

**KPMG COPY**

**Sinoasia B&R Insurance JSC**

Financial Statements  
for the year ended 31 December 2020

## **Content**

|  |       |
|--|-------|
| Independent Auditors' Report                               |       |
| Statement of Profit or Loss and Other Comprehensive Income | 7     |
| Statement of Financial Position                            | 8     |
| Statement of Cash Flows                                    | 9     |
| Statements of Changes in Equity                            | 10    |
| Notes to the Financial Statements                          | 11-43 |



«КПМГ Аудит» жауапкершілігі  
шектеулі серіктестік  
Қазақстан, А25D6Т5, Алматы,  
Достық д-лы, 180,  
Тел.: +7 (727) 298-08-98

KPMG Audit LLC  
180 Dostyk Avenue, Almaty,  
A25D6T5, Kazakhstan,  
E-mail: company@kpmg.kz

## Independent Auditors' Report

### To the Shareholders of Sinoasia B&R Insurance JSC

#### Opinion

We have audited the financial statements of Sinoasia B&R Insurance JSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

«КПМГ Аудит» ЖШС, Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited жекеше ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

### Evaluation of provision for claims incurred but not reported

Please refer to the Note 17 in the financial statements.

| The key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p>Evaluation of provision for claims incurred but not reported ("IBNR"), which is calculated using statistical methods, requires judgement made by management to determine which methods to use for IBNR calculation for different insurance classes and the assessment of expected payments of claims. In particular, assumptions are used to evaluate payments of claims incurred at the reporting date but not reported to the Company and future expenses on settlement of these claims. Evaluation of IBNR provision depends on the quality of input data, such as historical claims paid and includes assumptions about future events, for which minor changes may have a material impact on the evaluation of insurance contract provisions.</p> | <p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of how management selects the methods used to determine IBNR for different insurance classes, and assessed the adequacy of judgements made by management in selection of these methods.</li> <li>• We obtained an understanding of the competences, abilities and objectivity of the Company's actuarial expert. We also involved our own actuarial specialists to assess the appropriateness of models used and to recalculate the IBNR provision on a sample basis.</li> <li>• We assessed the design and implementation of controls related to the processes of claims settlement and IBNR calculation.</li> <li>• We performed an assessment of the adequacy of IBNR estimates by comparing the amount of provisions established at the end of the reporting period with subsequent payments made in 2021.</li> </ul> <p>We considered whether the financial statement disclosures relating to the methods and assumptions used to determine IBNR of insurance contract provisions are sufficient.</p> |

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

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

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

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





### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:



Madina Magomedova  
Certified Auditor  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate  
# MF-0000594 of 24 May 2018

**KPMG Audit LLC**

*State Licence to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan 6 December 2006*



Sergey Dementiev  
General Director of KPMG Audit LLC  
acting on the basis of the Charter

30 April 2021



**Sinoasia B&R Insurance JSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

|   | Note  | 2020<br>'000 KZT   | 2019<br>'000 KZT   |
|---|-------|--------------------|--------------------|
| Gross premiums written  | 6     | 4,023,964          | 2,688,252          |
| Written premiums ceded to reinsurers  | 6     | (1,111,132)        | (904,038)          |
| <b>Net premiums written</b>   |       | <b>2,912,832</b>   | <b>1,784,214</b>   |
| Change in the provision for unearned premiums, net of reinsurance                             | 6     | (479,141)          | 94,127             |
| <b>Net earned insurance premiums</b>  |       | <b>2,433,691</b>   | <b>1,878,341</b>   |
| Finance income  | 7     | 507,168            | 266,486            |
| Finance costs   | 7     | (4,227)            | (7,575)            |
| Reinsurance commission income   |       | 99,528             | 47,345             |
| Other income, net   |       | 2,413              | 7,305              |
| Gain on sale of intangible asset  | 24(c) | 13,500             | -                  |
| <b>Operating income</b>   |       | <b>3,052,073</b>   | <b>2,191,902</b>   |
| Insurance claims incurred, net of reinsurance   | 8     | (2,185,727)        | (1,558,191)        |
| Change in insurance contract provisions, net of reinsurance                                   | 8     | 114,621            | (111,830)          |
| <b>Net insurance claims incurred</b>  | 8     | <b>(2,071,106)</b> | <b>(1,670,021)</b> |
| Acquisition costs   | 9     | (117,754)          | (31,178)           |
| Claims handling expenses  |       | (13,730)           | (3,997)            |
| Administrative expenses   | 10    | (339,662)          | (364,212)          |
| <b>Profit before income tax</b>   |       | <b>509,821</b>     | <b>122,494</b>     |
| Income tax expense  | 11    | (99,601)           | (17,013)           |
| <b>Profit for the year</b>  |       | <b>410,220</b>     | <b>105,481</b>     |
| <b>Other comprehensive income</b>   |       |                    |                    |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i>                  |       |                    |                    |
| Revaluation reserve for available-for-sale financial assets:                                  |       |                    |                    |
| Net change in fair value of available-for-sale financial assets                               |       | 206,269            | 269,591            |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss |       | (8,267)            | (129,329)          |
| Related income tax  | 11    | (42,781)           | -                  |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i>             |       | <i>155,221</i>     | <i>140,262</i>     |
| <b>Other comprehensive income for the year</b>  |       | <b>155,221</b>     | <b>140,262</b>     |
| <b>Total comprehensive income for the year</b>  |       | <b>565,441</b>     | <b>245,743</b>     |

These financial statements were approved by management on 30 April 2021 and were signed on its behalf by:

Lyazat Buranbayeva  
Chairman of the Board



Ruslan Ibrayev  
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

**Sinoasia B&R Insurance JSC**  
Statement of Financial Position as at 31 December 2020

|   | Note  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|-------|------------------|------------------|
| <b>ASSETS</b>   |       |                  |                  |
| Cash and cash equivalents   | 12    | 297,195          | 78,273           |
| Available-for-sale financial assets                                 | 13    | 3,705,250        | 2,603,699        |
| Insurance and reinsurance receivables                               | 14    | 525,852          | 114,971          |
| Reinsurers' share in insurance contract provisions                  | 17    | 616,936          | 619,883          |
| Deferred acquisition costs  | 16    | 12,485           | 78,610           |
| Property, plant and equipment and intangible assets                 |       | 34,809           | 17,404           |
| Financial instruments measured at fair value through profit or loss | 15    | 85,079           | -                |
| Current tax asset   |       | 46,938           | 37,802           |
| Deferred tax assets   | 11    | -                | 6,017            |
| Other assets  |       | 3,992            | 5,747            |
| <b>Total assets</b>   |       | <b>5,328,536</b> | <b>3,562,406</b> |
| <b>EQUITY AND LIABILITIES</b>                                       |       |                  |                  |
| <b>Liabilities</b>  |       |                  |                  |
| Insurance contract provisions                                       | 17    | 1,600,980        | 1,239,407        |
| Insurance payables  | 18    | 441,524          | 91,666           |
| Deferred tax liabilities  | 11    | 38,069           | -                |
| Other liabilities   |       | 95,486           | 87,797           |
| <b>Total liabilities</b>  |       | <b>2,176,059</b> | <b>1,418,870</b> |
| <b>Equity</b>   |       |                  |                  |
| Share capital   | 19(a) | 1,765,000        | 1,460,000        |
| Additional paid-in capital  |       | 201,011          | 62,511           |
| Revaluation reserve for available-for-sale financial assets         |       | 171,125          | 15,904           |
| Retained earnings   |       | 1,015,341        | 605,121          |
| <b>Total equity</b>   |       | <b>3,152,477</b> | <b>2,143,536</b> |
| <b>Total liabilities and equity</b>                                 |       | <b>5,328,536</b> | <b>3,562,406</b> |

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.



**Sinoasia B&R Insurance JSC**  
Statement of Cash Flows for the year ended 31 December 2020

|   | Note  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|-------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |       |                  |                  |
| <b>Profit for the year</b>  |       | <b>410,220</b>   | <b>105,481</b>   |
| <i>Adjustments for:</i>   |       |                  |                  |
| Depreciation and amortisation   | 10    | 10,166           | 8,836            |
| Realised gain on available-for-sale financial assets  | 7     | (29,826)         | (129,329)        |
| Unrealised loss on financial instruments measured at fair value through profit or loss            | 7     | 4,227            | -                |
| Interest income on available-for-sale financial assets  | 7     | (162,148)        | (122,440)        |
| Net foreign exchange gain/(loss)  | 7     | (269,416)        | 7,575            |
| Other interest income   | 7     | (45,778)         | (14,717)         |
| Gain on sale of intangible asset  | 24(c) | (13,500)         | -                |
| Income tax expense  | 11    | 99,601           | 17,013           |
| <b>Operating profit/(loss) before changes in operating assets and liabilities</b>                 |       | <b>3,546</b>     | <b>(127,581)</b> |
| <b>Decrease/(increase) in operating assets</b>  |       |                  |                  |
| Insurance and reinsurance receivables   |       | (410,979)        | 67,534           |
| Reinsurers' share in insurance contract provisions  |       | 2,947            | (562,200)        |
| Deferred acquisition costs  |       | 66,125           | (65,242)         |
| Other assets  |       | 1,945            | 12,182           |
| <b>Increase/(decrease) in operating liabilities</b>   |       |                  |                  |
| Insurance contract provisions   |       | 361,573          | 579,903          |
| Insurance payables  |       | 301,810          | (24,929)         |
| Other liabilities   |       | 7,161            | 71,639           |
| <b>Net cash flows from/(used in) operating activities before interest received and income tax</b> |       | <b>334,128</b>   | <b>(48,694)</b>  |
| Interest received   |       | 195,200          | 107,227          |
| Income tax paid   |       | (106,084)        | (48,054)         |
| <b>Net cash flows from operating activities</b>   |       | <b>423,244</b>   | <b>10,479</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                  |                  |
| Acquisition of property, plant and equipment and intangible assets                                |       | (30,071)         | (7,354)          |
| Purchases of available-for-sale financial assets  |       | (1,612,282)      | (3,475,196)      |
| Purchases of financial assets measured at fair value through profit or loss                       |       | (89,306)         | -                |
| Proceeds from sale of intangible asset  | 24(c) | 16,000           | -                |
| Proceeds from sale and repayment of available-for-sale financial assets                           |       | 1,041,830        | 2,807,079        |
| <b>Net cash flows used in investing activities</b>  |       | <b>(673,829)</b> | <b>(675,471)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                  |                  |
| Contributions to charter capital  | 19(a) | 443,500          | 577,600          |
| <b>Net cash flows from financing activities</b>   |       | <b>443,500</b>   | <b>577,600</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                       |       | <b>192,915</b>   | <b>(87,392)</b>  |
| Effect of changes in exchange rates on cash and cash equivalents                                  |       | 26,007           | 12,711           |
| Cash and cash equivalents at the beginning of the year  |       | 78,273           | 152,954          |
| <b>Cash and cash equivalents at the end of year (Note 12)</b>                                     |       | <b>297,195</b>   | <b>78,273</b>    |

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

**Sinoasia B&R Insurance JSC**  
Statement of Changes in Equity for the year ended 31 December 2020

| '000 KZT  | Note  | Share capital    | Additional paid-in capital | Revaluation reserve for available-for-sale financial assets | Unexpired risk provision | Retained earnings | Total equity     |
|---|-------|------------------|----------------------------|---|--------------------------|-------------------|------------------|
| <b>Balance at 1 January 2019</b>  |       | <b>937,000</b>   | <b>7,911</b>               | <b>(124,358)</b>  | <b>570</b>               | <b>499,070</b>    | <b>1,320,193</b> |
| <b>Total comprehensive income</b>   |       |                  |                            |   |                          |                   |                  |
| Profit for the year   |       | -                | -                          | -   | -                        | 105,481           | 105,481          |
| <b>Other comprehensive income</b>   |       |                  |                            |   |                          |                   |                  |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i>                              |       |                  |                            |   |                          |                   |                  |
| Unexpired risk provision  |       | -                | -                          | -   | (570)                    | 570               | -                |
| Net change in fair value of available-for-sale financial assets   |       | -                | -                          | 269,591   | -                        | -                 | 269,591          |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss             |       | -                | -                          | (129,329)   | -                        | -                 | (129,329)        |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i>                         |       | -                | -                          | 140,262   | -                        | -                 | 140,262          |
| <b>Total other comprehensive income</b>   |       | -                | -                          | 140,262   | -                        | -                 | 140,262          |
| <b>Total comprehensive income for the year</b>  |       | -                | -                          | 140,262   | (570)                    | 106,051           | 245,743          |
| <b>Transactions with owners recorded directly in equity</b>   |       |                  |                            |   |                          |                   |                  |
| Contributions to charter capital  | 19(a) | 523,000          | 54,600                     | -   | -                        | -                 | 577,600          |
| <b>Total transactions with owners of the Company</b>  |       | <b>523,000</b>   | <b>54,600</b>              | -   | -                        | -                 | <b>577,600</b>   |
| <b>Balance at 31 December 2019</b>  |       | <b>1,460,000</b> | <b>62,511</b>              | <b>15,904</b>   | <b>-</b>                 | <b>605,121</b>    | <b>2,143,536</b> |
| <b>Total comprehensive income</b>   |       |                  |                            |   |                          |                   |                  |
| Profit for the year   |       | -                | -                          | -   | -                        | 410,220           | 410,220          |
| <b>Other comprehensive income</b>   |       |                  |                            |   |                          |                   |                  |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i>                              |       |                  |                            |   |                          |                   |                  |
| Net change in fair value of available-for-sale financial assets, net of income tax of KZT 42,781 thousand |       | -                | -                          | 163,488   | -                        | -                 | 163,488          |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss             |       | -                | -                          | (8,267)   | -                        | -                 | (8,267)          |
| <i>Total items that are or may be reclassified subsequently to profit or loss</i>                         |       | -                | -                          | 155,221   | -                        | -                 | 155,221          |
| <b>Total other comprehensive income</b>   |       | -                | -                          | 155,221   | -                        | -                 | 155,221          |
| <b>Total comprehensive income for the year</b>  |       | -                | -                          | 155,221   | -                        | 410,220           | 565,441          |
| <b>Transactions with owners recorded directly in equity</b>   |       |                  |                            |   |                          |                   |                  |
| Contributions to charter capital  | 19(a) | 305,000          | 138,500                    | -   | -                        | -                 | 443,500          |
| <b>Total transactions with owners of the Company</b>  |       | <b>305,000</b>   | <b>138,500</b>             | -   | -                        | -                 | <b>443,500</b>   |
| <b>Balance at 31 December 2020</b>  |       | <b>1,765,000</b> | <b>201,011</b>             | <b>171,125</b>  | <b>-</b>                 | <b>1,015,341</b>  | <b>3,152,477</b> |

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.



# 1 Reporting entity

## (a) Organisation and operations

Sinoasia B&R Insurance JSC (former JSC MIC Archimedes Kazakhstan) (the “Company”) was established in the Republic of Kazakhstan as a joint stock company on 10 December 2007. The Company holds licence No.2.1.64 dated 6 February 2019 for insurance and reinsurance activity issued by the National Bank of the Republic of Kazakhstan.

The primary business activity of the Company is health insurance. The activities of the Company are regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”).

The address of the Company’s registered office is: 97, Pushkin str., Almaty, Republic of Kazakhstan.

In August 2017, 83.14% of the Company’s issued shares were purchased by Mr. Choy Yuk Leung and the Company’s name was changed to Sinoasia B&R Insurance JSC. The Company is ultimately controlled by Mr. Choy Yuk Leung.

|                        | 31 December 2020,<br>% | 31 December 2019,<br>% |
|------------------------|------------------------|------------------------|
| <b>Shareholders:</b>   |                        |                        |
| Mr. Choy Yuk Leung     | 65.10                  | 78.70                  |
| BSB Invest             | 15.92                  | 11.71                  |
| Ms. Abilmazhinova D.K. | 7.93                   | 9.59                   |
| Mr. Alpysbayev M.T.    | 6.23                   | -                      |
| Bank CenterCredit JSC  | 4.82                   | -                      |
| <b>Total</b>           | <b>100.00</b>          | <b>100.00</b>          |

During the year 2020 the Company has obtained listing on the Kazakhstan Stock Exchange (the “KASE”).

Related party transactions are detailed in Note 24.

## (b) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, for the purpose of protection of life and health of the citizens, the Government of the Republic of Kazakhstan, pursuant to the legislation of the Republic of Kazakhstan, has imposed state of emergency throughout the Republic of Kazakhstan for the period from 16 March 2020 to 12 May 2020.

During the state of emergency period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers’ income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

To continue as a going concern, the Company keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Company's premises.

However, management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Company in the medium and longer term. The Company continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The Company's health-insurance class does not cover Covid-19 claims in accordance with terms of insurance policies.

These financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The actual future business environment may differ from management's assessment.

## **2 Basis of accounting**

### **(a) Statement of compliance**

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

The Company has applied the temporary exemption from IFRS 9 *Financial Instruments* as permitted by IFRS 4 *Insurance Contracts* and has not previously adopted any version of IFRS 9, including the requirements from the presentation of gains and losses on financial liabilities designated as at FVTPL, for annual periods beginning before 1 January 2019. Consequently, the Company plans to have a single date of initial application of 1 January 2023 for IFRS 9 in its entirety.

### **(b) Basis for measurement**

The financial statements are prepared on the historical cost basis except that available-for-sale financial assets and financial instruments at fair value through profit or loss are stated at fair value.

### **(c) Functional and presentation currency**

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### **Judgements**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements for the year ended 31 December 2020 disclosed in the following notes:

- Applicable to 2020 and 2019:
  - Assessment of whether the Company's activities are predominantly connected with insurance - description of the assessment is presented below in this Note.



***Assessment of whether the Company's activities are predominantly connected with insurance***

The temporary exemption from IFRS 9 applies for those entities whose activities are predominantly connected with insurance. Eligibility is assessed at the reporting entity level and is therefore applied at the reporting entity level – i.e. it applies to all financial assets and financial liabilities held by the reporting entity.

The Company applied temporary exemption from IFRS 9 as:

- the Company has not previously applied any version of IFRS 9; and

The Company's activities as a whole are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016, i.e. as at and 31 December 2015.

Under IFRS 4, an insurer's activities are predominantly connected with insurance if, and only if:

- (a) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and
- (b) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:
  - (i) greater than 90 per cent; or
  - (ii) less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance.

Under IFRS 4, liabilities connected with insurance comprise:

- (a) liabilities arising from contracts within the scope of IFRS 4;
- (b) non-derivative investment contract liabilities measured at fair value through profit or loss applying IAS 39; and
- (c) liabilities that arise because the insurer issues, or fulfils obligations arising from, the contracts in (a) and (b). Examples of such liabilities include derivatives used to mitigate risks arising from those contracts and from the assets backing those contracts, relevant tax liabilities such as the deferred tax liabilities for taxable temporary differences on liabilities arising from those contracts, and debt instruments issued that are included in the insurer's regulatory capital, liabilities for salaries and other employment benefits for the employees of the insurance activities.

As at 31 December 2015 the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 is KZT 610,853 thousand, that comprises 94% of carrying amount of Company's total liabilities. The Company considers that this amount is significant compared to the total carrying amount of all its liabilities as insurance operations is the primary business of the Company.

As at 31 December 2015 liabilities connected with insurance comprised:

|   | <b>31 December<br/>2015<br/>'000 KZT</b> |
|---|--|
| <b><i>Liabilities connected with insurance within the scope of IFRS 4</i></b>   |  |
| Insurance provisions  | 574,098                                  |
| Insurance payables  | 36,755                                   |
| <b>Total carrying amount of liabilities connected with insurance</b>  | <b>610,853</b>                           |
| <b>Total carrying amount of liabilities</b>   | <b>651,168</b>                           |
| <b>Percentage of the total carrying amount of Company's liabilities connected with insurance relative to the total carrying amount of all its liabilities</b> | <b>94%</b>                               |

The Company is not engaged in any significant activities unconnected with the insurance from which it may earn income and incur expenses. The Company is subject to all regulatory requirements related to insurers and considers insurance risk as its main business risk. In addition, the Company did not identify any quantitative or qualitative factors (or both), including publicly available information, that could indicate that regulatory bodies or other users of the Company's financial statements apply other industry classification to the Company.

- Based on the assessment performed the Company concludes that as at 31 December 2015 the Company's activities are predominantly connected with insurance and therefore, it is eligible to used temporary exemption not to apply IFRS 9.

#### **Assumptions and estimations uncertainty**

Information about significant assumptions and estimation uncertainties, which have significant impact on financial statements for the year ended 31 December 2020 is disclosed in the following notes:

- Applicable to 2020 and 2019:
  - Note 17 - Insurance contract provisions;

#### **(e) Adjustments**

During 2020 the Company changed the presentation of finance income and finance costs in the statement of cash flows. Currently such income and expenses subdivided into separate items of income and expenses as indicated in Note 7. These changes did not have impact on the total amounts recorded in the investing and operating activities of the statement of cash flows. According to management, such presentation better reflects movements on the statement of cash flows, in particular, more detailed information was presented on income and expenses related to financial instruments. The comparative information presented for 2019 has been restated.

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(a) Foreign currency**

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary assets and liabilities is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on a historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss for the period, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

#### **(b) Insurance contracts**

##### **(i) Classification of contracts**

Agreements under which the Company assumes a significant insurance risk of the other party (hereinafter referred to as the "insured"), agreeing to pay compensation to the policyholder or other beneficiary, in the event that a certain possible future event ("insurance case") adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.



Insurance risk is significant if, and only if, the insurance case can lead to an obligation of the Company to make significant additional payments. After the contract is classified as an insurance contract, it remains so until all rights and obligations expire or are fulfilled.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as financial instruments.

**(ii) Recognition and measurement of insurance contracts**

*Premiums*

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

*Provision for unearned premiums*

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

*Claims*

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available and the methodology for forming reinsurance assets is in full compliance with the applicable legislation. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

**(iii) Liabilities and related assets under liability adequacy test**

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions, less deferred acquisition cost and any related intangible assets, such as those acquired in a business combination or portfolio transfer, are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified the unexpired risk provision is established. The deficiency is recognised in profit or loss for the year.

**(iv) Reinsurance assets**

The Company cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.



Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Company in respect of its rights under such contracts.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within insurance and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

**(v) *Deferred acquisition costs***

Costs incurred in acquiring general insurance contracts are deferred to the extent that they are recoverable out of future margins. Deferred acquisition costs include direct costs such as commissions paid to insurance agents and brokers.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts. The rate of amortisation is consistent with the pattern of emergence of such margins.

**(vi) *Insurance receivables and payables***

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

**(c) *Cash and cash equivalents***

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks, and highly liquid financial assets with original maturities of less than three months, which are not subject to significant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. Cash and cash equivalents are recognised at amortised cost in the statement of financial position.

**(d) *Placements with banks***

In the normal course of business, the Company maintains advances, deposits for various periods of time with banks. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

**(e) *Finance income and costs***

Financial income and finance costs comprise interest receivable on funds invested, foreign exchange gains and losses and gains and losses on the disposal of investments as well as unrealised and realised profit or loss on financial assets held for sale.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.



**(f) Property, plant and equipment**

**(i) Owned assets**

Items of property, and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

**(ii) Depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

- |                           |            |
|---------------------------|------------|
| - Computers               | 2.5 years; |
| - Machinery and equipment | 4 years;   |
| - Other                   | 7 years.   |

**(g) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is seven years.

**(h) Financial instruments**

**(i) Classification of financial instruments**

*Financial instruments at fair value through profit or loss are financial assets or liabilities that are:*

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for a derivative that is a designated and effective hedging instruments); or
- upon initial recognition, designated as at fair value through profit or loss.

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Company has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term;

- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale; or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than those that:

- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company designates as available-for-sale; or
- meet the definition of loans and receivables.

*Available-for-sale financial assets* are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

**(ii) Recognition**

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

**(iii) Measurement**

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

**(iv) Amortised cost**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

**(v) Fair value measurement principles**

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.



When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account under the circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**(vi) Gains and losses on subsequent measurement**

Profit or loss arising from change in fair value of financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

**(vii) Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Company writes off assets deemed to be uncollectible.



**(viii) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**(i) Impairment**

**(i) *Financial assets carried at amortised cost***

Financial assets carried at amortised cost consist principally of insurance and reinsurance receivables, placements with banks and other receivables (loans and receivables). The Company reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Company would not otherwise consider, indications that a borrower or issuer will go bankrupt, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Company assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans or receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

**(ii) *Available-for-sale financial assets***

Impairment losses on available-for-sale securities were recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to time value were reflected as a component of interest income.



In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**(iii) Non-financial assets**

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Sale and repurchase and reverse repurchase agreements**

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo). Short-term reverse repurchase agreements with maturity less than three months are recorded within cash and cash equivalents, while long-term agreements are included in receivables under reverse repurchase agreements. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

**(k) Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount of such liability is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(l) Share capital**

**(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(ii) Dividends**

The ability of the Company to declare and pay dividends is subject to the current legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

**(m) Taxation**

Income tax amount includes current tax and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.



Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that taxable profit will be available against which the deductible temporary differences can be utilised.

**(n) Income and expense recognition**

Interest income and expense are recognised in profit or loss using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

**(o) Leases**

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

**(i) As a lessee**

However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;



- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(ii) As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue/(expenses), net'.

**(p) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application if permitted; However, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 which allowed entities to apply current accounting practices for insurance contracts. This standard will have a direct impact on the amounts recognised in accounting and disclosures in the Company's financial statements. However, a reliable assessment of the influence of IFRS 17 can only be made after a thorough analysis by the Company.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);*
- *COVID-19-Related Rent Concessions (Amendment to IFRS 16);*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*

#### **4 Disclosures aimed to compare the Company applying the temporary exemption with entities applying IFRS 9**

##### **Fair value analysis**

The following table sets out information on fair value\* as at reporting date and changes in the fair value during the reporting period for financial assets:

|  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--|------------------|------------------|
| <i>Financial assets that meet the solely payments of principal and interest (SPPI) test under IFRS 9 (excluding any financial assets that meet the definition of held for trading in IFRS 9 or that are managed and evaluated on a fair value basis)</i> |                  |                  |
| (a) cash and cash equivalents  | 297,195          | 78,273           |
| (b) Amounts receivable under reverse repurchase agreements   | -                | -                |
| (c) Available-for-sale financial assets  | 3,705,250        | 2,603,699        |
| (d) Insurance and reinsurance receivables  | 525,852          | 114,971          |

\* The insurer may deem the carrying amount of the financial asset measured applying IAS 39 to be a reasonable approximation of its fair value if the insurer is not required to disclose its fair value applying paragraph 21(a) of IFRS 7 (e.g. short-term trade receivables).

#### **5 Insurance risk management**

The Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company manages them.

##### **(a) Risk management objectives and policies for mitigating insurance risk**

The Company's management of insurance risk is a critical aspect of the business.

The primary insurance activity carried out by the Company assumes the risk of loss from origination of medical aid cost from persons that are directly subject to the risk. Such risks may be insured either directly by an individual, or by the employer of such individual, covering or not their family members. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities. The Company manages its insurance risk through underwriting limits, approval procedures for transactions, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.



### ***Underwriting strategy***

The underwriting strategy is set out in the Corporate Strategy that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to underwrite. This strategy is developed through the detailed underwriting procedures that determine detailed underwriting rules for each type of product. The procedures are subject to approval by the Board of Directors of the Company and should be submitted to the regulatory authority (FMSC) in cases stipulated by Kazakhstan legislation. The rules contain basic insurance concepts and procedures, inherent risk descriptions, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, actuary's rationale of applicable tariff range (minimum and maximum) and factors that would affect the applicable tariff.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Each corporate client policy requires separate approval of the underwriters or risk committee, depending on the magnitude of the acceptable risk in line with company internal policy. Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the approval of the Company's Board of Directors.

### **(b) Terms and conditions of insurance contracts and nature of risks covered**

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

#### ***General insurance contracts – health insurance***

##### ***Product features***

The Company provides voluntary health insurance. In accordance with insurance contracts, insured individuals receive medical care that is paid by an insurer or reimbursement of expenses for medical services. Generally, insurance claims occur frequently, are of insignificant size and their cause can be easily determined. Thus, an insurance claim can be settled within a short time frame. Accordingly, voluntary health insurance is regarded as "short tail" business.

##### ***Risk management***

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk.

Risks associated with any insurance contract range depending on a number of factors, such as location, age, sex and health status of the insured and availability of medical services. Calculations of insurance premiums on these insurance contracts comparable with the risk is considered to be subjective and, therefore, risky.

Insurance risk is primarily managed through pricing, product design, establishment of exceptions related to certain types of disease that need regular and expensive treatment (chronic diseases) or treatment which can be prescribed by the state.

### **(c) Concentration of insurance risk**

The Company is exposed to sharp increase in the volume of insurance settlement payments, both in terms of the number and severity of claims incurred under the main line of business - Disease insurance. The exposures are managed by limiting the ceiling of the liability, both under insurance contracts and for an individual insured, and considering a per-capita settlement of claims, the Company limits the development of loss. In addition, the Company entered into a reinsurance contract ceding the entire Foreign Travel Insurance portfolio to cover against severe losses, which may be incurred. Therefore, the Company minimised the risk of increase in claims under the main line of insurance business. The Company's health-insurance class does not cover Covid-19 claims in accordance with terms of insurance policies.

As at 31 December 2020 the Company had 871 insurance and 14 reinsurance contracts in force (31 December 2019: 859 and 26 contracts, respectively).

Main type of insurance service provided by the Company is health insurance. Gross insured amount for all lines of business as at 31 December 2020 was KZT 454,926,059 thousand (31 December 2019: KZT 515,366,253 thousand).

The Company has no situations where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on contracts.

Health insurance does not expose the Company to countries other than the Republic of Kazakhstan.

**(d) Claims development**

Uncertainty about the amount and timing of claims payment for all insurance contracts is typically resolved within several months.

## 6 Net earned insurance premiums

|  | 2020<br>'000 KZT   | 2019<br>'000 KZT |
|--|--------------------|------------------|
| Gross premiums written   | 4,023,964          | 2,688,252        |
| Change in the gross provision for unearned premiums                      | (290,148)          | (332,770)        |
| <b>Gross earned insurance premiums</b>                                   | <b>3,733,816</b>   | <b>2,355,482</b> |
| Less: written premiums ceded to reinsurers                               | (1,111,132)        | (904,038)        |
| Reinsurers' share of change in the gross provision for unearned premiums | (188,993)          | 426,897          |
| <b>Earned insurance premiums ceded to reinsurers</b>                     | <b>(1,300,125)</b> | <b>(477,141)</b> |
| <b>Net earned insurance premiums</b>                                     | <b>2,433,691</b>   | <b>1,878,341</b> |

## 7 Finance income and costs

|  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--|------------------|------------------|
| <b>Finance income</b>  |                  |                  |
| Interest income on:  |                  |                  |
| Available-for-sale financial assets  | 162,148          | 122,440          |
| Net foreign exchange gain  | 269,416          | -                |
| Realised gain on available-for-sale financial assets                                   | 29,826           | 129,329          |
| Interest income on accounts receivable under reverse repurchase agreements             | 34,207           | 12,711           |
| Other interest income  | 11,571           | 2,006            |
|  | <b>507,168</b>   | <b>266,486</b>   |
| <b>Finance costs</b>   |                  |                  |
| Unrealised loss on financial instruments measured at fair value through profit or loss | (4,227)          | -                |
| Net foreign exchange loss  | -                | (7,575)          |
|  | <b>(4,227)</b>   | <b>(7,575)</b>   |
| <b>Total finance income less finance costs</b>   | <b>502,941</b>   | <b>258,911</b>   |

## 8 Claims incurred

|   | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|------------------|------------------|
| <b>Claims paid, net of reinsurance</b>  | <b>2,185,727</b> | <b>1,558,191</b> |
| Change in provisions for incurred but not reported claims, less reinsurer's share | (122,176)        | 141,183          |
| Change in provisions for reported but not settled claims, less reinsurer's share  | 7,555            | (29,353)         |
| <b>Change in net insurance contract provisions</b>                                | <b>(114,621)</b> | <b>111,830</b>   |
| <b>Net claims incurred</b>  | <b>2,071,106</b> | <b>1,670,021</b> |

Claims incurred are stated net of reinsurers' recoveries of KZT 245,466 thousand (2019: KZT 239,956 thousand).



## 9 Acquisition costs

|                    | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--------------------|------------------|------------------|
| Agents' commission | 117,754          | 31,178           |
|                    | <b>117,754</b>   | <b>31,178</b>    |

## 10 Administrative expenses

|  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--|------------------|------------------|
| Audit, consulting and information services | 150,494          | 103,084          |
| Wages and salaries and related taxes       | 120,535          | 180,388          |
| Lease                                      | 16,867           | 15,875           |
| Depreciation and amortisation              | 10,166           | 8,836            |
| Stationery and maintenance                 | 9,912            | 5,980            |
| Bank and brokerage fees                    | 9,136            | 15,628           |
| Communication services                     | 7,110            | 4,991            |
| Fines and penalties                        | 2,144            | 3,099            |
| Business travel expenses                   | 743              | 13,334           |
| Other                                      | 12,555           | 12,997           |
|  | <b>339,662</b>   | <b>364,212</b>   |

## 11 Income tax expense

|   | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|------------------|------------------|
| Current income tax expense                        | (98,296)         | (18,740)         |
| Deferred tax benefit                              |                  |                  |
| Origination and reversal of temporary differences | (1,305)          | 1,727            |
| <b>Total income tax expense</b>                   | <b>(99,601)</b>  | <b>(17,013)</b>  |

The Company's applicable tax rate for current and deferred tax is 20% (2019: 20%).

### Reconciliation of effective tax rate:

|                                       | 2020<br>'000 KZT | %              | 2019<br>'000 KZT | %              |
|---------------------------------------|------------------|----------------|------------------|----------------|
| <b>Profit before income tax</b>       | <b>509,821</b>   | <b>100</b>     | <b>122,494</b>   | <b>100</b>     |
| Income tax at the applicable tax rate | (101,964)        | (20)           | (24,499)         | (20)           |
| Non-deductible expenses               | (430)            | (0.08)         | (1,537)          | (1.25)         |
| Non-taxable income on securities      | 2,793            | 0.55           | 9,023            | 7.37           |
|                                       | <b>(99,601)</b>  | <b>(19.54)</b> | <b>(17,013)</b>  | <b>(13.89)</b> |

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2020 and deferred tax assets as at 31 December 2019 in these financial statements.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences for the year ended 31 December 2020 are presented as follows:

| '000 KZT  | Balance at<br>1 January<br>2020 | Recognised in<br>profit or loss | Recognised in<br>equity | Balance at<br>31 December<br>2020 |
|---|---------------------------------|---------------------------------|-------------------------|-----------------------------------|
| Property, plant and equipment   | 1,670                           | (2,061)                         | -                       | (391)                             |
| Other liabilities   | 4,347                           | (89)                            | -                       | 4,258                             |
| Financial instruments measured<br>at fair value through profit or<br>loss | -                               | 845                             | -                       | 845                               |
| Available-for-sale financial<br>assets                                    | -                               | -                               | (42,781)                | (42,781)                          |
|   | <b>6,017</b>                    | <b>(1,305)</b>                  | <b>(42,781)</b>         | <b>(38,069)</b>                   |

Movement in temporary differences during the year ended 31 December 2019 is presented as follows:

| '000 KZT                      | Balance at<br>1 January 2019 | Recognised in<br>profit or loss | Balance at<br>31 December 2019 |
|-------------------------------|------------------------------|---------------------------------|--------------------------------|
| Property, plant and equipment | 1,020                        | 650                             | 1,670                          |
| Other liabilities             | 3,270                        | 1,077                           | 4,347                          |
|                               | <b>4,290</b>                 | <b>1,727</b>                    | <b>6,017</b>                   |

## 12 Cash and cash equivalents

|  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--|------------------|------------------|
| Cash on hand                             | 1,132            | 2,635            |
| Cash in the accounts of a broker rated B | 11,319           | 24,569           |
| Cash on current bank accounts            |                  |                  |
| <i>Kazakhstan banks</i>                  |                  |                  |
| - rated BBB+ to BB-                      | 99               | 994              |
| - rated from B- to B+                    | 47,466           | 3,468            |
| - not rated (Citibank Kazakhstan JSC)    | 236,179          | 45,607           |
| Short-term deposit balances              |                  |                  |
| - rated from B- to B+                    | 1,000            | 1,000            |
| <b>Total cash and cash equivalents</b>   | <b>297,195</b>   | <b>78,273</b>    |

The credit ratings are presented by reference to the credit ratings of Standard and Poor's credit rating agency or analogues of similar international agencies.

None of cash and cash equivalents are impaired or past due.

As at 31 December 2020 and 31 December 2019 the Company had no current account balances and short-term deposit balances which exceed 10% of equity.

## 13 Available-for-sale financial assets

|   | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|------------------|------------------|
| <i>Held by the Company</i>  |                  |                  |
| <b>Debt financial instruments:</b>                                      |                  |                  |
| Eurobonds of foreign banks and companies                                | 3,434,824        | 2,421,428        |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 123,317          | 122,820          |
| Bonds of Kazakhstan banks   | 117,221          | 59,451           |
| Bonds of Development Bank of Kazakhstan                                 | 29,888           | -                |
| <b>Gross debt financial instruments</b>                                 | <b>3,705,250</b> | <b>2,603,699</b> |
| Impairment of available-for-sale financial assets                       | -                | -                |
| <b>Net debt financial instruments</b>                                   | <b>3,705,250</b> | <b>2,603,699</b> |



The following table presents information on the credit quality of gross debt financial instruments classified as available-for-sale financial assets:

|                           | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---------------------------|------------------|------------------|
| - rated from AA- to AA+   | -                | 369,449          |
| - rated from A- to A+     | 902,549          | 894,834          |
| - rated from BBB- to BBB+ | 2,254,004        | 1,206,562        |
| - rated from BB- to BB+   | 548,697          | 132,854          |
|                           | <b>3,705,250</b> | <b>2,603,699</b> |

The credit ratings are presented by reference to the credit ratings of Standard and Poor's credit rating agency or analogues of similar international agencies.

None of available-for-sale financial assets are past due.

As at 31 December 2020 and 31 December 2019, the Company had no financial instruments whose balances exceeded 10% of equity.

As at 31 December 2020 the annual effective interest rates generated by available-for-sale financial assets varied from 3.90% to 10.00 per annum (31 December 2019: from 2.50% to 10.00% per annum).

## 14 Insurance and reinsurance receivables

|  | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--|------------------|------------------|
| Amounts due from policyholders               | 114,257          | 82,462           |
| Amounts due from reinsurers                  | 411,595          | 32,509           |
| <b>Insurance and reinsurance receivables</b> | <b>525,852</b>   | <b>114,971</b>   |

### Significant credit exposures

As at 31 December 2020 and 2019 the Company had no reinsurers or policyholders, whose amounts due exceed 15% of equity.

The following table provides information on the credit quality of insurance and reinsurance receivables:

|  | 31 December 2020<br>'000 KZT | 31 December 2019<br>'000 KZT |
|--|------------------------------|------------------------------|
| <b>Amounts due from policyholders and reinsurers</b> |                              |                              |
| <b>Amounts due from policyholders</b>                |                              |                              |
| - not overdue  | 113,417                      | 78,954                       |
| - overdue 0-30 days                                  | 840                          | 2,703                        |
| - overdue less than 90 days                          | -                            | 274                          |
| - overdue 90-179 days                                | -                            | -                            |
| - overdue 180-360 days                               | -                            | 531                          |
| - overdue more than 360 days                         | -                            | -                            |
| <b>Total amounts due from policyholders</b>          | <b>114,257</b>               | <b>82,462</b>                |
| <b>Amounts due from reinsurers</b>                   |                              |                              |
| - not overdue  | 411,595                      | 32,440                       |
| - overdue 0-30 days                                  | -                            | 69                           |
| <b>Total amounts due from policyholders</b>          | <b>411,595</b>               | <b>32,509</b>                |
| <b>Amounts due from policyholders and reinsurers</b> | <b>525,852</b>               | <b>114,971</b>               |

## 15 Financial instruments measured at fair value through profit or loss

### Equity securities

|   | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
|   | '000 KZT         | '000 KZT         |
| Shares of Kazakhstan corporations               | 65,449           | -                |
| Shares of Insurance Payments Guarantee Fund JSC | 19,630           | -                |
|   | <b>85,079</b>    | <b>-</b>         |

The shares of Insurance Payments Guarantee Fund JSC, which are stated at cost, are classified as investments measured at fair value and comprise the unquoted equity securities with a carrying amount of KZT 19,630 thousand.

There is no market for these investments and no recent operations have been performed to determine the fair value of these investments with sufficient reliability.

## 16 Deferred acquisition costs

|                     | 2020          | 2019          |
|---------------------|---------------|---------------|
|                     | '000 KZT      | '000 KZT      |
| Agents' commission  | 12,482        | 77,340        |
| Cedent's commission | 3             | 1,270         |
|                     | <b>12,485</b> | <b>78,610</b> |

### Analysis of changes in deferred acquisition costs

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | '000 KZT      | '000 KZT      |
| Balance at 1 January                       | 78,610        | 13,368        |
| Acquisition costs incurred during the year | 51,629        | 96,420        |
| Amortisation recognised in profit or loss. | (117,754)     | (31,178)      |
| <b>Balance at 31 December</b>              | <b>12,485</b> | <b>78,610</b> |

## 17 Insurance contract provisions

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | '000 KZT         | '000 KZT         |
| Unearned premium provision   | 1,210,475        | 920,327          |
| Provision for claims incurred but not reported                       | 203,998          | 283,681          |
| Provision for claims reported but not settled                        | 186,507          | 35,399           |
| <b>Total insurance contract provisions</b>                           | <b>1,600,980</b> | <b>1,239,407</b> |
| Reinsurance share in unearned premium provision                      | (294,258)        | (483,251)        |
| Reinsurers' share in provisions for incurred but not reported claims | (145,496)        | (103,003)        |
| Reinsurers' share in provisions for reported but not settled claims  | (177,182)        | (33,629)         |
| <b>Total reinsurers' share in insurance contract provisions</b>      | <b>(616,936)</b> | <b>(619,883)</b> |
| <b>Net amount of insurance contract provisions</b>                   | <b>984,044</b>   | <b>619,524</b>   |

### (a) Analysis of movements in unearned premium reserve

|  | 2020             | 2019           |
|--|------------------|----------------|
|  | '000 KZT         | '000 KZT       |
| Balance at 1 January   | 920,327          | 587,557        |
| Premiums written   | 4,023,964        | 2,688,252      |
| Premiums earned  | (3,733,816)      | (2,355,482)    |
| <b>Balance at 31 December</b>                                | <b>1,210,475</b> | <b>920,327</b> |
| Reinsurance share in unearned premium provision              | (294,258)        | (483,251)      |
| <b>Net amount of unearned premium reserve at 31 December</b> | <b>916,217</b>   | <b>437,076</b> |



**(b) Analysis of movements in provision for claims incurred but not reported**

|   | <b>2020</b>     | <b>2019</b>     |
|---|-----------------|-----------------|
|   | <b>'000 KZT</b> | <b>'000 KZT</b> |
| Balance at 1 January                      | 283,681         | 40,712          |
| New provisions charged during the year    | 203,998         | 283,681         |
| Change in provision for prior year claims | (283,681)       | (40,712)        |
| <b>Balance at 31 December</b>             | <b>203,998</b>  | <b>283,681</b>  |

**(c) Analysis of movements in provisions for claims reported but not settled**

|                                  | <b>2020</b>     | <b>2019</b>     |
|----------------------------------|-----------------|-----------------|
|                                  | <b>'000 KZT</b> | <b>'000 KZT</b> |
| Balance at 1 January             | 35,399          | 31,235          |
| Provided for current year claims | 2,593,705       | 1,828,468       |
| Provided for prior year claims   | (12,907)        | (31,016)        |
| Current year claims paid         | (2,419,393)     | (1,793,078)     |
| Prior year claims paid           | (10,297)        | (210)           |
| <b>Balance at 31 December</b>    | <b>186,507</b>  | <b>35,399</b>   |

**(d) Key provision assumptions**

The provisions estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties arise as a result of the volume of claims, determining the occurrence date of a claim, and reporting lags.

The estimation of incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimates of outstanding claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until sometime after the occurrence of the event giving rise to the claim. Due to the short tail nature of the Company's portfolio a substantial amount of claims are settled within two month after the occurrence of the event giving rise to the claim.

The actual method or blend of methods used varies by the class of insurance contract based on observed historical claims development.

Claims provisions for health class insurance are estimated using a range of statistical methods, such as the chain ladder and Bornhuetter-Ferguson. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based upon observed development of earlier years and expected loss ratios. To the extent that this method uses historical claims development information it assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios estimated based on the medical expense claims statistics for the preceding four years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim.

For other classes of insurance except mentioned above IBNR is calculated as a percentage of gross premium due to lack of statistics according to Rules of Local Authority Regulation.

Management believes that due to the short-tail nature of the Company's business, the performance of the Company's portfolio is sensitive mainly to changes in expected loss ratios. The Company adjusts its insurance tariffs on a regular basis, based on the latest developments in these variables so that any emerging trends are taken into account.

## 18 Insurance payables

|                                      | 2020<br>'000 KZT | 2019<br>'000 KZT |
|--------------------------------------|------------------|------------------|
| Insurance and reinsurance payables   | 383,857          | 81,155           |
| Advances received from policyholders | 57,667           | 10,511           |
|                                      | <b>441,524</b>   | <b>91,666</b>    |

## 19 Equity

### (a) Share capital

|   | Ordinary shares<br>2020<br>'000 KZT | Ordinary shares<br>2019<br>'000 KZT |
|---|-------------------------------------|-------------------------------------|
| Authorised shares (number of shares)          | 180,000                             | 168,000                             |
| Authorised and paid shares (number of shares) | 176,500                             | 146,000                             |
| Par value, KZT                                | 10,000                              | 10,000                              |
| <b>Issued and fully paid</b>                  | <b>1,765,000</b>                    | <b>1,460,000</b>                    |

As at 31 December 2020 and 31 December 2019 the authorised and issued share capital comprises 180,000 and 176,500 ordinary shares (2019:168,000 and 146,000 ordinary shares), respectively, of the total value of KZT 1,765,000 thousand (31 December 2019:KZT 1,460,000 thousand). During the year ended 31 December 2020 30,500 ordinary shares were sold at the placing price of from KZT 13,900 to KZT 16,200 per share (31 December 2019: 52,300 ordinary shares at the placing price from KZT 10,000 to KZT 13,900 per share). A difference of KZT 138,500 thousand between the nominal value and placing price was recorded in the additional paid-in capital (31 December 2019: KZT 54,600 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general Company's shareholders meetings.

### (b) Capital management

The Company is subject to the regulatory requirements of the Republic of Kazakhstan regarding minimal share capital and solvency margin ratio defined by the regulations of the National Bank of the Republic of Kazakhstan.

In accordance with Decree № 304 of the National Bank of the Republic of Kazakhstan dated 26 December 2016 the minimal required solvency margin for the insurance companies holding a license for general insurance activities and a license for reinsurance activities is equal to KZT 1,944,600 thousand. The minimal required margin of solvency for insurance (reinsurance) organisations decreases by thirty (30) per cent, if a proportion of the insurance premiums from health insurance and mandatory insurance of tourists comprises more than eighty (80) per cent of the total insurance premiums under ongoing insurance (reinsurance) agreements of the insurance company as at the reporting date. As at 31 December 2020, the proportion of premiums arising from health insurance and mandatory insurance of tourists comprises 80% of total premiums of the Company.

The Company is also required to maintain a solvency margin ratio of not less than 1. As at 31 December 2020 and 31 December 2019 the Company was in compliance with this requirement. As at 31 December 2020 and 31 December 2019, the solvency margin ratio was as follows.

|                                     | 2020<br>'000 KZT | 2019<br>'000 KZT |
|-------------------------------------|------------------|------------------|
| Actual solvency                     | 2,978,556        | 1,886,590        |
| Minimal required margin of solvency | 1,361,220        | 1,515,000        |
| <b>Solvency margin ratio</b>        | <b>2.19</b>      | <b>1.25</b>      |



**(c) Dividends**

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. No dividends were declared for year ended 31 December 2020 (2019: no dividends were declared).

## **20 Financial instruments risk management**

Management of risk is fundamental to the Company's business and forms an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

**(a) Risk management policies and procedures**

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Company manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by management.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

An analysis of the sensitivity of profit or loss and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 31 December 2019, is as follows:

|                      | 2020                       |                    | 2019                       |                    |
|----------------------|----------------------------|--------------------|----------------------------|--------------------|
|                      | Profit or loss<br>'000 KZT | Equity<br>'000 KZT | Profit or loss<br>'000 KZT | Equity<br>'000 KZT |
| 100 bp parallel rise | 6                          | 6                  | 680                        | 680                |
| 100 bp parallel fall | (6)                        | (6)                | (680)                      | (680)              |

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates, based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

|                      | 2020                       |                    | 2019                       |                    |
|----------------------|----------------------------|--------------------|----------------------------|--------------------|
|                      | Profit or loss<br>'000 KZT | Equity<br>'000 KZT | Profit or loss<br>'000 KZT | Equity<br>'000 KZT |
| 100 bp parallel rise | (417,568)                  | (417,568)          | (267,549)                  | (267,549)          |
| 100 bp parallel fall | 558,854                    | 558,854            | 344,279                    | 344,279            |

**(ii) Currency risk**

The Company has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

|   | 2020             |                  |                 |                              |                   |
|---|------------------|------------------|-----------------|------------------------------|-------------------|
|   | KZT<br>'000 KZT  | USD<br>'000 KZT  | EUR<br>'000 KZT | Other currencies<br>'000 KZT | Total<br>'000 KZT |
| <b>Financial assets</b>   |                  |                  |                 |                              |                   |
| Cash and cash equivalents   | 122,180          | 172,876          | 2,134           | 5                            | 297,195           |
| Available-for-sale financial assets                                 | 153,205          | 3,446,011        | 106,034         | -                            | 3,705,250         |
| Insurance and reinsurance receivables                               | 525,852          | -                | -               | -                            | 525,852           |
| Reinsurers' share in insurance contract provisions                  | 1,467            | 342,842          | 272,627         | -                            | 616,936           |
| Financial instruments measured at fair value through profit or loss | 85,079           | -                | -               | -                            | 85,079            |
| <b>Financial liabilities</b>  |                  |                  |                 |                              |                   |
| Insurance contract provisions                                       | 947,120          | 377,268          | 276,592         | -                            | 1,600,980         |
| Insurance payables, except for advances received                    | 37,830           | 343,065          | 1,551           | 1,411                        | 383,857           |
| Other financial liabilities   | 50,032           | -                | -               | -                            | 50,032            |
| <b>Net exposure to currency risk as at 31 December 2020</b>         | <b>(147,119)</b> | <b>3,241,396</b> | <b>102,652</b>  | <b>(1,406)</b>               | <b>3,195,443</b>  |

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

|   | 2019             |                  |                 |                              |                   |
|---|------------------|------------------|-----------------|------------------------------|-------------------|
|   | KZT<br>'000 KZT  | USD<br>'000 KZT  | EUR<br>'000 KZT | Other currencies<br>'000 KZT | Total<br>'000 KZT |
| <b>Financial assets</b>                                     |                  |                  |                 |                              |                   |
| Cash and cash equivalents                                   | 20,858           | 56,032           | 749             | 634                          | 78,273            |
| Available-for-sale financial assets                         | 153,901          | 2,449,798        | -               | -                            | 2,603,699         |
| Insurance and reinsurance receivables                       | 114,971          | -                | -               | -                            | 114,971           |
| Reinsurers' share in insurance contract provisions          | 566,261          | 16,015           | 29,249          | 8,358                        | 619,883           |
| <b>Financial liabilities</b>                                |                  |                  |                 |                              |                   |
| Insurance contract provisions                               | 981,594          | 78,770           | 98,847          | 80,196                       | 1,239,407         |
| Insurance payables, except for advances received            | 57,594           | 22,790           | 771             | -                            | 81,155            |
| Other financial liabilities                                 | 29,886           | -                | -               | -                            | 29,886            |
| <b>Net exposure to currency risk as at 31 December 2019</b> | <b>(213,083)</b> | <b>2,420,285</b> | <b>(69,620)</b> | <b>(71,204)</b>              | <b>2,066,378</b>  |

A change of KZT exchange rate, as indicated below, against the following currencies at 31 December 2020 and 31 December 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.



|  | 2020                       |                    | 2019                       |                    |
|--|----------------------------|--------------------|----------------------------|--------------------|
|  | Profit or loss<br>'000 KZT | Equity<br>'000 KZT | Profit or loss<br>'000 KZT | Equity<br>'000 KZT |
| 20% appreciation of USD against KZT                  | 518,623                    | 518,623            | 387,246                    | 387,246            |
| 10% depreciation of USD against KZT                  | (259,312)                  | (259,312)          | (193,623)                  | (193,623)          |
| 20 % appreciation of EUR against KZT                 | 16,424                     | 16,424             | (11,139)                   | (11,139)           |
| 10 % depreciation of EUR against KZT                 | (8,212)                    | (8,212)            | 5,570                      | 5,570              |
| 20 % appreciation of other currencies<br>against KZT | (225)                      | (225)              | (11,393)                   | (11,393)           |
| 10 % depreciation of other currencies<br>against KZT | 112                        | 112                | 5,696                      | 5,696              |

**(c) Liquidity risk**

As at 31 December 2020 and 31 December 2019 the Company's financial assets exceeded its financial liabilities and the Company did not have significant liquidity risk exposures.

The Company maintains balances at current bank accounts and portfolio of highly liquid securities in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

**(d) Credit risk**

The investments in debt financial instruments, insurance and reinsurance receivables and cash and cash equivalents are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt. The objective of the Company is to earn competitive relative returns by investing in a diversified portfolio of term deposits and securities. The Company manages this risk by setting minimum rating requirements for its investment account components. Non-listed equity investments are made based on an up-front, stringent analysis of the issuer's financial position.

In accordance with Investment policy of the Company, investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than a "BB-" grade by S&P (for foreign counterparties). No minimum rating requirements are set for domestic exposures for which a listing category is assigned by the Kazakhstan Stock Exchange.

The Company also has other receivable amounts subject to credit risk. The most significant of these are insurance premiums receivable. To mitigate the risk of these counterparties not paying amounts due, the Company establishes business and financial standards for the insured parties, considering current market information.

The Company's exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

|   | 2020<br>'000 KZT | 2019<br>'000 KZT |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Cash and cash equivalents   | 296,063          | 75,638           |
| Available-for-sale financial assets                                 | 3,705,250        | 2,603,699        |
| Financial instruments measured at fair value through profit or loss | 85,079           | -                |
| Reinsurers' share in insurance contract provisions                  | 616,936          | 619,883          |
| Insurance and reinsurance receivables                               | 525,852          | 114,971          |
| <b>Total maximum exposure to on balance sheet credit risk</b>       | <b>5,229,180</b> | <b>3,414,191</b> |

## 21 Fair value of financial instruments

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020.

| '000 KZT  | Loans and receivables | Available-for-sale | Other amortised cost | At fair value through profit or loss | Total carrying amount | Fair value       |
|---|-----------------------|--------------------|----------------------|--------------------------------------|-----------------------|------------------|
| Cash and cash equivalents   | 297,195               | -                  | -                    | -                                    | 297,195               | 297,195          |
| Available-for-sale financial assets                                 | -                     | 3,705,250          | -                    | -                                    | 3,705,250             | 3,705,250        |
| Financial instruments measured at fair value through profit or loss | -                     | -                  | -                    | 85,079                               | 85,079                | 85,079           |
| Insurance and reinsurance receivables                               | 525,852               | -                  | -                    | -                                    | 525,852               | 525,852          |
| Reinsurers' share in insurance contract provisions                  | -                     | -                  | 616,936              | -                                    | 616,936               | 616,936          |
|   | <b>823,047</b>        | <b>3,705,250</b>   | <b>616,936</b>       | <b>85,079</b>                        | <b>5,230,312</b>      | <b>5,230,312</b> |
| Insurance contract provisions                                       | -                     | -                  | 1,600,980            | -                                    | 1,600,980             | 1,600,980        |
| Insurance payables, except for advances received                    | -                     | -                  | 383,857              | -                                    | 383,857               | 383,857          |
| Other financial liabilities   | -                     | -                  | 50,032               | -                                    | 50,032                | 50,032           |
|   | <b>-</b>              | <b>-</b>           | <b>2,034,869</b>     | <b>-</b>                             | <b>2,034,869</b>      | <b>2,034,869</b> |

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019.

| '000 KZT   | Loans and receivables | Available-for-sale | Other amortised cost | Total carrying amount | Fair value       |
|--|-----------------------|--------------------|----------------------|-----------------------|------------------|
| Cash and cash equivalents                          | 78,273                | -                  | -                    | 78,273                | 78,273           |
| Available-for-sale financial assets                | -                     | 2,603,699          | -                    | 2,603,699             | 2,603,699        |
| Insurance and reinsurance receivables              | 114,971               | -                  | -                    | 114,971               | 114,971          |
| Reinsurers' share in insurance contract provisions | -                     | -                  | 619,883              | 619,883               | 619,883          |
|  | <b>193,244</b>        | <b>2,603,699</b>   | <b>619,883</b>       | <b>3,416,826</b>      | <b>3,416,826</b> |
| Insurance contract provisions                      | -                     | -                  | 1,239,407            | 1,239,407             | 1,239,407        |
| Insurance payables, except for advances received   | -                     | -                  | 81,155               | 81,155                | 81,155           |
| Other financial liabilities                        | -                     | -                  | 29,886               | 29,886                | 29,886           |
|  | <b>-</b>              | <b>-</b>           | <b>1,350,448</b>     | <b>1,350,448</b>      | <b>1,350,448</b> |

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.



Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments.

Observable prices and model inputs are usually available in the market for listed debt and equity securities.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The fair value of unquoted equity securities measured at fair value with carrying amount of KZT 19,630 thousand cannot be determined.

**(b) Fair value hierarchy**

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2020 and 31 December 2019 the Company's financial instruments measured at fair value in the statement of financial position comprise the financial assets available-for-sale, which are categorised into Level 2 of the fair value hierarchy as well as financial instruments at fair value through profit or loss, which are categorised into Level 1 of the fair value hierarchy, except for shares of the Insurance payments guarantee fund, which are categorised into Level 3 of the fair value hierarchy.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020.

| '000 KZT   | Level 2 | Level 3   | Total fair value | Total carrying amount |
|--|---------|-----------|------------------|-----------------------|
| <b>ASSETS</b>                                      |         |           |                  |                       |
| Cash and cash equivalents                          | 297,195 | -         | 297,195          | 297,195               |
| Insurance receivables                              | -       | 525,852   | 525,852          | 525,852               |
| Reinsurers' share in insurance contract provisions | -       | 616,936   | 616,936          | 616,936               |
| <b>LIABILITIES</b>                                 |         |           |                  |                       |
| Insurance contract provisions                      | -       | 1,600,980 | 1,600,980        | 1,600,980             |
| Insurance payables, except for advances received   | -       | 383,857   | 383,857          | 383,857               |
| Other financial liabilities                        | -       | 50,032    | 50,032           | 50,032                |

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2019.

| '000 KZT   | Level 2 | Level 3   | Total fair values | Total carrying amount |
|--|---------|-----------|-------------------|-----------------------|
| <b>ASSETS</b>                                      |         |           |                   |                       |
| Cash and cash equivalents                          | 78,273  | -         | 78,273            | 78,273                |
| Insurance receivables                              | -       | 114,971   | 114,971           | 114,971               |
| Reinsurers' share in insurance contract provisions | -       | 619,883   | 619,883           | 619,883               |
| <b>LIABILITIES</b>                                 |         |           |                   |                       |
| Insurance contract provisions                      | -       | 1,239,407 | 1,239,407         | 1,239,407             |
| Insurance payables, except for advances received   | -       | 81,155    | 81,155            | 81,155                |
| Other financial liabilities                        | -       | 29,886    | 29,886            | 29,886                |

## 22 Leases

The Company leases office premises under operating leases. The lease runs for an initial period of one year starting on 1 January of each year, with an option to renew the lease after that date.

During 2020, KZT 16,867 thousand (2019: KZT 15,875 thousand) is recognised as an expense in profit or loss in respect of operating leases.

## 23 Contingencies

### (a) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations of the Company.



**(b) Taxation contingencies**

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

## **24 Related party transactions**

**(a) Control relationship**

As of 31 December 2020, the Company is ultimately controlled by Mr. Choy Yuk Leung.

|                                 | <b>31 December 2020</b> | <b>31 December 2019</b> |
|---------------------------------|-------------------------|-------------------------|
| Choy Yuk Leung                  | 65.10%                  | 78.70%                  |
| BSB-Invest LLP                  | 15.92%                  | 11.71%                  |
| Abilmazhinova Diana Kairatovna  | 7.93%                   | 9.59%                   |
| Alpysbayev Mars Temirbolatovich | 6.23%                   | -                       |
| Bank CenterCredit JSC           | 4.82%                   | -                       |
| <b>Total</b>                    | <b>100%</b>             | <b>100%</b>             |

**(b) Transactions with management and members of the Board of Directors**

Key management received the following remuneration during the year, which is included in payroll and related taxes (Note 10):

|                      | <b>2020</b>     | <b>2019</b>     |
|----------------------|-----------------|-----------------|
|                      | <b>'000 KZT</b> | <b>'000 KZT</b> |
| Salaries and bonuses | 51,962          | 67,640          |

Other liabilities unpaid as at 31 December 2020 and 31 December 2019 were as follows:

|                   | <b>2020</b>     | <b>2019</b>     |
|-------------------|-----------------|-----------------|
|                   | <b>'000 KZT</b> | <b>'000 KZT</b> |
| Other liabilities | 4,250           | 27,000          |

**(c) Transactions with other related parties**

The outstanding balances as at 31 December 2020 and 31 December 2019, and related profit or loss amounts of transactions for the years ended 31 December 2020 and 2019 with other related parties, being Archimedes Kazakhstan LLC, were as follows:

|   | <b>Other related<br/>parties</b> | <b>Other related<br/>parties</b> |
|---|----------------------------------|----------------------------------|
|   | <b>2020</b>                      | <b>2019</b>                      |
|   | <b>'000 KZT</b>                  | <b>'000 KZT</b>                  |
| <b>Statement of profit or loss and other comprehensive income</b> |                                  |                                  |
| Other income/(expenses), net                                      | 16,000                           | -                                |
| Administrative expenses   | 26,700                           | 6,240                            |

Archimedes Kazakhstan LLC provides medical services to the most of the Company's clients under a service agreement concluded on 23 May 2008. During the year ended 31 December 2020, the Company received services for the amount equal to KZT 2,352,442 thousand (2019: KZT 1,520,086 thousand) from Archimedes Kazakhstan LLC.

During the year 2020, the Company sold the originated separate identifiable intangible asset, such as the insurance database, to Archimedes LLP (related party), for the consideration of KZT 16,000 thousand. That software is designed to collect statistics of the insured events and to account for insurance contracts. The effect of the transaction of KZT 13,500 thousand was stated in "Gain on sale of intangible asset" in the statement of profit or loss net of costs on origination of the asset of KZT 2,500 thousand.



## 25 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2020.

| 2020<br>'000 KZT                                    | Less than 1<br>month | From 1 to 3<br>months | From 3 months<br>to 1 year | From 1 to 5<br>years | More than 5<br>years | No maturity   | Overdue  | Total            |
|---|----------------------|-----------------------|----------------------------|----------------------|----------------------|---------------|----------|------------------|
| <b>Assets</b>                                       |                      |                       |                            |                      |                      |               |          |                  |
| Cash and cash equivalents                           | 296,195              | -                     | 1,000                      | -                    | -                    | -             | -        | 297,195          |
| Available-for-sale financial assets                 | -                    | -                     | -                          | 240,537              | 3,464,713            | -             | -        | 3,705,250        |
| Insurance and reinsurance receivables               | 179,769              | 235,671               | 110,412                    | -                    | -                    | -             | -        | 525,852          |
| Reinsurers' share in insurance contract provisions  | 325,453              | 45                    | 291,438                    | -                    | -                    | -             | -        | 616,936          |
| Deferred acquisition costs                          | 12,485               | -                     | -                          | -                    | -                    | -             | -        | 12,485           |
| Property, plant and equipment and intangible assets | -                    | -                     | -                          | -                    | -                    | 34,809        | -        | 34,809           |
| Financial instruments at FVTPL                      | 85,079               | -                     | -                          | -                    | -                    | -             | -        | 85,079           |
| Current tax asset                                   | 46,830               | -                     | -                          | -                    | -                    | -             | -        | 46,938           |
| Other assets  | 3,992                | -                     | -                          | -                    | -                    | -             | -        | 3,992            |
| <b>Total assets</b>                                 | <b>949,803</b>       | <b>235,716</b>        | <b>402,850</b>             | <b>240,537</b>       | <b>3,464,713</b>     | <b>34,809</b> | <b>-</b> | <b>5,328,536</b> |
| <b>Liabilities</b>                                  |                      |                       |                            |                      |                      |               |          |                  |
| Insurance contract provision                        | 402,829              | 172,554               | 1,025,439                  | 158                  | -                    | -             | -        | 1,600,980        |
| Insurance payables                                  | 441,524              | -                     | -                          | -                    | -                    | -             | -        | 441,524          |
| Deferred tax liabilities                            | 38,069               | -                     | -                          | -                    | -                    | -             | -        | 38,069           |
| Other liabilities                                   | 95,486               | -                     | -                          | -                    | -                    | -             | -        | 95,486           |
| <b>Total liabilities</b>                            | <b>977,908</b>       | <b>172,554</b>        | <b>1,025,439</b>           | <b>158</b>           | <b>-</b>             | <b>-</b>      | <b>-</b> | <b>2,176,059</b> |
| <b>Net position as at 31 December 2020</b>          | <b>(28,105)</b>      | <b>63,162</b>         | <b>(622,589)</b>           | <b>240,379</b>       | <b>3,464,713</b>     | <b>34,809</b> | <b>-</b> | <b>3,152,477</b> |

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2019.

| <b>2019</b><br><b>'000 KZT</b>                     | <b>Less than 1<br/>month</b> | <b>From 1 to 3<br/>months</b> | <b>From 3 months<br/>to 1 year</b> | <b>From 1 to 5<br/>years</b> | <b>More than 5<br/>years</b> | <b>No maturity</b> | <b>Overdue</b> | <b>Total</b>     |
|--|------------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|--------------------|----------------|------------------|
| <b>Assets</b>                                      |                              |                               |                                    |                              |                              |                    |                |                  |
| Cash and cash equivalents                          | 77,273                       | -                             | 1,000                              | -                            | -                            | -                  | -              | 78,273           |
| Available-for-sale financial assets                | -                            | 78,699                        | 149,610                            | 151,191                      | 2,224,199                    | -                  | -              | 2,603,699        |
| Insurance and reinsurance receivables              | 114,971                      | -                             | -                                  | -                            | -                            | -                  | -              | 114,971          |
| Reinsurers' share in insurance contract provisions | 108,653                      | 28,861                        | 482,105                            | 264                          | -                            | -                  | -              | 619,883          |
| Deferred acquisition costs                         | 33,083                       | 2,770                         | 42,750                             | 7                            | -                            | -                  | -              | 78,610           |
| Equipment and intangible assets                    | -                            | -                             | -                                  | -                            | -                            | 17,404             | -              | 17,404           |
| Current tax asset                                  | -                            | -                             | 37,802                             | -                            | -                            | -                  | -              | 37,802           |
| Deferred tax assets                                | -                            | -                             | 6,017                              | -                            | -                            | -                  | -              | 6,017            |
| Other assets                                       | 5,747                        | -                             | -                                  | -                            | -                            | -                  | -              | 5,747            |
| <b>Total assets</b>                                | <b>339,727</b>               | <b>110,330</b>                | <b>719,284</b>                     | <b>151,462</b>               | <b>2,224,199</b>             | <b>17,404</b>      | <b>-</b>       | <b>3,562,406</b> |
| <b>Liabilities</b>                                 |                              |                               |                                    |                              |                              |                    |                |                  |
| Insurance contract provision                       | 258,134                      | 73,308                        | 907,038                            | 927                          | -                            | -                  | -              | 1,239,407        |
| Insurance payables                                 | 91,666                       | -                             | -                                  | -                            | -                            | -                  | -              | 91,666           |
| Other liabilities                                  | 87,797                       | -                             | -                                  | -                            | -                            | -                  | -              | 87,797           |
| <b>Total liabilities</b>                           | <b>437,597</b>               | <b>73,308</b>                 | <b>907,038</b>                     | <b>927</b>                   | <b>-</b>                     | <b>-</b>           | <b>-</b>       | <b>1,418,870</b> |
| <b>Net position as at 31 December 2019</b>         | <b>(97,870)</b>              | <b>37,022</b>                 | <b>(187,754)</b>                   | <b>150,535</b>               | <b>2,224,199</b>             | <b>17,404</b>      | <b>-</b>       | <b>2,143,536</b> |

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments. The Company has a high-liquid portfolio of securities that may be either sold or used as security to obtain financing. The Company has no interest bearing liabilities.



## 26 Subsequent events

In 2021, the structure of the Company's owners has changed; however, a number of placed securities in the form of 176,500 ordinary shares has not changed. As of 30 April 2021, the Company is ultimately controlled by Mr. Choy Yuk Leung.

|                                 | <u>30 April 2021</u> | <u>31 December 2020</u> |
|---------------------------------|----------------------|-------------------------|
| Choy Yuk Leung                  | 65.10%               | 65.10%                  |
| BSB-Invest LLP                  | 9.69%                | 15.92%                  |
| Bank CenterCredit JSC           | 9.51%                | 4.82%                   |
| Abilmazhinova Diana Kairatovna  | 7.93%                | 7.93%                   |
| Alpysbayev Mars Temirbolatovich | 6.23%                | 6.23%                   |
| Prime Agro Trade LLP            | 1.53%                | -                       |
| <b>Total</b>                    | <u><b>100%</b></u>   | <u><b>100%</b></u>      |