: when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information. The Group also performs an assessment on a portfolio basis for corporate loans, municipal loans, etc.

The Group performs assessments based on external ratings for debt securities issued by the banks and certain blue chip corporate customers, etc.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit Risk and Non-Performing Loan Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month / year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

27. Financial Risk Management (Continued)

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("ExOff"). CCF for financial guarantees is defined based on statistical analysis of past exposures at default.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue chip corporate bonds exposures.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Group's and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

27. Financial Risk Management (Continued)

In addition to the base economic scenario, the Group's Risk Department also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using the Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group does not follow the practice of entering into foreign exchange contracts to manage its foreign exchange risk on cash flows from (anticipated) business and financing arrangements denominated in foreign currencies.

27. Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Uzbekistan Soums	Monetary financial assets	Monetary financial liabilities	Net position
31 December 2022			
US dollars	2 866 607	22 754 672	**(19 888 065)**
Euro	270 714	158 253	**112 461**
Russian roubles	1 030 512	433 868	**596 644**
Total	**4 167 833**	**23 346 793**	**(19 178 960)**
31 December 2021			
US dollars	3 841 030	5 215 968	**(1 374 938)**
Euro	116 459	18 200	**98 259**
Russian roubles	551 277	156 511	**394 766**
Total	**4 508 766**	**5 390 679**	**(881 913)**

The above analysis includes only monetary assets and liabilities. The Group exposed to currency risk for import raw materials and fixed assets from foreign suppliers.

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

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Impact on profit or loss:		
US dollar strengthening by 4% (2021:3%; 2020: 10%)	(596 642)	(41 248)
US dollar weakening by 4% (2021:3%; 2020: 10%)	596 642	41 248
Euro strengthening by 2% (2021:-4%; 2020: 20%)	5 623	4 913
Euro weakening by 2% (2021:-4%; 2020: 20%)	(5 623)	(4 913)
RUB strengthening by 7% (2021: 4%)	23 866	15 791
RUB weakening by 7% (2021: 4%)	(23 866)	(15 791)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group is not exposed to risk of effects of fluctuation in market risk rates, as the Group's borrowings bear fixed interest rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

27. Financial Risk Management (Continued)

In thousands of Uzbekistan Soums	Less than 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
31 December 2022					
Total financial assets	550 901 393	587 831	789 411	-	552 278 635
Total financial liabilities	895 709 741	61 030 269	48 182 296	-	1 004 922 305
Net interest sensitivity gap at 31 December 2022	**(344 808 348)**	**(60 442 438)**	**(47 392 885)**	**-**	**(452 643 670)**
31 December 2021					
Total financial assets	175 033 716	3 748 752	295 507	-	179 077 975
Total financial liabilities	258 381 448	19 164 703	23 929 425	-	301 475 576
Net interest sensitivity gap at 31 December 2021	**(83 347 732)**	**(15 415 951)**	**(23 633 918)**	**-**	**(122 397 601)**

The Group does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Group's business.

The Group monitors interest rates for its financial instruments. The table below summarises effective interest rates at the respective end of the reporting period based on reports reviewed by key management personnel:

	2022			2021		
in % p.a.	UZS	USD	Euro	UZS	USD	Euro
ASSETS						
Cash and cash equivalents	14%-20%	0%	0%	14%-20%	0%	0%
Trade and other receivables	0%	0%	0%	0%	0%	0%
Loans issued	1%-8%	-	-	1%-7%	-	-
LIABILITIES						
Borrowings	20%-27%	-	-	20%-26%	-	-
Trade and other payables	0%	0%	0%	0%	0%	0%

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the middle management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises mainly its cash and cash equivalents. However, The Group is one of the biggest productions in Central Asia, therefore, it can raise any borrowings in short period of time. Management estimates that the liquidity portfolio cash and bank deposits can be realised in cash within a week in order to meet unforeseen liquidity requirements.

28. Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to participants, increase or decrease charter capital or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2022 was in a positive amount of UZS 195 627 989 thousand (31 December 2021: positive amount of UZS 82 144 823 thousand).

29. Fair Value Disclosures

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2022			31 December 2021		
In thousands of Uzbekistan Soums	**Level 2 Fair value**	**Level 3 Fair value**	**Carrying value**	**Level 2 Fair value**	**Level 3 Fair value**	**Carrying value**
Financial assets						
Cash and cash equivalents	542 959 324	-	**542 959 324**	172 139 385	-	**172 139 385**
Loans issued	-	1 965 073	**1 965 073**	-	4 323 107	**4 323 107**
Trade and other receivables	-	7 354 238	**7 354 238**	-	2 615 483	**2 615 483**
Total financial assets	**542 959 324**	**9 319 311**	**552 278 635**	**172 139 385**	**6 938 590**	**179 077 975**
Financial liabilities						
Borrowings	-	15 046 522	**15 046 522**	-	12 773 621	**12 773 621**
Trade and other payables	-	353 072 829	**353 072 829**	-	73 485 987	**73 485 987**
Insurance reserves	-	636 802 954	**636 802 954**	-	215 215 968	**215 215 968**
Total financial liabilities	**-**	**1 004 922 305**	**1 004 922 305**	**-**	**301 475 576**	**301 475 576**

All other financial instruments of the Group are initially measured at fair value and subsequently carried at amortised cost.

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.