

**MICROFINANCE ORGANISATION**

**TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP**

**Financial statements  
For the year ended 31 December 2023  
And Independent Auditors' Report**

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**Statement of the Management Responsibility for the Preparation and Approval of the Financial Statements for the year ended 31 December 2023**

The management of the Microfinance Organisation TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP (hereinafter - the 'Company') is responsible for the preparation of financial statements that present fairly, in all material respects the financial position of the Company as of 31 December 2023, as well as financial results of its operations, changes in equity and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards ('IFRS').

When preparing the financial statements, the management is responsible for:

- Selecting appropriate accounting policies and applying them consistently;
- Presentation of information, including accounting policies, in a form that ensures the relevance, reliability, comparability and understandability of such information;
- Disclosure of additional information in cases when compliance with IFRS is not enough for users of financial statements to understand the impact of certain transactions, as well as other events or conditions on the financial position and financial results of the Company's activity; and
- Preparing the financial statements based on the assumption that the Company will continue as a going concern.

Management is also responsible for:

- Development, implementation and maintenance of reliable internal control in all business units of the Company;
- Maintenance of the accounting records in the manner, which allows to disclose and explain Company's transactions, and present at any moment the information on the financial position of the Company with a sufficient degree of accuracy and ensure that the financial statements comply with IFRS;
- Maintenance of accounting records in accordance with applicable laws of the Republic of Kazakhstan and IFRS;
- Taking all reasonably possible measures to ensure the safekeeping of the assets of the Company; and
- Detection and prevention of financial and other irregularities.

The financial statements of the Company for the year ended 31 December 2023 were approved and signed on behalf of the Company 20 March 2024.

General Director



Tastekeyev D.T.

Chief Accountant

Akhmetov Zh.

## INDEPENDENT AUDITORS' REPORT

To the Participants of MFO TAS FINANCE GROUP LLP (ТАС ФИНАНС ГРУПП)

### Opinion

We have audited the accompanying financial statements of MFO TAS FINANCE GROUP LLP (hereinafter referred to as the 'Company'), consisting of the statement of financial position as of 31 December 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements fairly present, in all material respects, the financial position of the Company as of 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

### Basis for Opinion

We have performed our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent in relation to the Company, as required by the Code of Ethics for Professional Accountants of the International Ethics Standards Boards for Accountants (Code of IESBA) and the ethical requirements applicable to our audit of the financial statements in Kazakhstan, and we performed other ethical responsibilities of ours in compliance with those requirements and the Code of Ethics for Professional Accountants. We believe that the audit evidence 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 an opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <b><i>Provision for expected credit losses for the loans issued to customers</i></b>   |   |
| <p>The assessment of the level of the provision for expected credit losses on the loans issued to customers in accordance with IFRS 9 is a key area of judgment applied by the Company's management.</p> <p>The identification of factors that have significantly increased credit risk since initial recognition, including the identification of changes in the risk of a default occurring over the remaining life of the financial instrument, and the determination of the probability of default and the level of default losses, require significant use of professional judgment, assumptions and analysis of various historical, current and forecast information.</p> <p>Key areas of judgement included the following:</p> <ul style="list-style-type: none"> <li>• identifying loans with a significant increase in credit risk or impaired loans, and allocating loans issued to customers according to the appropriate stages of impairment;</li> <li>• Determining the expected credit losses in the event of a loan default and the expected repayment of the defaulted loans, including valuation of collateral to determine default losses on impaired loans to customers.</li> </ul> <p>Due to the significant balances on loans to customers, the degree of estimation uncertainty and the complexity of judgments used by management in estimating expected credit losses, we have identified impairment of loans to customers as a key audit matter.</p> <p>Information on expected credit losses on loans to customers is disclosed in Note 4 "Significant accounting judgments and estimates", Note 15 "Loans to customers" and Note 27 "Financial risk management" to the financial statements.</p> | <p>Our audit procedures included an analysis of the methodology for assessing the provision for expected credit losses on the loan portfolio.</p> <p>We have also reviewed and tested controls on the processes for identifying factors that have significantly increased credit risk on loans issued to customers since initial recognition and the existence of default, including the maturity of overdue loans and changes in internal credit ratings.</p> <p>We analyzed the judgments used by the Company's management in determining the significant increase in credit risk and default criteria for loans to customers.</p> <p>We have tested, on a sample basis, the underlying data and analyzed the assumptions used by the Company in assessing the provision for expected credit losses, including historical information on debt servicing, financial and non-financial information about the borrower, and expected flows to recover losses in the event of default as a result of the sale of held collateral. We also analyzed the forward-looking information, including the weights of the scenarios used by the Company in the model for calculating expected credit losses.</p> <p>We have recalculated the provision for expected credit losses.</p> <p>We have reviewed the information on the provision for expected credit losses on loans to customers disclosed in the Notes to the financial statements.</p> <p>We did not find any significant deviations when performing the above procedures.</p> |
| <b><i>Assessment of financial liabilities</i></b>  |   |
| <p>We consider this to be a key audit matter due to the materiality of the amounts recognized and due to the need for judgment by the Company's management in determining the fair value of the liability at the date of initial recognition.</p>  | <p>Our audit procedures included an analysis of the methodology, model, and testing of the underlying data used by the Company in determining the fair value of financial liabilities at initial recognition.</p>   |

Information about financial liabilities is presented in Note 20 "Financial liabilities" and Note 27 "Financial risk management" to the financial statements.

We have reviewed the information on financial liabilities disclosed in the Notes to the financial statements.

### **Other information included in the Company's Annual Report for 2023**

Other information includes the information contained in the Company's 2023 Annual Report but excludes the financial statements and our auditor's report thereon. The other information is the responsibility of the Company's management. The Company's 2023 Annual Report is expected to be made available to us after the issuance of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not provide a conclusion expressing any form of assurance on that information.

In connection with our audit of the Company's financial statements, our responsibility is to read the other information referred to above when it is made available to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and whether the other information is otherwise materially misstated.

### **Responsibility of the Management for the Financial Statements**

Management of the Company is responsible for preparation and fair presentation of the financial statements in accordance with the IFRS, and for such internal control as Management determines is necessary to enable preparation of the 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, for disclosing going concern information, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Company, cease its activity or when it has no other real alternative other than liquidation or termination of activity.

Those charged with governance are responsible for overseeing the preparation of the Company's financial statements.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objective is to obtain reasonable assurance whether the financial statements are free of material misstatement due to fraud or error, and to issue an audit report with our audit opinion. Reasonable assurance means a high degree of certainty, but does not guarantee that the audit performed in accordance with the International Standards on Auditing always identifies significant misstatements, if any. Misstatements can result 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 the audit performed in accordance with the International Standards on Auditing, we use professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or errors; design and perform audit procedures in response to the risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Detection risk of material misstatement resulting from fraud is higher than the detection risk of material misstatement due to errors, since fraud can involve conspiracy, falsification, deliberate omission, misrepresentation of information or override of internal controls;
- Obtain understanding of the 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 appropriateness of disclosures prepared by Management;
- Make a conclusion with respect to the appropriateness of application of going concern assumption, and based on the audit evidence obtained we make a conclusion whether there is substantial uncertainty due to certain events or conditions that can result in significant doubts about the Company's ability to continue as a going concern. If we come to a conclusion that significant uncertainty exists, in the audit opinion we should draw attention to the relevant disclosure in the financial statements or, if such disclosure is inadequate, we should qualify our opinion. Our conclusions are based on the audit evidence obtained before the date of our audit opinion. However, future events or conditions can result in the loss of the Company's ability to continue as a going concern;
- Evaluate the overall presentation of the financial statements, its structure and content, including disclosures, we also evaluate whether the financial statements present the underlying transactions and events so as to ensure their fair presentation.

We interact with those charged with governance, bringing to their attention, inter alia, information about the planned scope of the audit and its timing, as well as material findings of the audit, including significant shortcomings of the internal control identified in the course of the audit.

We also provide those charged with governance with a statement that we complied with all relevant ethical requirements with respect to independence, and informed them about all relationships and other issues that may reasonably be regarded as affecting the auditor's independence and, where necessary, about appropriate precautions.

We select from the issues that we brought to the attention of those charged with governance those issues that were most important to the audit of the financial statements for the current period and, therefore, are key issues of the audit. We describe those issues in our audit opinion, except in cases where public disclosure of those issues is prohibited by applicable laws or regulations, or, in very rare cases, where we come to the conclusion that a certain matter shall not be communicated in our audit report, since we reasonably assume that the adverse effects of communicating such information would be much stronger than public benefit from its disclosure.



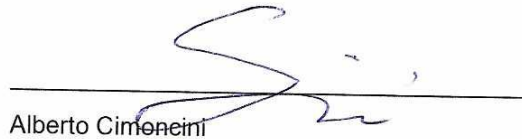
Lidiya Petruk

Auditor

Auditor qualifying certificate No. 000546  
dated 8 July 2003 issued by the  
Qualification Commission for Auditors  
Certification of the Republic of Kazakhstan

Astana, "EXPO" Building, 55/22 Mangilik El  
Ave., Block C 4.3, office 231

20 March 2024



Alberto Cimencini

Director Crowe Audit Astana Limited Liability  
Partnership

License to perform audit activities in Astana  
International Financial Centre No. AFSA-A-  
LA-2019-0027 issued by Astana Financial  
Services Authority on 26 June 2019



**MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP**  
**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December**  
**2023**

(in thousands of Kazakhstani tenge)

|  | Note | 2023              | 2022             |
|--|------|-------------------|------------------|
| Interest income                                  | 6    | 18,257,896        | 12,246,936       |
| Interest expense                                 | 6    | (4,023,793)       | (2,351,720)      |
| <b>Net interest income</b>                       |      | <b>14,234,103</b> | <b>9,895,216</b> |
| General and administrative expenses              | 7    | (5,379,806)       | (4,332,288)      |
| Losses from impairment and write-offs            | 9    | (83,383)          | (751,462)        |
| Other income, net                                | 8    | 1,610,364         | 1,765,815        |
| Net loss on foreign exchange transactions        |      | (27,693)          | (586)            |
| <b>Income before tax</b>                         |      | <b>10,353,585</b> | <b>6,576,695</b> |
| Income tax expense                               | 10   | (2,116,200)       | (1,329,779)      |
| <b>Income for the period</b>                     |      | <b>8,237,385</b>  | <b>5,246,916</b> |
| Other comprehensive income                       |      | -                 | -                |
| <b>Total comprehensive income for the period</b> |      | <b>8,237,385</b>  | <b>5,246,916</b> |

On behalf of the Company's management:

General Director



*D. Tastekeyev*

Tastekeyev D.T.

Chief Accountant

*Zh. Akhmetov*

Akhmetov Zh.

20 March 2024

Notes on pages 12-55 are an integral part of these financial statements



**MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP**  
**Statement of Changes in Equity for the year ended 31 December 2023**  
*(in thousands of Kazakhstani tenge)*

|   | Authorised equity | Retained earnings | Total             |
|---|-------------------|-------------------|-------------------|
| <b>Balance at 31 December 2021</b>        | <b>1,465,000</b>  | <b>11,087,843</b> | <b>12,552,843</b> |
| Increase as a result of a merger (Note 5) | 100,000           | 459,439           | 559,439           |
| Dividends (Note 20)                       | -                 | (1,100,000)       | (1,100,000)       |
| Total comprehensive income                | -                 | 5,246,916         | 5,246,916         |
| <b>Balance at 31 December 2022</b>        | <b>1,565,000</b>  | <b>15,694,198</b> | <b>17,259,198</b> |
| Dividends (Note 20)                       | -                 | (228,350)         | (228,350)         |
| Total comprehensive income                | -                 | 8,237,385         | 8,237,385         |
| <b>Balance at 31 December 2023</b>        | <b>1,565,000</b>  | <b>23,703,233</b> | <b>25,268,233</b> |

On behalf of the Company's management

General Director

Chief Accountant



*[Handwritten signature of D. T. Tastekeyev]*  
*[Handwritten signature of Zh. Akhmetov]*

Tastekeyev D.T.

Akhmetov Zh.

20 March 2024

Notes on pages 12-55 are an integral part of these financial statements



**MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP**  
**Notes to the financial statements for the year ended 31 December 2023**  
*(in thousands of Kazakhstani tenge)*

**1 General Information**

Microfinance organization TAS FINANCE GROUP Limited Liability Partnership (hereinafter - the "Company") was registered on February 23, 2010 by the department of Karasay district for registration and land cadaster of the branch of the non-profit joint stock company "Government for Citizens" of the Almaty region with the name TAS Lombard LLP with the assigned BIN 100240019642.

On January 15, 2018, the Company was re-registered due to an increase in the authorized capital, a change in the composition of participants and a change in name - from that date, the Company has the name TAS FINANCE GROUP LLP.

On May 12, 2020, the Company was re-registered due to a change in name - from that date, the name of the Company is Microfinance Organisation TAS FINANCE GROUP LLP.

On July 14, 2020, the Company's participants decided to accept the loan portfolio of MFO TAS CREDIT LLP. On July 15, 2020, the contract of assignment of the right of claim was signed on the basis of the adopted decision.

On March 4, 2021, the Company's participants decided to join TAS CREDIT MFO LLP. On May 11, 2021, the acceptance register was signed.

On May 19, 2021, the Company's participants decided to join TASCREDIT ONLINE Lombard LLP (TASCREDIT ONLINE Lombard). On September 1, 2021, the acceptance register was signed.

On May 14, 2021, the Company was re-registered in connection with the takeover of MFO TAS CREDIT LLP.

On September 8, 2021, the Company was re-registered due to a change in the composition of participants

On September 10, 2021, the Company was re-registered in connection with the takeover of MFO TAS Credit LLP and TASCREDIT ONLINE LLP, which entailed an increase in the authorized capital, a change in the composition of participants and a change in the name - from that date, the Company has the name of MFO Tas Finance Group LLP (ТАС ФИНАНС ГРУПП).

On August 12, 2022, the participants of the Company made a decision on takeover of MFO TAS MICROFINANCE LLP. On August 12, 2022, the acceptance register was signed.

November 10, 2022, the Company was re-registered in connection with the takeover of LLP "MFO TAS MICROFINANCE", which resulted in an increase in share capital, changes in the composition of participants.

On March 9, 2023, the Company was re-registered due to a change in the composition of participants.

On December 26, 2023, the Company was re-registered due to a change in the composition of participants.

The main activity of the Company is the provision of microcredits to individuals and legal entities with or without collateral, short-term loans secured by movable property, carried out on the basis of license No. 05.21.0006M dated February 26, 2021, issued by the Office of Regional Representatives in Taldykorgan of the Agency for Regulation and Development of Financial Markets of the Republic of Kazakhstan.

The legal address of the Company: Republic of Kazakhstan, Abay Region, Aksuat District, Aksuat Rural District, Aksuat Village, Y. Kabekov, building 16, 071500.



**MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP**  
**Notes to the financial statements for the year ended 31 December 2023**  
*(in thousands of Kazakhstani tenge)*

**1 General information (continued)**

The Company's participants are individuals with the following participation shares:

|   | <b>31.12.2023</b> | <b>31.12.2022</b> |
|---|-------------------|-------------------|
| Tastekeev Dūlat Tursynovich (Republic of Kazakhstan)  | 45.325%           | 44.575%           |
| Tastekeev Rahat Tursynovich (Republic of Kazakhstan)  | 45.325%           | 44.575%           |
| Kim Ruslan Vyacheslavovich (Republic of Kazakhstan)   | 4.85%             | 4.85%             |
| Tyunikov Aleksey Evgenievich (Russian Federation)     | 3.0%              | -                 |
| Beken Arkhat Gazizjanovich (Republic of Kazakhstan)   | 1.5%              | 1.5%              |
| Syrbu Irina Valerievna (Russian Federation)           | -                 | 2%                |
| Kadyrov Sukhrob Rakhmatulloevich (Russian Federation) | -                 | 1%                |
| Okimbayev Nurzhan Erkenovich (Republic of Kazakhstan) | -                 | 1.5%              |
|   | <b>100%</b>       | <b>100%</b>       |

The accompanying financial statements were approved for issue and signed on behalf of the Company's management on 20 March 2024.

**2 Basis of preparation of the financial statements**

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Standards Interpretations Committee ('IFRIC') IASB. These financial statements have been prepared on the historical cost basis, adjusted for the initial recognition of financial instruments at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise judgments and assumptions in the application of the Company's accounting policies. Areas of application that include increased levels of complexity or the use of assumptions, and areas in which the use of estimates and assumptions is material to the Company's financial statements are disclosed in Note 4. These estimates are based on information available at the date of the financial statements. Therefore, actual results could differ from these estimates.

**Fair value measurement**

The initial acquisition cost is usually determined based on the fair value of the consideration given in exchange for the assets.

Fair value is defined as the amount 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, whether that value is directly observable or otherwise determined. When measuring an asset or liability at fair value, the Company considers the characteristics of the asset or liability if they were considered by market participants.

For estimates and disclosures in financial statements, fair value is determined as described above, except for instruments subject to IAS 2, leases subject to IAS 17, and measurements that are comparable but not equal to fair value (for example, net realizable value when measuring inventories in accordance with IAS 2 or value in use when assessing impairment in accordance with IAS 36).

In addition, when preparing financial statements, the fair value measurement is classified into levels depending on the observability of the inputs and their materiality for the measurement:

- level 1 - quoted prices (unadjusted) for the same assets and liabilities in active markets that the entity can observe at the measurement date;
- level 2 - inputs that are not consistent with Level 1, but observable for the asset or liability, directly or indirectly; and
- level 3 - unobservable inputs for the asset or liability.

**2 Basic of preparation of the financial statements (continued)**

**Going concern principle**

The financial statements of the Company have been prepared in accordance with the going concern principle, which involves the realization of assets and the settlement of liabilities and contractual obligations in the ordinary course of business.

Accordingly, the Company continues to apply the going concern principle in preparing these financial statements.

**Conversion of foreign currency**

**(a) Functional currency**

These financial statements are presented in Kazakhstani tenge ("tenge"), which is the Company's functional currency and the presentation currency of these financial statements. All values presented in these financial statements are rounded to the nearest thousand, unless otherwise indicated.

**(b) Transactions and balances**

Transactions in foreign currencies are converted to the functional currency using the exchange rates at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary items of assets and liabilities denominated in foreign currencies at the exchange rates at the reporting date are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured based on historical cost in a foreign currency are converted at the exchange rates prevailing at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are converted at the exchange rates prevailing at the date when the fair value was determined.

**Exchange rates**

The weighted average exchange rates established on the Kazakhstan Stock Exchange ("KASE") are used as the official exchange rates in the Republic of Kazakhstan. The following exchange rates have been used in the preparation of these financial statements (values as at 31 December):

|     |                   |                   |
|-----|-------------------|-------------------|
|     | <u>31.12.2023</u> | <u>31.12.2022</u> |
| USD | 454.56            | 462.65            |
| RUB | 5.06              | 6.43              |

**3 Review of significant aspects of accounting policies**

**a) Changes in accounting policies and data presentation procedures**

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 31 December 2022, with the exception of the new standards adopted and effective as at 1 January 2023. The Company has not applied any other standards, clarifications or amendments that have been issued but are not yet effective.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.



3 **Review of significant aspects of accounting policies (continued)**

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exemption is applied immediately from the moment of making changes, while disclosure of information about its application is required. The remaining disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but do not apply to interim periods ending on or before December 31, 2023.

The Company's management has determined that the Company is not subject to the Pillar II Model Rules and exceptions to recognition in income tax disclosures and, accordingly, are not applicable to the Company.



**3 Review of significant aspects of accounting policies (continued)**

**b) Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Amendments to IFRS 16 – Lease Liabilities in Sale and Leasebacks**

The amendment to IFRS 16 sets out subsequent measurement requirements for assets and liabilities in sale and leaseback transactions, whereby the seller-lessee measures the lease liability arising from the leaseback in a manner that does not result in the recognition of any gain or losses that relate to the right of use retained by the seller-tenant.

After the date of the sale and leaseback transaction, the seller-lessee defines "lease payments" or "restated lease payments" such that the seller-lessee does not recognize gain or loss attributable to the seller-lessee's right of use. Application of these requirements does not prevent the seller-lessee from recognizing in profit or loss any gains or losses associated with the partial or complete termination of the lease. The amendment does not contain specific requirements for measuring lease liabilities arising from a leaseback.

The initial measurement of lease liabilities arising from a leaseback may result in the seller-lessee defining "lease payments" that differ from the general definition of lease payments in Appendix A to IFRS16. The seller-lessee needs to develop and apply accounting policies that result in information that is current and reliable in accordance with IAS 8.

The amendments to IFRS 16 are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 for sale and leaseback transactions that are entered into after the date of initial application of the standard, i.e. The amendment does not apply to sale and leaseback transactions prior to the date of application of the standard. The date of first application of the amendments is the beginning of the annual reporting period in which the entity first applied (IFRS)16.

These amendments are not expected to have a material impact on the Company's financial statements.

**Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates**

The amendments require companies to provide more useful information in financial statements in cases where a currency cannot be exchanged for another currency. The amendments will require companies to take a consistent approach to assessing whether one currency can be exchanged for another and, if exchange is not possible, to determining the exchange rate used and disclosing information. The amendments are effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

These amendments are not expected to have a material impact on the Company's financial statements.

**IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. To ensure that the information is relevant to and can be considered alongside the financial statements, a company discloses it as part of its general-purpose financial statements. This information, like the information contained in financial statements, focuses on the potential impact on investment decisions, so it is the targeted information that is truly important to investors. IFRS S1 also requires industry-specific disclosures so that companies can focus on reporting that better describes their business and investors get the industry-specific information they have consistently told us is important. The standard is effective for annual periods beginning on January 1, 2024.



**3 Review of significant aspects of accounting policies (continued)**

The Company is currently reviewing the impact of the standard on disclosures to ensure compliance with the requirements of the standard.

**IFRS S2 Climate-related Disclosures**

The standard sets out specific disclosure requirements for physical risks—for example, those associated with increasing severity of extreme weather conditions; transition risks, such as those associated with political actions and changes in technology that may affect the company's business practices; and opportunities - for example, about the company's products that are expected to perform well as a result of climate change, and is intended for use with IFRS S1. The standard is effective for annual periods beginning on January 1, 2024. The Company is currently reviewing the impact of the standard on disclosures to ensure compliance with the requirements of the standard.

A phased implementation of IFRS standards S1 and S2 is envisaged: in the first year, companies will be able to limit themselves to disclosing information on climate risks (standard S2), and starting from the second year they will have to begin publishing data on the entire range of new requirements (S1).

**c) Property, plant and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing parts of equipment and borrowing costs for long-term construction projects if the capitalization criteria are met. When significant components of property, plant and equipment need to be replaced at regular intervals, the Company recognizes such components as separate assets with corresponding individual useful lives and depreciates them accordingly. Similarly, during a major technical inspection, the costs associated with it are recognized in the carrying amount of property, plant, and equipment as a replacement of equipment if all the recognition criteria are met.

All other repair and maintenance costs are recognized in profit or loss when incurred. The present value of the estimated cost to retire an asset after use is included in the cost of the related asset if the criteria for recognizing an allowance for future costs are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset:

|           | <u>Useful life (number of years)</u> |
|-----------|--------------------------------------|
| Transport | 10                                   |
| Computers | 2-7                                  |
| Other     | <u>1-10</u>                          |

Derecognition of property, plant and equipment or their significant components occurs on disposal or when no future economic benefits are expected from the use or disposal of the asset. Any gain or loss arising from the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income for the period in which the asset is derecognized.

Useful lives and asset depreciation methods are reviewed at the end of each annual reporting period and adjusted, as necessary. In particular, the Company considers the impact of health, safety and environmental legislation when estimating expected useful lives and estimated salvage values. In addition, the Company considers the impact of climate change related issues, including physical and transition risks. In particular, the Company determines whether laws and regulations related to climate change may affect the useful life or salvage value, for example, by prohibiting or restricting the use of the Company's hydrocarbon-fueled vehicles.

**d) Intangible assets**

The Company's intangible assets, other than trademarks, have definite useful lives and primarily include capitalized software and licenses, which are recorded at cost upon recognition. Acquired computer software licenses and other intangible assets are capitalized based on the costs incurred to acquire the intangible asset. All other costs associated with computer software, e.g., its maintenance, are recognized as incurred. Licenses have a finite useful life and are amortized on a straight-line basis over their useful life, which is 3-5 years. A trademark has an indefinite useful life.



3 Review of significant aspects of accounting policies (continued)

e) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that the carrying amounts of tangible and intangible assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset to determine impairment amount. If it is not possible to estimate the recoverable amount for an individual asset, the company determines the recoverable amount of the cash generating group of assets to which the asset belongs. The value of the Company's assets is allocated to individual cash-generating units or the smallest groups of cash-generating units for which a reasonable and consistent allocation can be found.

The recoverable amount is determined as the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in this asset, for which estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (cash-generating unit) is lower than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the new estimate of recoverable amount so that the new carrying amount does not exceed the carrying amount that would have been determined if to this asset (cash-generating unit) there were no recognized impairment loss in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Leases

At the time of entering into the agreement, the Company assesses whether the agreement is a lease or whether it contains lease attributes, i.e., the Company determines whether the agreement transfers the right to control the use of the identified asset for a certain period in exchange for a refund.

*Company as a lessor*

Leases where the Company does not transfer substantially all the risks and rewards associated with owning the asset are classified as operating leases. Arising rental income is accounted for on a straight-line basis over the lease term and is included in revenue in a separate statement of profit or loss and other comprehensive income due to its operational nature. Initial direct costs incurred when entering into an operating lease are included in the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period in which it was received.

*Company as a lessee*

*Short-term rental and lease of assets with low cost*

The company applies the short-term lease exemption to its short-term office lease agreements (i.e. contracts that have a lease term of no more than 12 months at the start of the lease and do not contain an option to purchase the underlying asset) because it is considering changing the location of offices. Lease payments for short-term leases are recognized as expenses on a straight-line basis over the lease term.

The Company recognizes the right-of-use assets at the lease commencement date (i.e., the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less accumulated depreciation, and accumulated impairment losses, adjusted for revaluation of lease liabilities. The initial cost of the right-of-use assets includes the amount of the recognized lease liabilities, the initial direct costs incurred, and the lease payments made on or before the lease commencement date, less the lease incentive payments received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the assets.



3 **Review of significant aspects of accounting policies (continued)**

At the commencement date of the lease, the Company recognizes lease liabilities that are measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including substantially fixed payments) less any incentive payments on leases receivable, variable lease payments that depend on an index or rate and amounts that are expected to be paid under liquidation value guarantees. Lease payments also include the exercise price of the purchase option if there is sufficient assurance that the Company will exercise the option, and the payment of lease termination penalties if the lease term reflects the Company's potential exercise of the lease termination option. Variable lease payments that are independent of the index or the rate are recognized as an expense (except when incurred to produce inventory) in the period in which an event or condition occurs that results in such payments.

To calculate the present value of lease payments, the Company uses the market borrowing rate at the start date of the lease, since the interest rate set out in the lease agreement cannot be easily determined. After the lease commencement date, the amount of the lease liability increases to reflect the accrual of interest and decreases to reflect the lease payments made. In addition, the Company revalues the carrying amount of lease liabilities in the event of a modification, a change in the lease term, a change in lease payments (for example, a change in future payments due to a change in the index or rate used to determine such payments), or a change in the valuation of the option to purchase the underlying asset.

g) **Financial instruments-initial recognition and subsequent measurement**

*Date of recognition*

Financial assets and financial liabilities, other than loans issued, are initially recognized on the trade date, which is the date on which the Company becomes a party to the contract that defines the terms of the related instrument.

This includes transactions on standard terms: the purchase or sale of financial assets, the terms of which require delivery of the assets within a period which usually established by regulation or traditionally applied in the market. Loans issued are recognized when funds are transferred to the accounts of the beneficiaries.

*Initial recognition of financial instruments*

The classification of financial instruments at initial recognition depends on the contractual terms and the business model used to manage the instruments. Financial instruments are initially measured at fair value, including, or excluding transaction costs, unless financial assets and financial liabilities are measured at FVTPL. Financial instruments on initial recognition are measured at the transaction price. If the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the first day gain or loss as described below.

*"First day" profit or loss*

If the transaction price differs from the fair value of the financial instrument at initial recognition and the fair value is based on a valuation model that uses only observable market data, the Company recognizes the difference between the transaction price and fair value in profit or loss. In cases, where fair value is based on a valuation model in which some inputs are unobservable, the difference between the transaction price and the fair value is recognized to defer the difference. Subsequently, the Company recognizes this deferred difference as profit or loss only to the extent that it arises from a change in a factor that market participants would consider when pricing the asset or liability.

**Categories of measurement of financial assets and financial liabilities**

The Company classifies all its financial assets based on the business model used to manage the assets and the contractual terms of the assets as measured by:

- amortized cost;
- fair value through profit or loss.



**3 Review of significant aspects of accounting policies (continued)**

Financial liabilities are measured at amortized cost

*Business model valuation*

The company defines the business model at the level, which reflects how the grouped financial assets are managed to achieve a specific business goal.

The Company's business model is assessed not at the level of individual instruments, but at a higher level of portfolio aggregation and is based on observable factors such as:

- how the performance of the business model and the return on financial assets held within that business model are assessed and how this information is communicated to the organisation's key management personnel;
- risks that affect the performance of the business model (and the return on financial assets held within that business model) and the way these risks are managed; and
- the expected frequency, volume and timing of sales are also important aspects when assessing the Company's business model.

The business model assessment is based on scenarios that are reasonably expected to occur, excluding the "worst case" or "stress" scenarios. If the cash flows after initial recognition are realized in a way that differs from the Company's expectations, the Company does not change the classification of the remaining financial assets held under this business model, but further takes such information into account when evaluating newly created or recently acquired financial assets.

*Funds in banks and loans issued*

The Company evaluates funds in banks and loans issued at amortized cost only if both of the following conditions are met:

- a financial asset is held under a business model that aims to hold financial assets in order to generate contractual cash flows.;
- the contractual terms of the financial asset provide for the receipt of cash flows on the specified dates, which are solely payments against the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

*Test of the characteristics provided in the cash flow contract (SPPI test)*

As part of the second stage of the classification process, the Company evaluates the contractual terms of the financial asset to determine whether the contractual cash flows for the asset are solely payments for the principal amount and interest on the outstanding portion of the principal amount (the "SPPI test").

For the purposes of this test, the "principal amount" is the fair value of a financial asset at initial recognition, and it may change over the life of the financial asset (for example, if there are principal repayments or premium/discount amortization).

The most significant elements of interest in a loan agreement are usually a refund for the time value of money and a refund for credit risk. To perform the SPPI test, the Company applies judgment and analyzes relevant factors, such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

At the same time, contractual terms that have more than negligible impact on the risk exposure or volatility of contractual cash flows that are not related to the underlying loan agreement do not cause the contractual cash flows to arise, which are solely payments for the principal amount of the debt and interest on the outstanding part of the principal amount of the debt. In such cases, the financial asset must be measured at fair value through profit or loss (hereinafter - "FVTPL").



**3 Review of significant aspects of accounting policies (continued)**

***Derecognition of financial assets and financial liabilities***

*Derecognition due to a material modification of the terms of the instrument*

The Company derecognizes a financial asset, such as loans issued, if the terms of the contract are renegotiated so that it effectively becomes a new loan, and the difference is recognized as a gain or loss on derecognition before the impairment loss is recognized.

At initial recognition, loans are assigned to Stage 1 for the purpose of estimating expected credit losses ("ECL"), except when the loan is considered to have been acquired or created as a credit-impaired financial asset

In assessing whether financial assets should be derecognized due to a material modification, the Company considers, among other things, the following factors:

- change in the loan currency;
- adding a share component;
- change of counterparty;
- whether the modification results in the tool no longer meeting the SPPI test criteria.

The Company derecognizes a financial liability when an existing financial liability is replaced by another with the same lender but with substantially different terms, or if the terms of an existing liability are substantially modified. For financial liabilities, the terms are considered to differ materially if the present value of the cash flows under the new terms, including commission payments less commission received, discounted at the original effective interest rate, differs by at least 10% from the discounted present value of the remaining cash flows under the original financial liability.

If the modification does not result in a significant change in cash flows, the modification does not result in derecognition. Based on changes in cash flows discounted at the original effective interest rate, the Company recognizes a gain or loss on the modification (for financial assets before the impairment loss is recognized).

*Derecognition not related to material modification*

*Financial assets*

The Company derecognizes a financial asset (or, where appropriate, part of a financial asset or part of a group of similar financial assets) when the contractual rights to receive cash flows from that financial asset have expired. The company also derecognizes a financial asset if it has transferred the financial asset and the transfer meets the requirements for derecognition.

The company has transferred a financial asset if and only if it:

- transferred the contractual rights to receive cash flows from this financial asset; or
- retained the contractual rights to receive cash flows from the financial asset but assumed the obligation to pay these cash flows without significant delay to a third party under the "transit" agreement.

The transfer of financial assets meets the requirements for derecognition if:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has not transferred or retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Company believes that it has transferred control of the asset if and only if the receiving party has the practical ability to sell the entire asset transferred to it to an independent third party and can use this opportunity unilaterally without the need to impose additional restrictions on such a transfer.

If the Company has not transferred or retained substantially all the risks and rewards of the asset, but has retained control of the transferred asset, the Company continues to recognize the financial asset to the extent of its continuing involvement. In this case, the Company also recognizes the liability associated with the asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**3 Review of significant aspects of accounting policies (continued)**

Continuing involvement, which takes the form of a guarantee for the transferred asset, is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Company may be required to pay.

*Financial liabilities*

The Company derecognizes a financial liability when the contractual obligation is fulfilled, cancelled, or terminated at the end of the term. When an existing financial liability is replaced by another with the same lender but with substantially different terms, or if the terms of an existing liability are substantially modified, such replacement or modification is accounted for as derecognition of the original liability and recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognized in profit or loss.

**h) Impairment of financial assets**

*Overview of the principles for estimating expected credit losses*

The Company recognizes a provision for expected credit losses ("ECL") for all loans issued and other debt financial instruments that are not measured under the FVPL, as well as loan commitments and financial guarantee agreements, which are collectively referred to as "financial instruments" in this section.

The provision for ECL is measured at the amount of credit losses that are expected to occur over the life of the asset (expected credit losses over the entire term) if the credit risk of the financial asset has increased significantly since initial recognition, otherwise the provision for losses will be measured at the amount equal to the 12-month expected credit losses.

12-month ECL is the portion of the full-term ECL that represents the ECL that results from defaults on a financial instrument that are possible within 12 months after the reporting date.

*Significant increase in credit risk*

The Company believes that the credit risk on a financial instrument has increased significantly if the payments stipulated in the contract are overdue for more than 30 days. The Company also applies an additional qualitative method to indicate that there has been a significant increase in the credit risk of the asset, for example, the restructuring of the asset.

*Grouping of financial assets that are evaluated on a group basis*

In the case of a group-based assessment of ECL for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Depending on the factors listed below, the Company evaluates the ECL either on an individual or group basis.

The types of assets for which the Company evaluates the ECL on an individual basis include the following:

- all Stage 3 assets, regardless of the type of financial assets;
- large and unique instruments in the loan portfolio (more than 5% of the total loan portfolio).

The types of assets for which the Company evaluates the ECL on a group basis include the following:

- small and standard assets within the loan portfolio of individuals and legal entities

The Company combines these financial assets into homogeneous groups depending on their internal and external characteristics, as indicated below:

- product type;
- geographical location of the borrower;
- use of credit facilities;
- the cost of a financial instrument.



**3 Review of significant aspects of accounting policies (continued)**

Based on the process described above, the Company groups its financial assets as follows:

- **Stage 1** Upon initial recognition of the loan, the Company recognizes an allowance for impairment in the amount of 12-month ECL. Stage 1 also includes loans issued for which the credit risk has decreased to such an extent that they have been transferred from Stage 2.
- **Stage 2** If the credit risk of the loans has increased significantly since the initial recognition, the Company recognizes an allowance for impairment in the amount equal to the full-term ECL. Stage 2 also includes loans issued for which the credit risk has decreased to such an extent that they have been transferred from Stage 3.
- **Stage 3** Loans that are credit-impaired. The Company recognizes an allowance for impairment in the amount equal to the full-term ECL.
- **POCI** Purchased or originated credit-impaired (POCI) financial assets – are the assets for which there was a credit impairment at the time of initial recognition. On initial recognition of PSCOs, financial assets are carried at fair value and subsequently interest income on them is recognized on a credit risk adjusted EIR basis. ECL provision is recognized or derecognized only to the extent that there has been a change in the amount of expected credit losses.

If the Company does not have reasonable expectations regarding the recovery of the financial asset in full or in part, then the gross carrying amount of this financial asset must be reduced. Such a decrease is treated as a (partial) derecognition of the financial asset.



3 Review of significant aspects of accounting policies (continued)

*Calculating expected credit losses*

The Company calculates the ECL based on two scenarios (the "baseline" and "adverse" scenarios), weighted with probability, to estimate the expected cash shortfalls, which are discounted using the EPS or its approximate value. A cash shortfall is the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive.

The purpose of using multiple scenarios is to model the nonlinear effects of macroeconomic assumptions on ECL. The "baseline" scenario has a 75% probability, and the "unfavorable" scenario has a 25% probability. Each of them has its own PD, EAD and LGD indicators. Where relevant, the multiple-scenario assessment also considers the way in which defaulted loans are expected to recover, including the likelihood of an improvement in credit quality, the value of collateral and the amount that could be obtained because of the sale of the asset

The maximum period for which expected credit losses are calculated is the contractual life of the financial instrument unless the Company has a legal right to withdraw the instrument earlier.

Impairment losses and their recoveries are accounted for and reported separately from modification gains or losses, which are reflected as an adjustment to the gross carrying amount of financial assets.

The mechanics of calculating the ECL are described below, and the main elements are the following:

- Probability of default (PD) of The probability of default (PD) is a calculated estimate of the probability of default over a given time. Default can only occur at a certain point in time during the period under review if the asset has not been derecognized and it is still part of the portfolio.
- Exposure at Default (EAD) at Exposure at Default (EAD) is an estimate of the amount that is exposed to default at some future date, considering expected changes of this amount after the reporting date, including payments of principal and interest, stipulated by the contract or otherwise, repayments of loans issued, and interest accrued because of late payments.
- Loss given default (LGD) given Loss given default (LGD) is the estimate of the loss incurred in the event of a default at a particular point in time. LGD is calculated as the difference between contractual cash flows and the cash flows that the lender expects to receive, including from the sale of collateral. This indicator is usually expressed as a percentage in relation to EAD.

**3 Review of significant aspects of accounting policies (continued)**

The principles for evaluating ECL are described below.:

- **Stage 1** 12-month ECL is calculated as part of lifetime ECL, which is ECL arising from defaults on a financial instrument within 12 months after the reporting date. The Company calculates 12-month ECLs based on expectations that a default will occur within 12 months after the reporting date. This 12-month probability of default is applied to the EAD and multiplied by the expected LGD and then discounted using the approximate original EIR. Such calculations are made for each of the two scenarios indicated above.
- **Stage 2** If the credit risk of a loan has increased significantly since initial recognition, the Company recognizes an allowance for impairment in an amount equal to the ECL for the entire period. The calculation principles are the same as above, including the ability to use multiple scenarios, except that PD and LGD are calculated over the life of the instrument. The expected cash shortfalls are discounted using the approximate value of the original EIR.
- **Stage 3** For loans that are credit-impaired, the Company recognizes an allowance for impairment in an amount equal to lifetime ECL. The calculation method is the same as for Stage 2 assets, with PD set at 100%.
- **POCI** Purchased of originated credit-impaired financial assets are assets for which there was a credit impairment at the time of initial recognition. In the case of such assets, the Company recognizes as a provision for losses only accumulated from the date of initial recognition changes in ECL for the whole period, based on two probability weighted scenarios, and discounted using an EIR adjusted for credit risk.
- **Commitments to provide loans** In measuring lifetime ECL for the unused portion of the loan commitment, the Company considers the portion of the commitment that is expected to be used over the expected life. ECLs are subsequently calculated at the present value of the expected cash shortfalls if the loan commitment is met based on two probability-weighted scenarios. The expected cash shortfall is discounted using the approximate expected EPR of the loan.

***Forecast information***

In its models for determining ECL, the company uses a wide range of forward-looking information as an initial economic data, for example:

- GDP growth;
- inflation;
- oil price.

The underlying data and models used in the calculation of the ECL do not always reflect all the characteristics of the market at the date of presentation of the financial statements. To reflect this, sometimes qualitative adjustments or overlays are made as temporary adjustments if such differences are significant.



**3 Review of significant aspects of accounting policies (continued)**

***Valuation of collateral***

To mitigate credit risks for financial assets, the Company strives to use collateral wherever possible. Collateral takes various forms, such as land, real estate, inventory turnover, vehicles, and containers. Collateral, unless foreclosed, is not reflected in the Company's statement of financial position. However, the fair value of collateral is considered in determining ECL. Usually, it is assessed at least at the conclusion of the contract and is revalued on a quarterly basis. For more details on the impact of various credit enhancements on the Company, refer to Note 14.

The Company uses available information sources using a comparative approach to measure assets held as collateral, to the possible extent.

**i) *Restructured and modified loans***

The company may make concessions or renegotiate the original terms of the loan agreements in response to the financial difficulties of the borrower, rather than withdrawing or otherwise collecting collateral. The Company considers a loan to be restructured if such concessions or modifications are made as a result of the borrower's existing or anticipated financial difficulties and to which the Company would not have agreed in the event of the borrower's financial solvency. The restructuring of the loan may involve the extension of the contractual terms of payments and the approval of new loan terms. After renegotiation of the terms of contracts, impairment losses are measured using the original EIR, that is, the EIR calculated before the modification of the terms of the contract. The Company's policy involves constant monitoring of restructured loans to analyze the likelihood of making payments in the future. Derecognition and reclassification decisions between Stage 2 and Stage 3 are made on a case-by-case basis. If, because of these procedures, a loan loss event is identified, it will be disclosed and managed as an impaired restructured Phase 3 asset until it is repaid or written off.

In cases where the terms of a loan are renegotiated or modified but no derecognition occurs, the Company must also reassess whether there has been a significant increase in credit risk since initial recognition. The Company is also considering whether the assets should be classified in Stage 3. The Company does not reclassify from the category of restructured loans due to the short life of such instruments.

**j) *Cash and cash equivalents***

Cash recognized in the statement of financial position includes cash in current bank accounts and cash on hand.

**k) *Restricted cash***

Restricted cash balances are reported separately from cash in non-current assets. Restricted cash balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows.

**l) *Labour costs and related deductions***

Wages and salaries, pension contributions, social insurance contributions, paid annual vacation and sick leave, bonuses and non-monetary benefits are accrued as the related work is performed by the employees of the Company. In accordance with the requirements of the legislation of the Republic of Kazakhstan, the Company deducts the amounts of pension contributions from the salaries of employees and transfers them to pension funds. When employees retire, the Company's financial obligations cease, and all payments are made by a single state accumulative pension fund.

**m) *Advances and prepayments***

Advances or prepayments are carried at cost less any provision for impairment. Advances are classified as non-current if the expected period of receipt of the goods or services related to them exceeds one year, or if the advances relate to assets that will be recognized as non-current at initial recognition. The amount of advances for the acquisition of assets is included in their carrying amount when the Company gains control of these assets and it is probable that future economic benefits associated with them will be received by the Company.



3 **Review of significant aspects of accounting policies (continued)**

Other advances are debited upon receipt of the goods or services related to them. If there is an indication that the assets, goods, or services related to the advances will not be received, the carrying amount of the advances is reduced, and the corresponding impairment loss is recognized through profit or loss for the year.

n) **Interest income and expense**

The Company calculates interest income on debt financial assets measured at amortized cost by applying the effective interest rate to the gross carrying amount of financial assets, other than credit-impaired assets. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of a financial instrument to its net carrying amount over the expected life of the financial asset or liability, or (if applicable) a shorter period. Future cash flows are estimated considering all contractual terms of the instrument. The calculation considers all fees and other amounts paid or received by the parties that are an integral part of the EPS and are directly related to one or another loan agreement, as well as transaction costs and all other premiums or discounts.

Interest income / interest expense is calculated by applying the EIR to the gross carrying amount of financial assets that are not credit-impaired (i.e., the amortized cost of the financial asset before adjusting for the estimated allowance for expected credit losses) or to the amortized cost of financial liabilities. Interest income on credit-impaired financial assets is calculated by applying the effective interest rate to the amortized cost of such assets (i.e., their gross carrying amount less estimated allowance for expected credit losses (ECL)).

The carrying amount of the financial asset or liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and the change in the carrying amount is recognized as interest income or expense.

In the case of a financial asset that becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the default on a financial asset is liquidated and it is no longer credit-impaired, the Company calculates interest income on a gross value basis.

o) **Income tax**

Income tax expense represents the amount of current income tax payable and deferred income tax.

*Current income tax*

Current income tax payable is calculated based on taxable profit for the year. Taxable profit differs from net income recognized in the statement of profit or loss and other comprehensive income, as it does not include amounts of income and expenses that are taxable or deductible in other reporting periods and does not include amounts that will never be recognized neither taxable nor deductible. The Company's liability for current income tax is calculated at the tax rate effective at the date of the statement of financial position.

*Deferred income tax*

Deferred tax is recognized on the difference between the present value of assets and liabilities in the financial statements and the corresponding amounts recognized for the purpose of determining taxable income, calculated using the liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be sufficient to recover the temporary deductible differences.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than business combinations) of assets and liabilities from transactions that do not affect taxable profit or accounting profit.

The carrying amount of deferred tax assets is measured at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit exists to recover all or part of the asset. Deferred income tax assets or liabilities are carried at the tax rates that are expected to apply during the period of the asset disposal or settlement of the liability.

Deferred income tax assets and liabilities are offset when:



**3 Review of significant aspects of accounting policies (continued)**

- The company has legal right to offset current tax assets against current tax liabilities;
- Liabilities relate to income tax levied by the same tax authority;
- The Company plans to recover its tax assets and settle its tax liabilities on a net basis.

Current and deferred income taxes are recognized in profit or loss, except when they relate to items of other comprehensive loss or directly to equity accounts. In this case, the tax is also recognized in other comprehensive income or equity.

**p) Authorised capital**

Assets contributed to the authorised capital are recognized at their fair value at the time of the contribution. Any excess of the fair value of the contributed assets over the nominal value of the contribution to the authorised capital, as it is legally registered, is directly included in the capital in the form of issue income

*Dividends*

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorized for issue.

**4 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments and make estimates and assumptions that affect the reported amounts of income, expenses, assets, and liabilities, as well as the disclosure of these items and contingent liabilities. Uncertainty about these assumptions and estimates could lead to results that may require significant future adjustments to the carrying amount of the assets or liabilities for which such assumptions and estimates are made.

**(a) Estimated allowance for expected credit losses on financial assets**

Estimating losses for all categories of financial assets requires judgment in determining expected credit impairment losses and assessing a significant increase in credit risk, it is necessary to estimate the amount and timing of future cash flows, as well as the value of collateral. Such estimates depend on several factors, changes in which could result in different amounts of the allowance for impairment losses. Estimates of expected credit losses involve several underlying assumptions about the choice of input variables and their interdependencies.

*Impairment losses on financial assets*

Estimating impairment losses for all categories of financial assets requires judgment; in particular, in determining impairment losses and assessing a significant increase in credit risk, it is necessary to assess the amount and timing of future cash flows and the value of collateral. Such estimates depend on several factors, changes in which could result in different amounts of the allowance for impairment losses.

The Company's ECL calculations are the result of complex models that include several basic assumptions about the choice of input variables and their interdependencies. Elements of ECL calculation models that are considered judgments and estimates include:

- the criteria used by the Company to assess whether there has been a significant increase in credit risk, as a result of which the allowance for impairment losses on financial assets should be measured at an amount equal to the ECL for the entire period and a qualitative assessment;
- grouping financial assets when ECLs are measured on a group basis;
- development of models for calculating ECL, including various formulas and choice of input data;
- determining the relationship between macroeconomic scenarios and economic data, as well as the impact on indicators PD, EAD and LGD;
- selecting forecast macroeconomic scenarios and weighting them against probability to provide economic inputs for ECL valuation models.

The Company's policy implies regular review of models considering actual losses and their adjustment if necessary. The amount of the provision for expected credit losses on loans issued and interest receivable recognized in the statement of financial position as of 31 December 2023 was KZT 1,724,996 thousand (2022: KZT 1,686,223 thousand).



**4 Significant accounting judgements, estimates and assumptions (continued)**

**(b) Intangible assets with an indefinite useful life**

The Company considers the "TASCREDIT" trademark and «TASCREDIT ONLINE» to be an intangible asset with an indefinite life. The reasons for such judgment are as follows:

- there are no legal conditions or requirements limiting the duration of the Company's right to use the trademark in its operations;
- the trademark is an integral part of the business and provides recognition of the Company in the vast market of Kazakhstan;
- there are no conditions resulting in the Company being able, after a certain period of time, to abandon the use of the trademark or sell it to a third party, or in any other way indicating the obsolescence of the trademark and the possibility of termination of the benefits associated with its use.

**(c) Impairment of intangible assets**

An intangible asset with an indefinite useful life (trademark) represents one segment. The segment represents the Company's primary cash-generating unit ("CGU"). The trademark, in accordance with the Company's accounting policy, is tested for impairment annually and the recoverable amount is determined based on a value in use calculation for that CGU. In the current year, the value in use calculation used cash flow projections based on the 5-year financial budget. Cash flows beyond the 5-year period have been extrapolated using a projected growth rate consistent with the forecasted overall inflation rate in the Republic of Kazakhstan.

The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates.

The following are the assumptions on which the value in use was determined and to which the recoverable value is most sensitive:

|  | <u>31.12.2023</u> | <u>31.12.2022</u> |
|--|-------------------|-------------------|
| Discount rate before tax   | 18.15%            | 17.25%            |
| Growth rate of lending in accordance with the budget for the 5-year period | <u>5%</u>         | <u>5%</u>         |

Management determined budgeted earnings based on past performance and its expectations for market development, including plans to increase lending volumes.

Based on the results of the test, no impairment of the trademark was identified in the CGU as of December 31, 2023 and December 31, 2022.

**(d) Income from lending and financing activities**

Interest income is recognized in profit or loss using the effective interest method. When calculating the effective interest rate on financial instruments that are not acquired or originated credit-impaired assets, the Company estimates future cash flows taking into account all the contractual terms of the financial instrument, but excluding expected credit losses. For acquired or originated credit-impaired assets, the effective interest rate adjusted for credit risk is calculated using the value of expected future cash flows, including expected credit losses.

For financial assets that become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, interest income is calculated again on the basis of the gross carrying amount.

Penalty income is recognized in profit or loss when earned.

4 **Significant accounting judgements, estimates and assumptions (continued)**

The Company provides insurance agent services, offering insurance policies with JSC Life Insurance Company Freedom Finance Life at its points of sale of retail loans, and receives an agent commission in proportion to the insurance premiums issued. Since purchasing an insurance policy is voluntary and is not a condition of obtaining a loan, it does not affect the interest rate on the loan. Consequently, agency commission income is not considered part of the effective interest rate. The service is considered fully provided after the insurance policy (insurance contract) is issued, therefore the Company recognizes the commission at the same time when the performance obligation is fulfilled, i.e. the insurance policy (insurance contract) is concluded.

(e) **Factors associated with climate change**

The Company considers factors related to climate change in its estimates and assumptions where necessary. At the same time, many possible impacts on the Company related to both physical risks and transition risks are considered.

Although the Company believes that its business model and services will remain competitive following the transition to a low-carbon economy, factors related to climate change increase uncertainty regarding the estimates and assumptions underlying certain financial statements. Although climate-related risks may not have a significant impact on the assessment at this time, the Company is closely monitoring relevant changes and developments, such as new climate change legislation. Below are some of the areas that are most directly impacted by climate change related factors:

- Useful life of fixed assets. When analyzing the residual value and expected useful life of assets, the Company considers factors related to climate change, such as applicable laws and regulations that may limit the use of assets or require significant capital expenditures. See Note 2 p. for further details.
- Emissions rights – The Company pays a legally mandated pollution fee annually.

(f) **Segment reporting**

The Company's management has designated microfinance as its only reportable segment and the information provided to management's operating decision makers is based on financial statements prepared in accordance with IFRS.

All of the Company's revenues are derived from external customers in the Republic of Kazakhstan, and none of them exceed 10% or more percent of total revenues.

(g) **Taxation**

When assessing tax risks, management considers as possible liabilities certain tax positions that the Company would not be able to challenge or believes it would be able to successfully challenge if assessed by the tax authorities. Such determinations involve significant judgment and are subject to change as a result of changes in tax laws and regulations, determinations of expected tax revenue results and the results of tax audits by tax authorities. More detailed information on tax risks is disclosed in Note 10.



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**5 Merger**

*MFO "TAS MICROFINANCE" LLP*

On August 12, 2022, the Company's participants decided to join TAS MICROFINANCE MFI LLP. On August 12, 2022, the accession agreement was signed. The book value of the identifiable assets and liabilities of TAS MICROFINANCE MFI LLP at the date of acquisition is provided as follows:

|                                      | On the date of<br>signing the act of the<br>transfer |
|--------------------------------------|--|
| <b>Assets</b>                        |  |
| Property, plant and equipment        |  |
| Loans to customers                   | 4,342  |
| Deferred tax assets                  | 1,729,114  |
| Prepayments and other current assets | 2,107  |
| Inventory                            | 3,548  |
| <b>Total assets</b>                  | <b>218</b>   |
| <b>Liabilities</b>                   | <b>1,739,329</b>                                     |
| Financial liabilities                |  |
| Other liabilities                    | 1,168,922  |
| <b>Total liabilities</b>             | <b>10,968</b>  |
| <b>Equity</b>                        | <b>1,179,890</b>                                     |
| Authorised capital                   |  |
| Retained earnings                    | 100,000  |
| <b>Total equity</b>                  | <b>459,439</b>                                       |
|                                      | <b>559,439</b>                                       |

**6 Net interest income**

|  | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>Interest income on financial assets carried at amortized cost</b> |                    |                    |
| Interest income on loans issued                                      | 18,222,716         | 12,230,266         |
| Interest income on deposit   | 35,180             | 16,670             |
|  | <b>18,257,896</b>  | <b>12,246,936</b>  |
| <b>Interest expense</b>  |                    |                    |
| Interest expense on bank loans                                       | (1,700,351)        | (1,202,848)        |
| Interest expense on loans DAMU                                       | (198,209)          | (71,373)           |
| Interest expense on bonds  | (1,708,074)        | (1,031,049)        |
| Interest expense on other loans                                      | (90,254)           | -                  |
| Expenses for amortization of discount on placed bonds                | (269,399)          | (8,244)            |
| Interest expense on lease obligations                                | (56,656)           | (37,970)           |
| Fines and penalties for late payments on other loans received        | (850)              | (236)              |
|  | <b>(4,023,793)</b> | <b>(2,351,720)</b> |
|  | <b>14,234,103</b>  | <b>9,895,216</b>   |

The Company reflects interest income on loans issued on an accrual basis in accordance with the terms of loan agreements issued against the security of movable property (vehicles) and real estate to individuals and legal entities. Pledge agreements can be concluded both with the right to use the pledged item by the pledger, and without the right to use the pledged item by the pledger.

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**6 Net interest income (continued)**

The Company provides loans to individuals and legal entities, individual entrepreneurs on the security of movable and immovable property in the amounts not exceeding 20,000 minimum calculation indexes (2022: not exceeding 20,000 minimum calculation indexes), loan terms in 2023 ranged from 30 days to 84 months (2022: from 30 days to 84 months). Loan rates depend on the amount and term of the loan, as well as the type of collateral, in 2022 the rates were applied from 2% to 3.74% per month (2022: from 2% to 3.74%).

**7 General and administrative expenses**

|  | <u>2023</u>             | <u>2022</u>             |
|--|-------------------------|-------------------------|
| Remuneration of personnel and related deductions   | 3,392,361               | 2,361,721               |
| Supplier services                                  | 1,146,397               | 1,166,422               |
| Charitable assistance to related parties (Note 23) | 380,867                 | 278,819                 |
| Related party services (Note 23)                   | 138,556                 | 226,705                 |
| Depreciation of a right-of-use asset (Note 13)     | 147,763                 | 142,002                 |
| Inventories  | 72,462                  | 62,519                  |
| Depreciation and amortization (Notes 11, 12)       | 41,134                  | 40,840                  |
| Taxes  | 11,769                  | 17,470                  |
| Other  | 48,497                  | 35,790                  |
|  | <u><b>5,379,806</b></u> | <u><b>4,332,288</b></u> |

**8 Other income, net**

|   | <u>2023</u>             | <u>2022</u>             |
|---|-------------------------|-------------------------|
| Income from penalties for late loan repayment         | 659,271                 | 770,453                 |
| Income under the contract of assignment (Note 18)     | 905,129                 | 924,753                 |
| Income from sale of property, plant and equipment     | -                       | 77,912                  |
| Expenses on disposal of property, plant and equipment | (536)                   | (45,964)                |
| Other income (expenses), net                          | 46,500                  | 38,661                  |
|   | <u><b>1,610,364</b></u> | <u><b>1,765,815</b></u> |

**9 Impairment losses and write-offs**

|   | <u>2023</u>            | <u>2022</u>             |
|---|------------------------|-------------------------|
| Provision for expected credit losses on loans to customers (Note 15)                                | (76,726)               | (756,190)               |
| Recovery of provision (Provision) for impairment on prepayments and other current assets (Note 17)  | -                      | 4,474                   |
| Recovery of provision (Provision) for expected credit losses on cash and cash equivalents (Note 14) | (1,358)                | 257                     |
| Provision for expected credit losses on restricted cash (Note 16)                                   | (133)                  | (3)                     |
| Write-off of accounts receivable and other bad debts  | (1,165)                | -                       |
| Loss from modifications of lease agreements (Note 20)   | (4,001)                | -                       |
|   | <u><b>(83,383)</b></u> | <u><b>(751,462)</b></u> |



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**10 Income tax expense**

**(a) Income tax expense**

|                                    | <u>2023</u>             | <u>2022</u>             |
|------------------------------------|-------------------------|-------------------------|
| Current income tax                 | 2,080,350               | 1,331,605               |
| Income tax for the previous period | 20,500                  | -                       |
| Deferred tax                       | 15,350                  | (1,826)                 |
|                                    | <u><b>2,116,200</b></u> | <u><b>1,329,779</b></u> |

A reconciliation between the corporate income tax expense reported in the Company's financial statements and accounting profit before tax multiplied by the income tax rate is presented below:

|  | <u>2023</u>             | <u>2022</u>             |
|--|-------------------------|-------------------------|
| Income before tax  | 10,353,585              | 6,576,695               |
| Estimated amount of tax at the established rate (20%)          | 2,070,717               | 1,315,339               |
| Income tax for the previous period                             | 20,500                  | -                       |
| Adjustments for income and expenses that do not change the tax |                         |                         |
| - general and administrative expenses                          | 24,983                  | 14,440                  |
|  | <u><b>2,116,200</b></u> | <u><b>1,329,779</b></u> |

**(b) Deferred tax assets and liabilities**

Deferred tax assets and liabilities are recognized for the following items:

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Property, plant and equipment and intangible assets | (1,502)              | (13,519)             |
| Bond discounts                                      | (38,335)             | -                    |
| Taxes within the limits paid                        | 870                  | 1,155                |
| Unused vacation                                     | 30,289               | 17,709               |
| Outstanding interest payable                        | 14,451               | 16,641               |
| Lease   | 6,061                | 5,198                |
|   | <u><b>11,834</b></u> | <u><b>27,184</b></u> |

The movement of time differences can be represented as follows:

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| As at January 1   | 27,184               | 23,251               |
| Increase as a result of merge (Note 5)                                    | -                    | 2,107                |
| Charged to the statement of profit or loss and other comprehensive income | (15,350)             | 1,826                |
| <b>As at December 31</b>  | <u><b>11,834</b></u> | <u><b>27,184</b></u> |

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11 Property, plant and equipment

|                                  | Transport       | Computers       | Other           | Total            |
|----------------------------------|-----------------|-----------------|-----------------|------------------|
| <b>Historical cost</b>           |                 |                 |                 |                  |
| <b>As at 31 December 2021</b>    | <b>68,012</b>   | <b>20,019</b>   | <b>103,317</b>  | <b>191,348</b>   |
| Acquired                         | -               | 27,002          | 15,641          | 42,643           |
| Received as a result of a merge  | -               | 3,162           | 1,180           | 4,342            |
| Reclassification                 |                 | 32,715          | (32,715)        | -                |
| Transferred to intangible assets |                 | (137)           | -               | (137)            |
| Disposed                         | (68,012)        | (381)           | (1,383)         | (69,776)         |
| <b>As at 31 December 2022</b>    | <b>-</b>        | <b>82,380</b>   | <b>86,040</b>   | <b>168,420</b>   |
| Acquired                         | 87,585          | 22,368          | 26,691          | 136,644          |
| Disposed                         | -               | (369)           | (2,069)         | (2,438)          |
| <b>As at 31 December 2023</b>    | <b>87,585</b>   | <b>104,379</b>  | <b>110,662</b>  | <b>302,626</b>   |
| <b>Accumulated depreciation</b>  |                 |                 |                 |                  |
| <b>As at 31 December 2021</b>    | <b>(16,436)</b> | <b>(12,728)</b> | <b>(26,388)</b> | <b>(55,552)</b>  |
| Accrued for the year             | (6,235)         | (16,021)        | (18,017)        | (40,273)         |
| Disposed                         | 22,671          | 381             | 760             | 23,812           |
| <b>As at 31 December 2022</b>    | <b>-</b>        | <b>(28,368)</b> | <b>(43,645)</b> | <b>(72,013)</b>  |
| Accrued for the year             | (2,512)         | (18,526)        | (16,790)        | (37,828)         |
| Disposed                         | -               | 254             | 1,648           | 1,902            |
| <b>As at 31 December 2023</b>    | <b>(2,512)</b>  | <b>(46,640)</b> | <b>(58,787)</b> | <b>(107,939)</b> |
| <b>Carrying value</b>            |                 |                 |                 |                  |
| As at 31 December 2021           | 51,576          | 7,291           | 76,929          | 135,796          |
| As at 31 December 2022           | -               | 54,012          | 42,395          | 96,407           |
| <b>As at 31 December 2023</b>    | <b>85,073</b>   | <b>57,739</b>   | <b>51,875</b>   | <b>194,687</b>   |

Depreciation of property, plant and equipment in the amount of KZT 40,273 thousand (2022: KZT 40,273 thousand) is included in general and administrative expenses. The gross carrying amount of property, plant and equipment fully amortized but used by the Company is KZT 37,828 thousand as of 31 December 2023 (31 December 2022: KZT 40,273 thousand). Property, plant and equipment are not pledged under loan agreements (Note 20).



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12 Intangible assets

|  | <u>Trademark</u> | <u>Licenses</u> | <u>Software</u> | <u>Total</u>   |
|--|------------------|-----------------|-----------------|----------------|
| <i>Historical cost</i>                         |                  |                 |                 |                |
| As at 31 December 2021                         | <u>177,622</u>   | -               | -               | <u>177,622</u> |
| Received as a result of a merge                | 206              | 16,177          | -               | 16,383         |
| Transferred from property, plant and equipment | 137              | -               | -               | 137            |
| As at 31 December 2022                         | <u>177,965</u>   | <u>16,177</u>   | -               | <u>194,142</u> |
| Acquired                                       | 81               | -               | 25,000          | 25,081         |
| As at 31 December 2023                         | <u>178,046</u>   | <u>16,177</u>   | <u>25,000</u>   | <u>219,223</u> |
| <i>Accumulated depreciation</i>                |                  |                 |                 |                |
| As at 31 December 2021                         | -                | -               | -               | -              |
| Accrued for the year                           | -                | (567)           | -               | (567)          |
| As at 31 December 2022                         | -                | <u>(567)</u>    | -               | <u>(567)</u>   |
| Accrued for the year                           | (70)             | (3,236)         | -               | (3,306)        |
| As at 31 December 2023                         | <u>(70)</u>      | <u>(3,803)</u>  | -               | <u>(3,873)</u> |
| <i>Carrying value</i>                          |                  |                 |                 |                |
| As at 31 December 2021                         | 177,622          | -               | -               | 177,622        |
| As at 31 December 2022                         | <u>177,965</u>   | <u>15,610</u>   | -               | <u>193,575</u> |
| As at 31 December 2023                         | <u>177,976</u>   | <u>12,374</u>   | <u>25,000</u>   | <u>215,350</u> |

Amortization of intangible assets is fully included in administrative expenses (Note 7). The gross carrying amount of intangible assets that are fully amortized but used by the Company is KZT 256 thousand as at 31 December 2023 (31 December 2022: no fully amortized intangible assets).

13 Right-of-use asset and lease obligations

The company enters into lease agreements for office space used in its activities. The lease term is 3 years. The Company's obligations under lease agreements are secured by the lessor's ownership of the leased assets.

During 2023-2021, Company signed new lease agreements for office space, as well as terminated some contracts, the lease term for new contracts is 3 years.

The carrying amount of right-of-use assets and its changes during the period are presented below:

|                               | <u>Premises</u>  |                  |
|-------------------------------|------------------|------------------|
|                               | <u>2023</u>      | <u>2022</u>      |
| As at January 1               | 157,946          | 254,583          |
| Additions                     | 357,974          | 57,731           |
| Disposals                     | (46,030)         | (12,366)         |
| Depreciation expense (Note 7) | <u>(147,763)</u> | <u>(142,002)</u> |
| As at December 31             | <u>322,127</u>   | <u>157,946</u>   |

14 Cash and cash equivalents

|  | <u>31.12.2023</u>       | <u>31.12.2022</u>       |
|--|-------------------------|-------------------------|
| Cash on hand in KZT                        | 147,915                 | 179,463                 |
| Cash on bank accounts in KZT               | 77,450                  | 335,716                 |
| Short-term deposit in KZT                  | 3,008,429               | 543,000                 |
| Cash in transit in KZT                     | 115,407                 | 59,056                  |
| Less: provision for expected credit losses | <u>(2,626)</u>          | <u>(1,268)</u>          |
|  | <b><u>3,346,575</u></b> | <b><u>1,115,967</u></b> |

Cash credited to terminals is classified as cash in transit.

As of December 31, 2023 and December 31, 2022, short-term deposits represent a deposit placed with Halyk Bank of Kazakhstan JSC for a period of up to three months and on an overnight basis until January 3, 2024. The agreement provides for additional contributions and withdrawals at any frequency. The interest rate on the deposit is 14.75% (2022: 14.75%). Interest on deposits is recognized as interest income in the statement of profit or loss and other comprehensive income in the amount of KZT 35,180 thousand (2022: KZT 16,670 thousand).

As of December 31, 2023 and 2022, all cash and cash equivalents were classified in Stage 1 for the purpose of measuring expected credit losses.

The movement in the expected credit losses is presented as follows:

|  | <u>2023</u>    | <u>2022</u>    |
|--|----------------|----------------|
| Provision for expected credit losses as at 1 January   | (1,268)        | (1,525)        |
| Accrued  | (1,358)        | -              |
| Recovered  | -              | 257            |
| Provision for expected credit losses as at 31 December | <u>(2,626)</u> | <u>(1,268)</u> |

*Concentration of cash and cash equivalents*

As of December 31, 2023, the Company had funds in accounts with credit institutions whose balance exceeded 10% of the Company's capital (December 31, 2022: The Company did not have funds in accounts with credit institutions where balance exceeded 10% of the Company's capital).

Information about the Company's exposure to credit risk in relation to cash is disclosed in Note 27.

15 Loans to customers

|  | <u>31.12.2023</u>        | <u>31.12.2022</u>        |
|--|--------------------------|--------------------------|
| <b>Long-term loans</b>                     |                          |                          |
| Consumer lending on a long-term basis      | 25,816,396               | 16,520,171               |
| Less: Provision for expected credit losses | <u>(56,060)</u>          | <u>(23,978)</u>          |
| <b>Total long-term loans</b>               | <b><u>25,760,336</u></b> | <b><u>16,496,193</u></b> |
| <b>Short-term loans</b>                    |                          |                          |
| Consumer loans                             | 23,108,388               | 18,197,043               |
| Interest receivable                        | 1,284,380                | 850,414                  |
| Less: Provision for expected credit losses | <u>(1,668,936)</u>       | <u>(1,662,245)</u>       |
| <b>Total short-term loans</b>              | <b><u>22,723,832</u></b> | <b><u>17,385,212</u></b> |

Loans to customers as of 31 December 2023 and 2022 are presented in KZT.

Loans to customers and interest receivable are reflected on loans issued to individuals and legal entities secured by movable and immovable property.



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**15 Loans to customers (continued)**

The movement of the provision for expected credit losses is presented as follows:

|   | <u>2023</u>               | <u>2022</u>               |
|---|---------------------------|---------------------------|
| Provision for expected credit losses as of January 1          | (1,686,223)               | (924,528)                 |
| Accrued   | (76,726)                  | (756,190)                 |
| Written off against provision                                 | 37,953                    | 31,069                    |
| Increased by merge  | -                         | (36,574)                  |
| <b>Provision for expected credit losses as of December 31</b> | <b><u>(1,724,996)</u></b> | <b><u>(1,686,223)</u></b> |

Analysis of changes in the gross book value of loans to customers:

|   | <u>2023</u>              | <u>2022</u>              |
|---|--------------------------|--------------------------|
| Gross book value as of 1 January  | 33,881,405               | 21,365,131               |
| Issued  | 92,834,932               | 69,279,166               |
| Received upon merger  | -                        | 1,665,707                |
| Repaid  | (96,493,658)             | (70,549,771)             |
| Interest income accrued   | 18,222,716               | 12,230,266               |
| Offsetting loans issued and other financial obligations as a result of merger | -                        | (870,789)                |
| Change in allowance for expected credit losses                                | 38,773                   | 761,695                  |
| <b>Gross carrying amount at 31 December</b>                                   | <b><u>48,484,168</u></b> | <b><u>33,881,405</u></b> |





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**15 Loans to customers (continued)**

As of 31 December 2023, the total fair value of collateral was KZT 179,443,558 thousand (2022: KZT 115,146,049 thousand).

*Concentration of loans to customers*

As of December 31, 2023 and 2022, the Company did not have any borrowers or groups of related borrowers with loan balances exceeding 10% of equity. In accordance with the legislation of the Republic of Kazakhstan, the maximum loan amount provided by microfinance organizations as of December 31, 2023 is KZT 69,000 thousand (as of December 31, 2022: KZT 61,260 thousand).

Information about the Company's exposure to credit risk in relation to loans to customers is disclosed in Note 27.

**16 Restricted cash**

Restricted cash represents cash placed on the special account as collateral under the Credit Facility Agreement with JSC Halyk Bank of Kazakhstan in the amount of KZT 26,000 thousand until 24 December, 2025, the interest rate on remuneration is 11.4% (Note 20).

The movement of the provision for expected credit losses is presented as follows:

|   | <u>2023</u>         | <u>2022</u>       |
|---|---------------------|-------------------|
| Provision for expected credit losses as of January 1          | (3)                 | -                 |
| Accrued   | (133)               | (3)               |
| <b>Provision for expected credit losses as of December 31</b> | <b><u>(136)</u></b> | <b><u>(3)</u></b> |

**17 Prepayments and other current assets**

|  | <u>31.12.2023</u>     | <u>31.12.2022</u>     |
|--|-----------------------|-----------------------|
| Prepayments for the supply of inventory and the provision of services                    | 39,010                | 23,310                |
| Prepayments for the supply of inventory and the provision of services to related parties | -                     | 60                    |
| Debt of employees on accountable amounts   | 430                   | 10,208                |
| Accountable amounts owed by key management personnel                                     | 1,398                 | 92,160                |
| Other debts of employees   | 4,472                 | 6,609                 |
| Prepaid expenses   | 23,176                | 20,593                |
| Other current assets   | 43,082                | 23,975                |
|  | <b><u>111,568</u></b> | <b><u>176,915</u></b> |

The movement of the provision for expected credit losses is presented as follows:

|   | <u>2023</u>     | <u>2022</u>     |
|---|-----------------|-----------------|
| Provision for expected credit losses as of January 1          | -               | (5,653)         |
| Written-off against provision                                 | -               | 1,179           |
| Recovered   | -               | 4,474           |
| <b>Provision for expected credit losses as of December 31</b> | <b><u>-</u></b> | <b><u>-</u></b> |

18 Accounts receivable

|  | <u>31.12.2023</u> | <u>31.12.2022</u> |
|--|-------------------|-------------------|
| Accounts receivable under the contract of assignment | 50,220            | 78,926            |
| Other receivables                                    | 680               | 505               |
|  | <u>50,900</u>     | <u>79,431</u>     |

On June 23, 2021, the Company entered into an agency agreement with JSC Life Insurance Company Freedom Finance Life (hereinafter referred to as the "insurance company"), in accordance with the terms of which the Company provides, for a fee, intermediary services for concluding insurance contracts on behalf and on behalf of the insurance company. Accounts receivable represents the debt for accrued interest receivable. The agreement does not provide for offset with the obligation to transfer funds received under concluded insurance contracts (Note 21).

19 Authorised capital

As at December 31, 2023, and 2022, the registered and paid-in authorised capital of the Company was KZT 1,565,000 thousand and KZT 1,565,000 thousand respectively. The list of participants is disclosed in Note 1.

On February 20, 2023, the minutes of the general meeting of participants decided to sell the share of Okimbaev N.E. in the amount of 1.5% to participants Tastekeev D.T. and Tastekeev R.T. in equal parts. As a result of the conclusion of a purchase and sale agreement for the share of participants, Tastekeeva D.T. and Tastekeeva R.T. amounted to 45.325%.

On December 22, 2023, the minutes of the general meeting of participants decided to sell the shares of Kadyrov S.R. and Syrbu I.V. to the Citizen of the Russian Federation A.E. Tyunikov

*Dividends*

On December 27, 2023, at an extraordinary absentee general meeting of participants, a decision was made to distribute part of the accumulated profit for 2022 in the amount of KZT 228,350 thousand and pay dividends to participants in proportion to their participation shares. Dividends were paid in cash.

On March 14, 2022 the Minutes of Extraordinary Absentee General Meeting of Participants passed a resolution on distribution of part of accumulated profit in the amount of KZT 1,100,000 thousand in proportion to participatory interest.

Dividends were paid in cash in full, net of income tax in the amount of KZT 44,550 thousand.



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20 Financial liabilities

|  | Interest rate | Currency | Maturity  | 31.12.2023        | 31.12.2022        |
|--|---------------|----------|-----------|-------------------|-------------------|
| <b>Long-term financial liabilities</b>         |               |          |           |                   |                   |
| Halyk bank of Kazakhstan JSC                   | 13.5%-21.25%  | KZT      | 2023-2025 | 7,342,069         | 4,545,892         |
| DAMU Entrepreneurship Development Fund JSC     | 9%-13%        | KZT      | 2023-2025 | 509,565           | 747,474           |
| Bonds  | 22%           | KZT      | 2025      | 8,680,324         | -                 |
| EMF MICROFINANCE FUND AGMVK                    | 19.8%         | USD      | 2025      | 932,100           | -                 |
| Lease liabilities                              | 14.8%-17.3%   | KZT      | 2023-2025 | 221,657           | 49,402            |
|  |               |          |           | <b>17,685,715</b> | <b>5,342,768</b>  |
| <b>Short-term financial liabilities</b>        |               |          |           |                   |                   |
| Halyk bank of Kazakhstan JSC                   | 13.5%-21.25%  | KZT      | 2024-2025 | 6,286,535         | 4,480,350         |
| Interest on bank loans                         |               | KZT      | 2024-2025 | 72,253            | 54,451            |
| DAMU Entrepreneurship Development Fund JSC     | 9%-13%        | KZT      | 2024-2025 | 846,401           | 658,620           |
| Interest on DAMU loans                         |               | KZT      | 2024-2025 | 29,789            | 28,753            |
| Bonds  | 22%-19%       | KZT      | 2024-2025 | -                 | 6,163,296         |
| Interest on bonds                              |               | KZT      | 2024-2025 | 92,170            | 68,401            |
| EMF MICROFINANCE FUND AGMVK                    | 19.8%         | USD      | 2024      | 501,900           | -                 |
| Interest on loan                               |               | USD      | 2024      | 56,787            | -                 |
| Sunkar Onimderi LLP                            | 5%            | KZT      | 2024      | 150,000           | -                 |
| Interest on loan                               |               | KZT      | 2024      | 349               | -                 |
| Other financial liabilities to related parties | 0%            | KZT      | 2024-2025 | 601,816           | 627,549           |
| Lease liabilities                              | 14.8%-17.3%   | KZT      | 2024-2025 | 130,777           | 134,532           |
|  |               |          |           | <b>8,768,777</b>  | <b>12,215,952</b> |

**20 Financial liabilities (continued)**

*Interest-bearing bank loans*

On December 24, 2020, the Company and Halyk Bank of Kazakhstan JSC entered into an agreement to open a credit line in the amount of 500,000 thousand tenge, under the terms of which the bank provides bank loans to the Company under separate bank loan agreements (accessory agreements). The total term of the credit line is until December 24, 2025.

During 2021, the Company and Halyk Bank of Kazakhstan JSC concluded additional agreements to increase the amount of the credit line to KZT 7,000,000 thousand.

As part of the 2023 - 2021 agreement on an open credit line, a number of separate bank loan agreements have been concluded.

The collateral for the credit line is a loan portfolio (by agreement of the parties, the value is determined in the amount of KZT 36,671,136 thousand (31.12.2022: KZT 7,118,691 thousand), cash placed on a special deposit account (Note 16), 100% of the share in the authorized capital, real estate of related parties and participants of the Company, as well as guarantees provided.

*Covenants*

The Company is obliged to ensure the execution of financial and non-financial covenants in accordance with the terms of the loan agreements.

In accordance with the Loan Agreement, the Company must comply with the following financial ratios:

- according to the Civil Code, comply with NPL90+ no more than 7.5% of the loan portfolio,
- according to the Civil Code, comply with NPL total no more than 15% of the loan portfolio,
- the share of loans over 1 year is not more than 50% of the loan portfolio,
- the amount of interest paid on the loan portfolio to the accrued amount of interest on the loan portfolio is greater than or equal to 80%.

As at December 31, 2023, and 2022, the Company followed all financial and non-financial covenants.

*DAMU Entrepreneurship Development Fund JSC*

On July 2, 2021, the Company and Entrepreneurship Development Fund "DAMU" JSC signed an agreement on the opening of a credit line as part of the conditional placement of funds in micro financial organizations for the subsequent financing of micro and small private businesses in the amount of KZT 1,000,000 thousand, under the terms of which loans are provided to the Company under separate loan agreements (accessory agreements). The total term of the credit line is no more than 18 months from the date of receipt of the amount of the first tranche.

On April 21, 2022, the Company and Entrepreneurship Development Fund "DAMU" JSC signed an agreement on the opening of a credit line as part of the conditional placement of funds in micro financial organizations for the subsequent financing of micro and small private businesses in the amount of KZT 2,000,000 thousand, under the terms of which loans are provided to the Company under separate loan agreements (accessory agreements). The total term of the credit line is no more than 36 months from the date of receipt of the amount of the first tranche.

As part of the agreement on an open credit line, separate loan agreements were concluded in 2023.

In accordance with the loan agreement, the Company must comply with the following financial ratios:

- maintain the NPL 60+ indicator at a level of no more than 10%;
- maintain a ratio of financial liabilities to equity capital of no more than 2.

As of December 31, 2023 and 2022, the Company was in compliance with all financial and non-financial covenants.

The collateral for credit lines is the guarantees provided by the Company's participants.



**20 Financial liabilities (continued)**

*Bonds*

On December 14, 2023, the Company announced the issue of bonds for a total amount of KZT 10,000,000 thousand with a nominal value of KZT 500 thousand, with an interest rate of 22% per annum and a maturity date of December 14, 2025, of which bonds for a total amount of KZT 8,869,578 thousand were placed by December 31, 2023, including a discount in the amount of KZT 2,422 thousand. At initial recognition, the value of the bonds was calculated taking into account the transaction costs incurred in the amount of KZT 200,011 thousand. As of December 31, 2023, 17,744 units were placed. The company accounts for bonds issued at amortized cost.

On December 10, 2021, the Company listed 40,000 pieces of coupon bonds on the exchange of the Astana International Financial Center ("AIX") for a total amount of KZT 20,000,000 thousand with an interest rate of 19% per annum, payment of remuneration on a quarterly basis and maturity in December 2023. The nominal value of one bond is KZT 500,000 (five hundred) thousand. As of December 31, 2021, 6,509 units were placed. The Company accounts for issued bonds at amortised cost.

*EMF MICROFINANCE FUND AGMVK*

On October 17, 2023, a loan agreement was signed between the Company and the Microfinance Fund EMF MICROFINANCE FUND AGMVK for the amount of USD 3,000 in KZT equivalent at a fixed rate of 478 tenge per USD 1, with an interest rate of 19.8% per annum and a repayment period of October 20, 2025.

In accordance with the Loan Agreement, the Company must comply with the following financial ratios:

- maintain the capital adequacy ratio at a level of at least 15%,
- return on assets ratio for the last twelve months at a level of at least 0%.

As of December 31, 2023 and 2022, the Company was in compliance with all financial and non-financial covenants.

*Sunkar Onimderi LLP*

On February 14, 2023, a loan agreement in the amount of 150,000 thousand tenge with an interest rate of 5% per annum and a repayment period until February 13, 2024 was signed between the Company and Sunkar Onimderi LLP.

*Other financial liabilities*

On January 3, 2019, the Company entered into an agreement with Mr. Tastekeyev D. T. to receive an interest-free revolving credit line in the amount of KZT 1,000,000 thousand for a period of 12 months from the date of receipt of the loan or the first tranche.

During 2023, 25,733 thousand tenge were repaid as part of the fulfillment of obligations.

During 2022, the Company received KZT 6,750,279 thousand under this agreement and repaid KZT 6,623,334 thousand. As a result, the remaining debt under this agreement as of December 31, 2021 amounted to KZT 627,549 thousand

During 2020, the Company received KZT 1,855,728 thousand under this agreement and repaid KZT 1,463,955 thousand. As a result, the remaining debt under this agreement as of December 31, 2021 amounted to KZT 500,604 thousand (31.12.2020: KZT 385,773 thousand). The debt was fully repaid in the 1st quarter of 2022 in the amount of KZT 234,317 thousand.

**Lease liabilities**

The company has lease agreements for premises. Lease terms generally do not exceed three years. The Company's obligations under the leases are secured by the lessor's title to the leased assets. Generally, the Company is not permitted to sublease or lease the leased assets.

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**20 Financial liabilities (continued)**

The Company also has certain leases for premises with lease terms not exceeding 12 months. For these leases, the Company applies the recognition exemption provided for short-term leases and leases of low-value assets. The Company includes the cost of these leases in administrative expenses.

The classification of lease liabilities in the statement of financial position is presented as follows:

|  | <u>2023</u>           | <u>2022</u>           |
|--|-----------------------|-----------------------|
| As at January 1                            | 183,934               | 278,804               |
| Addition                                   | 357,974               | 57,731                |
| Disposals                                  | (46,030)              | (8,978)               |
| Accrued interest                           | 56,656                | 37,970                |
| Loss from modification of lease agreements | 4,001                 | -                     |
| Payments                                   | (204,101)             | (181,593)             |
| <b>As at December 31</b>                   | <b><u>355,434</u></b> | <b><u>183,934</u></b> |
|  | <b>31.12.2023</b>     | <b>31.12.2022</b>     |
| Long-term portion of liabilities           | 221,657               | 49,402                |
| Short-term portion of liabilities          | 130,777               | 134,532               |
|  | <b><u>352,434</u></b> | <b><u>183,934</u></b> |

The Company's exposure to liquidity risk in relation to financial liabilities is disclosed in Note 27.

**21 Trade payables**

|   | <u>31.12.2023</u>     | <u>31.12.2022</u>     |
|---|-----------------------|-----------------------|
| Trade payables in KZT                                       | 41,360                | 23,610                |
| Trade payables in RUB                                       | 160                   | -                     |
| Accounts payable under the contract of assignment (Note 18) | 86,847                | 99,614                |
| Trade payables of related parties                           | 1,562                 | 100                   |
|   | <b><u>129,929</u></b> | <b><u>123,324</u></b> |

Accounts payable under the contract of assignment is a debt on obligations to transfer funds to an insurance company under concluded insurance contracts (Note 18).

Trade payables as of 31 December 2023 and 2022 are denominated in KZT.

Information about the Company's exposure to liquidity risk in relation to trade payables is disclosed in Note 27.

**22 Other liabilities**

|  | <u>31.12.2023</u>     | <u>31.12.2022</u>     |
|--|-----------------------|-----------------------|
| Taxes payable and off-budget payments  | 94,768                | 69,011                |
| Salaries payable                       | 146,262               | 121,768               |
| Advances received                      | 243,001               | 154,677               |
| Advances received from related parties | -                     | 249,569               |
| Unused vacation                        | 151,446               | 88,546                |
| Other                                  | 17,449                | 4,518                 |
|  | <b><u>652,926</u></b> | <b><u>688,089</u></b> |



22 Other liabilities (continued)

Advances received from related parties represent cash received under preliminary agreements to purchase and sell 498 securities dated December 27, 2022 entered into between the Company and related parties. On January 9, 2022, the cash was returned to related parties.

23 Related party transactions

The parties can be considered as related parties if one of them can control the other, is under common control, or can exercise significant influence or joint control in making financial and operational decisions by the other party. When deciding whether the parties are related, the nature of the relationship between the parties is considered, not just its legal form.

The related parties of the Company are the participants of the Company (Note 1), the related parties of the participants and the key management of the Company.

The following transactions with related parties occurred in the years ended 31 December:

|  | <u>2023</u>    | <u>2022</u>    |
|--|----------------|----------------|
| <b>Net interest income:</b>  |                |                |
| Interest income  | -              | 241,866        |
| Interest expense   | -              | (185,065)      |
|  | <u>-</u>       | <u>56,801</u>  |
| <b>Acquisition of inventory</b>  |                |                |
| Acquisition of inventory   | -              | 3,232          |
| <b>General and administrative expenses</b>                                     |                |                |
| Charity  | 380,867        | 278,819        |
| Services for registration of collateral and reconciliation of collateral items | -              | 327            |
| Services for placing and removing encumbrances on collateralized property      | -              | 43,932         |
| Cleaning services  | 67,680         | 57,537         |
| Rental premises  | 70,876         | 62,843         |
| Training   | -              | 60,352         |
| Construction and installation works  | -              | 1,714          |
|  | <u>519,423</u> | <u>505,524</u> |

The statement of financial position as at 31 December includes the following balances with related parties:

|  | <u>31.12.2023</u> | <u>31.12.2022</u>  |
|--|-------------------|--------------------|
| Prepayment and other current assets      | -                 | 60                 |
| Short-term financial liabilities         | (601,816)         | (627,549)          |
| Short-term financial liabilities - bonds | -                 | (1,139,491)        |
| Advances received                        | -                 | (249,569)          |
| Trade payables                           | (1,562)           | (100)              |
|  | <u>(603,378)</u>  | <u>(2,016,649)</u> |

Key management personnel consist of five persons as at December 31, 2023 (2022: five persons). Remuneration to key management personnel of the Company accrued for 2023 is KZT 262,815 thousand (2022: KZT 200,778 thousand) and it represents salaries and other current payments.

**24 Geopolitical situation**

As a result of the conflict between the Russian Federation and Ukraine, many countries have imposed and continue to impose new sanctions against certain Russian entities and Russian citizens. Sanctions have also been imposed on the Republic of Belarus.

Volatility in the stock and currency markets, restrictions on imports and exports, and the availability of local resources, materials and services will directly affect companies that are active in, or have significant ties with, the Russian Federation, the Republic of Belarus or Ukraine. However, the consequences of the current situation may directly affect not only companies directly related to the countries involved in the conflict.

In order to manage country risk, the Company monitors transactions with counterparties in order to avoid risks.

**25 Inflation and current economic environment**

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies around the world. High and rising energy prices have had a negative impact on the cost of other goods and services, resulting in significant increases in consumer prices in many countries.

Prices for many commodities, including food, remain high. In 2023, inflation in Kazakhstan was 10.3%. Due to rising geopolitical tensions, there continues to be a significant increase in volatility in equity and currency markets in 2023.

On 6 October 2023, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to reduce the base rate to 15.75% per annum with a corridor of +/- 1 percentage point. The Company continues to assess the effect of these events and changes in economic conditions on its operations.

Current inflationary pressures, macroeconomic and geopolitical uncertainties, including the conflict in Ukraine, affect judgements associated with the valuation of assets and liabilities.

**26 Contractual and contingent liabilities**

**(a) Lawsuits and claims**

In the normal course of business, the Company may be subject to various lawsuits and claims. The Company estimates the likelihood that significant liabilities will arise, considering the specific circumstances and reflects an appropriate allowance in the financial statements only when it is probable that an outflow of resources will be required to settle the liability and the amount of the liability can be measured reliably.

The Company's management believes that actual liabilities, if any, will not affect the current financial position and financial results of the Company. For this reason, provisions have not been created in these financial statements.

**(b) Taxation**

Kazakhstan tax laws and practices are constantly changing and are therefore subject to varying interpretations and frequent changes, which may have retrospective effects. In addition, tax authorities' interpretation of tax laws as applied to the Company's transactions and activities may not coincide with management's interpretation. As a result, the Company's transactions may be challenged by tax authorities, and the Company may be assessed additional taxes, penalties and fines. Penalties include confiscation of the amount in dispute (for violating foreign exchange laws), as well as fines, usually amounting to 50% of the amount of unpaid taxes. Tax periods are open to inspection by tax authorities for three years.



26 **Contractual and contingent liabilities (continued)**

The Company's management believes that the relevant provisions of the law have been correctly interpreted by them, and that the Company's position taken in terms of tax and currency legislation will be successfully defended in the event of any dispute. The Company's policy provides for the recognition of provisions in the reporting period in which there is a possibility of loss, and the amount it can be determined with a sufficient degree of accuracy.

Due to the uncertainty inherent in the Kazakhstan tax system, the potential amount of taxes, penalties and interest may exceed the amount expensed to date and accrued at December 31, 2023. Despite the possibility of such amounts accruing and their potentially significant nature, the Company's management believes that they are either improbable or impracticable, or both.

(c) **Insurance**

The market of insurance services in Kazakhstan is at the stage of formation and many forms of insurance that are common in other countries of the world are not yet available in the Republic of Kazakhstan. At the reporting date, the Company provides insurance of civil liability of the employer for causing harm to the life and health of the employee in the performance of their work duties and insurance of vehicles, which is collateral for loans issued by the Company.

(d) **Environmental issues**

The Company is required to comply with various environmental laws and regulations. Kazakhstan's environmental legislation is constantly changing and subject to ambiguous interpretations. Although management is confident that the Company complies with government environmental regulations, it cannot be assured that contingent liabilities do not exist.

27 **Financial risk management**

The Company's activities are associated with various financial risks: market risk, liquidity risk and credit risk. The Company's risk management program focuses on the unpredictability of financial risks and is aimed at minimizing the potential negative impact on the Company's financial results. The Company does not use derivative financial instruments to hedge its risk exposure.

**Risk management framework and risk communication**

Overall risk management leadership is provided by the Chief Executive Officer and there are separate independent bodies that are responsible for risk management and control, including the following:

- development and approval of basic risk management principles,
- monitoring the activities of the Company's risk management departments, identifying weaknesses, taking appropriate measures.

Financial risk management is carried out through the establishment of limit restrictions on transactions, compliance with which is mandatory for the relevant divisions and officials of the Company authorized to conduct these transactions.

The Company's structural divisions regularly prepare management reporting forms that provide the Company's management bodies with the information necessary for decision-making and risk assessment on an ongoing basis.

**Market risk**

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

The objective of market risk management is to manage and control that exposure to market risk does not exceed acceptable parameters, while ensuring that the return received for the risk taken is optimized.

**27 Financial risk management (continued)**

**Risk of the impact of changes in interest rates on cash flows and fair value**

At the reporting date, the Company does not have assets or liabilities with floating interest rates, and therefore management does not disclose sensitivity analysis to changes in interest rates.

**Currency risk**

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

As of December 31, 2023, the Company has the following financial instruments denominated in currencies other than its functional currency:

|                              | <u>USD</u>                | <u>RUB</u>          |
|------------------------------|---------------------------|---------------------|
| Trade payables               | -                         | (160)               |
| Financial liabilities        | (1,490,787)               | -                   |
| <b>Net currency position</b> | <u><b>(1,490,787)</b></u> | <u><b>(160)</b></u> |

**Sensitivity analysis**

A 10% depreciation of the KZT against the USD and RUB as at 31 December would have resulted in a (decrease) increase in after tax income by the amounts shown below. This analysis assumes that all other variables remain constant.

|           | <u>USD</u>       | <u>RUB</u>  |
|-----------|------------------|-------------|
| 2023 year | <u>(119,263)</u> | <u>(13)</u> |

**Credit risk**

Credit risk is the risk that the Company will incur financial losses because counterparties fail to fulfill their obligations under a financial instrument or customer agreement.

The Company manages credit risk through the application of established policies and procedures, which include requirements for establishing and maintaining limits on concentration of credit risk, as well as through the creation of credit committees, whose functions include active monitoring of credit risk. The rules for providing microloans are approved by the participants taking into account the requirements of the legislation of the Republic of Kazakhstan.

The credit policy establishes:

- Procedures for reviewing and approving loan applications;
- Methodology for assessing the creditworthiness of borrowers;
- Methodology for assessing the proposed collateral;
- Requirements for credit documentation;
- Procedures for ongoing monitoring of loans and other products that carry credit risk.

The company constantly monitors the status of individual loans and other credit risks.

In addition to analyzing individual borrowers, the Company evaluates the loan portfolio as a whole in relation to loan concentration and market risks.

For financial instruments measured at fair value through profit or loss, the carrying amount represents the current exposure to credit risk, but not the maximum exposure that could arise in the future as a result of changes in value.



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**27 Financial risk management (continued)**

The Company is exposed to credit risk in connection with loans issued, interest receivable and other financial assets. The carrying amount of these financial assets represents the maximum amount exposed to credit risk (Notes 15,17).

Credit risk associated with balances in accounts with financial institutions is controlled by the Company's management in accordance with the Company's cash management policy. The maximum sensitivity of the Company to credit risk arising from the default of financial institutions is equal to the carrying value of these financial assets.

The following table shows the cash balances of the banks at the reporting date using Standard & Poor's credit ratings:

|   | <b>Location</b> | <b>Rating</b>  | <b>31.12.2023</b> | <b>31.12.2022</b> |
|---|-----------------|----------------|-------------------|-------------------|
| ForteBank JSC   | Kazakhstan      | B+ stable      | 91                | -                 |
| Halyk Bank JSC  | Kazakhstan      | BB stable      | 3,107,075         | 899,203           |
| NurBank JSC   | Kazakhstan      | B stable       | 4,714             | 5,513             |
| Processing.kz   |                 |                | 4,100             | 2,702             |
| RPS Asia  | Kazakhstan      | Without Rating | 95,001            | 47,985            |
| Kassa 24 LLP  | Kazakhstan      | Without Rating | 5,533             | 2,544             |
| QIWI KAZAKHSTAN<br>LLP  | Kazakhstan      | Without Rating | 9,358             | 5,606             |
| Jetpay  | Kazakhstan      | Without Rating | 1,114             | -                 |
| PayDala   | Kazakhstan      | Without Rating | 300               | -                 |
| Acquiring LLP   | Kazakhstan      | Without Rating | -                 | 219               |
| Less: provision for ECL<br>on cash and cash<br>equivalents and<br>restricted cash |                 |                | (2,762)           | (1,271)           |
|   |                 |                | <b>3,224,524</b>  | <b>962,501</b>    |
| Loans to customers  | Kazakhstan      | Without Rating | 50,209,164        | 35,567,628        |
| Less: provision for ECL   |                 |                | (1,724,996)       | (1,686,223)       |
|   |                 |                | <b>48,484,168</b> | <b>33,881,405</b> |

**Operational risk**

Operational risk is the risk arising from system failure, human error, fraud or external events. When controls fail, operational risks can cause reputational damage, legal consequences, or financial loss. The Company cannot assume that all operational risks have been eliminated, but through its controls and by monitoring and responding appropriately to potential risks, the Company can manage such risks.

The control system includes effective segregation of duties, access rights, approval and reconciliation procedures, personnel training, and evaluation procedures, including internal controls.

**Liquidity risk**

Prudent liquidity risk management involves maintaining sufficient cash flow. Due to the dynamic nature of its core business, the Company strives to maintain funding flexibility by providing sufficient cash.

The Company strives to actively maintain a diversified and stable structure of funding sources, consisting of long-term and short-term loans from other banks, as well as a diversified portfolio of highly liquid assets so that the Company is able to respond quickly and without sharp fluctuations to unexpected liquidity requirements.

**27 Financial risk management (continued)**

Liquidity management policy includes:

- Forecasting cash flows by major currencies and calculating the required level of liquid assets associated with these cash flows;
- Maintaining a diversified structure of funding sources;
- Management of concentration and structure of borrowed funds;
- Development of plans to attract financing through borrowed funds;
- Monitoring the compliance of liquidity indicators with legally established standards.

The table below provides an analysis of the Company's financial liabilities by maturity, indicating the remaining maturities at the reporting date until the end of the contractual maturities. The amounts shown in the table represent undiscounted cash flows under the contractual terms.

|                       | <b>From 1 to 3<br/>months</b> | <b>From 3<br/>months to 1<br/>year</b> | <b>More than<br/>1 year</b> | <b>Total</b>      |
|-----------------------|-------------------------------|--|-----------------------------|-------------------|
| <b>2023</b>           |                               |  |                             |                   |
| Financial liabilities | 3,920,359                     | 9,203,037                              | 21,410,162                  | <b>34,533,558</b> |
| Trade payables        | 129,929                       | -                                      | -                           | 129,929           |
|                       | <b>4,050,288</b>              | <b>9,203,037</b>                       | <b>21,410,162</b>           | <b>34,663,487</b> |
|                       |                               |  |                             |                   |
|                       | <b>From 1 to 3<br/>months</b> | <b>From 3<br/>months to 1<br/>year</b> | <b>More than<br/>1 year</b> | <b>Total</b>      |
| <b>2022</b>           |                               |  |                             |                   |
| Financial liabilities | 9,033,592                     | 7,478,876                              | 7,360,029                   | <b>23,872,497</b> |
| Trade payables        | 123,324                       | -                                      | -                           | 123,324           |
|                       | <b>9,156,916</b>              | <b>7,478,876</b>                       | <b>7,360,029</b>            | <b>23,995,821</b> |

**Changes in liabilities arising from financing activities**

The table below summarizes the movements in liabilities as a result of financing activities, including changes due to cash flows and non-cash flows. Liabilities arising from financing activities are those liabilities from which the cash flows in the statement of cash flows have been or will be classified as cash flows from financing activities.



MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP  
 Notes to the financial statements for the year ended 31 December 2023  
 (in thousands of Kazakhstani tenge)

27 Financial risk management (continued)

|                                      | As at 1<br>January<br>2023 | Cash flows       | Accrued<br>interest | Interest paid      | Recognition of<br>a lease liability | Obtained by<br>joining | Other*          | На 31 декабря<br>2023 |
|--------------------------------------|----------------------------|------------------|---------------------|--------------------|-------------------------------------|------------------------|-----------------|-----------------------|
| Halyk Bank JSC<br>DAMU               | 9,080,693                  | 4,602,362        | 1,700,351           | (1,682,549)        | -                                   | -                      | -               | 13,700,857            |
| Entrepreneurship<br>Development Fund | 1,434,847                  | (50,129)         | 198,209             | (167,597)          | -                                   | -                      | (29,575)        | 1,385,755             |
| Bonds                                | 6,231,697                  | 2,624,789        | 1,708,074           | (1,684,304)        | -                                   | (107,762)              | -               | 8,772,494             |
| EMF MICROFINANCE<br>FUND AGMVK       | 627,549                    | (25,733)         | -                   | -                  | -                                   | -                      | -               | 601,816               |
| Sunkar Onimderi LLP                  | -                          | 1,419,660        | 66,808              | -                  | -                                   | -                      | 4,319           | 1,490,787             |
| Other<br>liabilities                 | -                          | 150,000          | 6,575               | (5,292)            | -                                   | -                      | (934)           | 150,349               |
| Lease liabilities                    | 183,934                    | (147,445)        | 56,656              | (56,656)           | 357,974                             | -                      | (42,029)        | 352,434               |
|                                      | <b>17,558,720</b>          | <b>8,573,504</b> | <b>3,736,673</b>    | <b>(3,596,398)</b> | <b>357,974</b>                      | <b>(107,762)</b>       | <b>(68,219)</b> | <b>26,454,492</b>     |

27 Financial risk management (continued)

|  | As at 1<br>January 2022 | Cash flows       | Accrued<br>interest | Interest paid      | Recognition<br>of a lease<br>liability | Obtained<br>by joining | Other*          | As at 31<br>December<br>2022 |
|--|-------------------------|------------------|---------------------|--------------------|--|------------------------|-----------------|------------------------------|
| Halyk Bank JSC                           | 7,362,202               | 1,695,637        | 1,202,848           | (1,179,994)        | -                                      | -                      | -               | 9,080,693                    |
| DAMU                                     | 185,146                 | 929,428          | 71,373              | (41,848)           | -                                      | 298,133                | (7,385)         | 1,434,847                    |
| Entrepreneurship<br>Development Fund JSC | 4,378,157               | 1,886,765        | 1,031,049           | (1,067,119)        | -                                      | -                      | 2,845           | 6,231,697                    |
| Bonds                                    | 500,604                 | 126,715          | -                   | -                  | -                                      | -                      | 230             | 627,549                      |
| Other financial liabilities              | 278,804                 | (143,623)        | 37,970              | (37,970)           | 57,731                                 | -                      | (8,978)         | 183,934                      |
| Lease liabilities                        |                         |                  |                     |                    |  |                        |                 |                              |
|  | <b>12,704,913</b>       | <b>4,494,922</b> | <b>2,343,240</b>    | <b>(2,326,931)</b> | <b>57,731</b>                          | <b>298,133</b>         | <b>(13,288)</b> | <b>17,558,720</b>            |

The column "Cash Flows" shows the cash flows from bank loans and other financial liabilities that constitute the net receipts and payments of borrowings in the statement of cash flows.

The column "Other" includes offsets and non-cash transactions on other financial obligations - a one-time fee for arranging a loan, withheld income tax at the source of payment, a decrease in lease obligations due to termination of the contract. The Company classifies compensation paid as cash flows from operating activities.



27 Financial risk management (continued)

**Fair value of financial instruments**

The Company has no financial assets and liabilities at fair value. The Company's management believes that the carrying amount of financial instruments carried at amortized cost in these financial statements approximately equal to their fair value.

| 2023   | Measurement date | Fair value measurement using |              |         |
|--|------------------|------------------------------|--------------|---------|
|  |                  | Level 1                      | Level 2      | Level 3 |
| <b>Assets for which fair values are disclosed</b>      |                  |                              |              |         |
| Loans to customers                                     | 31 December 2023 | -                            | 48,484,168   | -       |
| Cash and cash equivalents                              | 31 December 2023 | -                            | 3,346,575    | -       |
| Restricted cash  | 31 December 2023 | -                            | 25,864       | -       |
| Accounts receivable                                    | 31 December 2023 | -                            | 50,900       | -       |
| <b>Liabilities for which fair values are disclosed</b> |                  |                              |              |         |
| Trade payables   | 31 December 2023 | -                            | (129,929)    | -       |
| Financial liabilities                                  | 31 December 2023 | -                            | (26,454,492) | -       |
| <hr/>  |                  |                              |              |         |
| 2022   | Measurement date | Fair value measurement using |              |         |
|  |                  | Level 1                      | Level 2      | Level 3 |
| <b>Assets for which fair values are disclosed</b>      |                  |                              |              |         |
| Loans to customers                                     | 31 December 2022 | -                            | 33,881,405   | -       |
| Cash and cash equivalents                              | 31 December 2022 | -                            | 1,115,967    | -       |
| Restricted cash  | 31 December 2022 | -                            | 25,997       | -       |
| Accounts receivable                                    | 31 December 2022 | -                            | 79,431       | -       |
| <b>Liabilities for which fair values are disclosed</b> |                  |                              |              |         |
| Trade payables   | 31 December 2022 | -                            | (123,324)    | -       |
| Financial liabilities                                  | 31 December 2022 | -                            | (17,558,720) | -       |
| <hr/>  |                  |                              |              |         |

## 28 Capital management

In accordance with the Law of the Republic of Kazakhstan "On Microfinance Organizations" dated November 26, 2012, the Company was required to pay capital in the amount of at least 30,000 times the monthly calculation index ("MCI"), equal to 3,450 tenge as of December 31, 2023 (on 31 December 2022: 3,063 tenge).

The objectives of the Company in managing capital are:

- Comply with the capital requirements of the National Bank of the Republic of Kazakhstan;
- Protect the Company's ability to continue as a going concern in such a way that the Company can provide profits to participants and benefits to other interested parties;
- Maintain a base to ensure the development of their activities.

The required level of capital is set considering the above objectives. Currently, the capital adequacy of the Company is calculated in accordance with the prudential standards prescribed to microfinance organisations by the requirements of the legislation of the Republic of Kazakhstan.

During 2023 and 2022, the Company complied with all external capital requirements.

The primary objective of capital management for the Company is to ensure that the Company complies with external capital requirements and maintains the high credit rating and capital adequacy ratios required to operate its business and maximize returns for members.

The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its activities.

The NBRK requires microfinance organizations to maintain a Tier 1 capital adequacy ratio of at least 10% of assets. As of December 31, 2023, and 2022, the Company's capital adequacy ratio, according to the NBRK methodology, exceeded the established minimum.

The Company's equity to net debt ratio was calculated as follows:

|                                 | <u>31.12.2023</u>        | <u>31.12.2022</u>        |
|---------------------------------|--------------------------|--------------------------|
| Total debt                      | 26,454,492               | 17,558,720               |
| Cash and cash equivalents       | (3,346,575)              | (1,115,967)              |
| <b>Net debt</b>                 | <u><b>23,107,917</b></u> | <u><b>16,442,753</b></u> |
| <br>                            |                          |                          |
| <b>Equity</b>                   | <u><b>25,268,233</b></u> | <u><b>17,259,198</b></u> |
| <b>Equity to Net Debt Ratio</b> | <u><b>1.09</b></u>       | <u><b>1.05</b></u>       |

The ratio of capital to the Company's loan portfolio was calculated as follows:

|   | <u>31.12.2023</u>   | <u>31.12.2022</u>   |
|---|---------------------|---------------------|
| Loans to customers                        | 48,484,168          | 33,881,405          |
| Equity                                    | 25,268,233          | 17,259,198          |
| <b>Ratio of capital to loan portfolio</b> | <u><b>0.52</b></u>  | <u><b>0.51</b></u>  |
| <br>                                      |                     |                     |
| <b>Coefficient k1</b>                     | <u><b>0.341</b></u> | <u><b>0.501</b></u> |



29 Significant non-monetary transactions

2022

- increase in loans to customers as a result of merger in the amount of KZT 1,694,972 thousand,
- increase in accrued interest receivable as a result of the merger in the amount of KZT 70,716 thousand,
- offset of loans issued to related parties and other financial liabilities as a result of merger in the amount of KZT 870,789 thousand,
- increase in property and equipment as a result of merger in the amount of KZT 4,342 thousand,
- increase in loans received as a result of the merger in the amount of KZT 298,133 thousand,
- increase in property, plant and equipment as a result of the merger in the amount of KZT 4,342 thousand,
- increase in share capital as a result of merger in amount of Tenge 100,000 thousand,
- offset of accounts receivable and accounts payable for sold property, plant and equipment in the amount of KZT 77,500 thousand.

30 Subsequent events

On January 15, 2024, at an extraordinary absentee general meeting of participants, a decision was made to distribute part of the accumulated profit for 2023 in the amount of KZT 1,500,000 thousand and pay dividends to participants in proportion to their participation shares. Dividends were paid in cash.

On January 19, 2024, the Company placed bonds on Kazakhstan Stock Exchange JSC for a total amount of KZT 10,000,000 thousand, with an interest rate of 20.5% and a maturity date in June 2026. The nominal value of one bond is KZT 500 thousand.