

MICROFINANCE ORGANISATION
TAS FINANCE GROUP (TAC ΦΙΝΑΝΣ ΓΡΥΠΠ) LLP

Financial statements
For the year ended 31 December 2022
And Independent Auditors' Report

Contents

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Statement of the Management Responsibility for the Preparation and Approval of the Financial Statements for the year ended 31 December 2022

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 2022, 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 2022 were approved and signed on behalf of the Company 31 March 2023.

Director



D. Tastekeyev

Tastekeyev D.T.

Chief Accountant

M.B. Bakkozha

Bakkozha M.B.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Microfinancial Organisation TAS FINANCE GROUP LLP (ТАС ФИНАНС ГРУПП) (hereinafter referred to as the 'Company'), consisting of the statement of financial position as of 31 December 2022, 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 2022, 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 |
|--|---|
| <i>Provision for expected credit losses for the loans issued to customers</i> | |
| <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"> • 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; • 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. <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 26 "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> |
| <i>Assessment of financial liabilities</i> | |
| <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>Information about financial liabilities is presented in Note 21 "Financial liabilities" and Note 26</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> <p>We have reviewed the information on financial liabilities disclosed in the Notes to the financial statements.</p> |

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

31 March 2023

Alberto Cimoncini
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
2022

(in thousands of Kazakhstani tenge)

| | Note | 2022 | 2021 |
|--|------|------------------|------------------|
| Interest income | 6 | 12,246,936 | 8,165,584 |
| Interest expense | 6 | (2,351,720) | (1,282,770) |
| Net interest income | | 9,895,216 | 6,882,814 |
| General and administrative expenses | 7 | (4,332,288) | (3,204,628) |
| Losses from impairment and write-offs | 9 | (751,462) | (467,030) |
| Other income, net | 8 | 1,765,815 | 1,310,426 |
| Net loss on foreign exchange transactions | | (586) | (1,666) |
| Income before tax | | 6,576,695 | 4,519,916 |
| Income tax expense | 10 | (1,329,779) | (939,090) |
| Income for the period | | 5,246,916 | 3,580,826 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 5,246,916 | 3,580,826 |

On behalf of the Company's management:

Director



D. Tastekeyev

Tastekeyev D.T.

Chief Accountant

M.B. Bakkozha

Bakkozha M.B.

31 March 2023

Notes on pages 13-54 are an integral part of these financial statements

MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP
Statement of Financial Position
as of 31 December 2022
(in thousands of Kazakhstani tenge)

| | Note | 31.12.2022 | 31.12.2021 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 11 | 96,407 | 135,796 |
| Intangible assets | 5,12 | 193,575 | 177,622 |
| Right-of-use assets | 13 | 157,946 | 254,583 |
| Long-term loans to customers | 15 | 16,496,193 | 3,616,983 |
| Restricted cash | 16 | 25,997 | - |
| Deferred tax assets | 10 | 27,184 | 23,251 |
| | | 16,997,302 | 4,208,235 |
| Current assets: | | | |
| Loans to customers and interest receivable | 15 | 17,385,212 | 17,748,148 |
| Loans to related parties and other financial assets | 17 | - | 1,380,500 |
| Accounts receivable | 19 | 79,431 | 119,328 |
| Prepayments and other current assets | 18 | 176,915 | 95,930 |
| Cash and cash equivalents | 14 | 1,115,967 | 2,325,332 |
| | | 18,757,525 | 21,669,238 |
| TOTAL ASSETS | | 35,754,827 | 25,877,473 |
| LIABILITIES AND EQUITY | | | |
| Equity | | | |
| Authorised capital | 20 | 1,565,000 | 1,465,000 |
| Retained earnings | | 15,694,198 | 11,087,843 |
| | | 17,259,198 | 12,552,843 |
| Non-current liabilities | | | |
| Long-term financial liabilities | 21 | 5,342,768 | 8,010,018 |
| | | 5,342,768 | 8,010,018 |
| Current liabilities | | | |
| Short-term financial liabilities | 21 | 12,215,952 | 4,694,895 |
| Trade payables | 22 | 123,324 | 159,921 |
| Other liabilities | 23 | 688,089 | 321,543 |
| Income tax payable | | 125,496 | 138,253 |
| | | 13,152,861 | 5,314,612 |
| TOTAL EQUITY AND LIABILITIES | | 35,754,827 | 25,877,473 |

On behalf of the Company's management:

Director

Chief Accountant

31 March 2023



D. Tastekeyev
M. Bakkozha

Tastekeyev D.T.

Bakkozha M.B.

Notes on pages 13-54 are an integral part of these financial statements

MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP
Statement of Cash Flows for the year ended 31 December 2022
(in thousands of Kazakhstani tenge)

| | Note | 2022 | 2021 |
|---|-------|---------------------------|---------------------------|
| OPERATING ACTIVITIES: | | | |
| Repayment of loans issued by clients | | 57,985,798 | 49,328,479 |
| Interest received | | 12,563,973 | 7,261,560 |
| Proceeds from borrowers for services | 23 | 249,569 | - |
| Repayment of loans from related parties | | 734,976 | 1,237,281 |
| Penalties received for late loan repayment | 8 | 770,453 | 965,371 |
| Proceeds from the sale of collateral | | - | 48,450 |
| Remuneration received under the contract of assignment | | 959,187 | 507,249 |
| Receipts as a result of joining | 5 | - | 14,135 |
| Other income | | 35,773 | 55,709 |
| Issuance of loans to clients | | (69,279,166) | (57,942,676) |
| Issuance of loans to related parties | | (415,865) | (722,591) |
| Payments to suppliers for goods and services | | (914,438) | (832,534) |
| Salary payments | | (2,109,697) | (1,240,585) |
| Payments under the contract of assignment | | (1,315,376) | (202,008) |
| Payments for other taxes | | (230,048) | (106,531) |
| Other payments | | - | (14,259) |
| <i>Cash from operating activities before income tax and interest paid</i> | | <u>(964,861)</u> | <u>(1,642,950)</u> |
| Interest paid on loans | 21 | (1,221,841) | (682,616) |
| Interest paid on finance leases | 21 | (37,970) | (51,325) |
| Interest paid on the bonds | 21 | (1,067,119) | (499,669) |
| Corporate income tax | | <u>(1,284,381)</u> | <u>(1,035,115)</u> |
| Net cash flows used from operating activities | | <u>(4,576,172)</u> | <u>(3,911,675)</u> |
| INVESTING ACTIVITIES: | | | |
| Acquisition of property, plant, and equipment | 11,12 | (59,026) | (48,916) |
| Proceeds from sale of property, plant and equipment | | 412 | - |
| Transfer to restricted cash | 16 | (26,000) | - |
| Interest on the deposit | | 13,910 | 4,437 |
| Net cash flows used from investing activities | | <u>(70,704)</u> | <u>(44,479)</u> |

Notes on pages 13-54 are an integral part of these financial statements

MICROFINANCE ORGANISATION TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) LLP
Statement of Cash Flows for the year ended 31 December 2022
(in thousands of Kazakhstani tenge)

| | Note | 2022 | 2021 |
|---|------|--------------------|------------------|
| FINANCING ACTIVITIES: | | | |
| Proceeds from loans | 21 | 7,482,244 | 6,008,000 |
| Repayment of loans | 21 | (4,857,179) | (2,099,815) |
| Proceeds from bond placement | 21 | 2,990,765 | 3,248,977 |
| Repayment of bonds | 21 | (1,104,000) | (898,000) |
| Payment of lease liabilities | 21 | (143,623) | (110,182) |
| Dividend payment | 20 | (1,055,450) | |
| Receipt (Repayment) of other financial liabilities | 21 | 126,715 | (321,119) |
| Net cash flows received from financing activities | | 3,439,472 | 5,827,861 |
| Net inflow of cash | | (1,207,404) | 1,871,707 |
| Effect of currency exchange rates against tenge | | (2,218) | (2,808) |
| Cash and cash equivalents at the beginning of the year | | 2,325,332 | 457,495 |
| Change in provision for expected credit losses | 14 | 257 | (1,062) |
| Cash and cash equivalents at the end of the year | | 1,115,967 | 2,325,332 |

Significant non-monetary transactions - Note 27

On behalf of the Company's management:

Director



D. Tastekeyev

Tastekeyev D.T.

Chief Accountant

M. Bakkozha

Bakkozha M.B.

31 March 2023

Notes on pages 13-54 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 2022
(in thousands of Kazakhstani tenge)

| | Authorised equity | Retained earnings | Total |
|---|----------------------|-------------------|-------------------|
| Balance at 31 December 2020 | 500,000 | 2,876,520 | 3,376,520 |
| Increase as a result of joining (Note 5) | 965,000 | 4,630,497 | 5,595,497 |
| Total comprehensive income | - | 3,580,826 | 3,580,826 |
| Balance at 31 December 2021 | 1,465,000 | 11,087,843 | 12,552,843 |
| Increase as a result of joining (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 |
| Balance at 31 December 2022 | 1,565,000 | 15,694,198 | 17,259,198 |

On behalf of the Company's management:

Director



D. Tastekeyev

Tastekeyev D.T.

Chief Accountant

M. Bakkozha

Bakkozha M.B.

31 March 2023

Notes on pages 13-54 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 2022
(in thousands of Kazakhstani tenge)

1 General Information

Microfinance organisation TAS FINANCE GROUP (ТАС ФИНАНС ГРУПП) 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 authorised 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 of name - since that date, the name of the Company is "Microfinance Organization "TAS FINANCE GROUP" Limited Liability Partnership.

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

On September 8, 2021, the Company re-registered due to a change in the membership.

On September 10, 2021, the Company was re-registered in connection with the merger with 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 November 10, 2022, the Company was re-registered in connection with the merger with LLP "MFO TAS MICROFINANCE", which resulted in an increase in share capital, changes 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 Taldykogan of the Agency for Regulation and Development of Financial Markets of the Republic of Kazakhstan.

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 accession agreement 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 accession agreement was signed.

On August 12, 2022, the participants of the Company made a decision on accession of TAS MICROFINANCE MFI LLP. On August 12, 2022, the accession agreement was signed.

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

The Company's participants are citizens of the Republic of Kazakhstan:

| | 31.12.2022 | 31.12.2021 |
|---|-------------------|-------------------|
| Tastekeyev Dulat Tursynovich (Kazakhstan) | 44.575% | 46.075% |
| Tastekeev Rahat Tursynovich (Kazakhstan) | 44.575% | 46.075% |
| Kim Ruslan Vyacheslavovich (Kazakhstan) | 4.85% | 4.85% |
| Syrbu Irina Valeryevna (Russian Federation) | 2% | 2% |
| Kadyrov Sukhrob Rakhmatulloevich (Russian Federation) | 1% | 1% |
| Beken Arkhat Gazizjanovich (Kazakhstan) | 1.5% | - |
| Okimbayev Nurzhan Erkenovich (Kazakhstan) | 1.5% | - |
| | 100% | 100% |

The accompanying financial statements were approved for issue and signed on behalf of the Company's management on 31 March 2023.

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

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

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.

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.

2 Basic of preparation of the financial statements (continued)

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.

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 2021, with the exception of the new standards adopted and effective as at 1 January 2022. The Company has not applied any other standards, clarifications or amendments that have been issued but are not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments did not have any impact on the Company's financial statements. The Company intends to apply the practical expedients in future periods as appropriate.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the Company's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a firsttime adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

The amendment had no impact on the Company's financial statements as there were no modifications to the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

This amendment did not have any impact on the Company's financial statements as the Company does not have any assets that are within the scope of IAS 41 at the reporting date.

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.

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.

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.

3 Review of significant aspects of accounting policies (continued)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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 to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently reviewing its accounting policy disclosures to ensure compliance with the amended requirements.

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

3 Review of significant aspects of accounting policies (continued)

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently evaluating the impact of the amendments.

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:

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

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.

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.

Financial liabilities are measured at amortized cost

3 Review of significant aspects of accounting policies (continued)

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)**

Reclassification of financial assets and financial liabilities

The Company does not reclassify financial assets after their initial recognition.

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.

3 Review of significant aspects of accounting policies (continued)

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.

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.

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.

3 Review of significant aspects of accounting policies (continued)

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.

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.

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.

h) Cash and cash equivalents

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

i) 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.

j) 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.

k) 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.

Advances or prepayments are recognized at historical cost less allowance for impairment losses. Advances are classified as non-current if the expected date of receipt of the goods or services related to them exceeds one year, or if the advances are related to assets that will be recorded as non-current on initial recognition. The amount of advances for the acquisition of assets is included in their carrying amount when the Company gains control over these assets and it is probable that the future economic benefits associated with them will be received by the Company. Other advances are written off upon receipt of goods or services related to them. If there is an indication that assets, goods or services related to advances will not be received, the carrying amount of the advances is reduced, and the related impairment loss is recognized through profit or loss for the year.

l) 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.

m) 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.

3 Review of significant aspects of accounting policies (continued)

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:

- 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.

n) 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.

4 Significant accounting judgements, estimates and assumptions (continued)

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 2022 was KZT 1,686,223 thousand (2021: KZT 924,528 thousand).

(b) Intangible assets with an indefinite useful life

The Company considers the "XXX" trademark 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>31.12.2022</u> | <u>31.12.2021</u> |
|--|-------------------|-------------------|
| Discount rate before tax | 17.25% | 14.13% |
| Growth rate of lending in accordance with the budget for the 5-year period | <u>5%</u> | <u>3%</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, 2022 and December 31, 2021.

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4 Significant accounting judgements, estimates and assumptions (continued)

(d) Taxation

Management recognizes a deferred tax liability in respect of all taxable temporary differences, and if it does not arise on the initial recognition of an asset or liability, without affecting either accounting or taxable profit (tax loss).

5 Joining of organisations

"MFO "TAS CREDIT" LLP

On March 4, 2021, the Company's participants decided to join TAS CREDIT MFO LLP. On May 11, 2021, the accession agreement was signed. The book value of the identifiable assets and liabilities of MFO TAS CREDIT LLP at the acquisition date is provided as follows:

| | On the date of signing the act of the transfer |
|--|--|
| Assets | |
| Property, plant and equipment | 28,051 |
| Accounts receivable from third parties | 100 |
| Accounts receivable of MFO TAS FINANCE GROUP LLP | 5,250,458 |
| Prepayments and other current assets | 126 |
| Total assets | 5,278,735 |
| Equity | |
| Authorised capital | 600,000 |
| Retained earnings | 4,678,735 |
| Total equity | 5,278,735 |

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5 Joining of organisations (continued)

"MFO" TASCREDIT ONLINE Lombard" LLP

On May 19, 2021, the Company's participants decided to join TASCREDIT ONLINE Lombard LLP (TASCREDIT ONLINE Lombard). On September 1, 2021, the accession agreement was signed. The book value of the identifiable assets and liabilities of TASCREDIT ONLINE Lombard LLP (TASCREDIT ONLINE Lombard) at the date of acquisition is provided as follows:

| | On the date of signing the act of the transfer |
|--------------------------------------|--|
| Assets | |
| Property, plant and equipment | 1,320 |
| Intangible assets | 177,485 |
| Short-term loans to customers | 777,129 |
| Prepayments and other current assets | 610 |
| Cash | 14,135 |
| Total assets | 970,679 |
| Liabilities | |
| Short-term financial liabilities | 641,599 |
| Other liabilities | 12,318 |
| Total liabilities | 653,917 |
| Equity | |
| Authorised capital | 365,000 |
| Uncovered loss | (48,238) |
| Total equity | 316,762 |

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

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Notes to the financial statements for the year ended 31 December 2022
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6 Net interest income

| | <u>2022</u> | <u>2021</u> |
|--|---------------------------|---------------------------|
| Interest income | | |
| Interest income on loans issued | 12,230,266 | 8,160,364 |
| Interest income on deposit | 16,670 | 5,220 |
| | <u>12,246,936</u> | <u>8,165,584</u> |
| Interest expense | | |
| Interest expense on bank loans | (1,202,848) | (709,509) |
| Interest expense on loans DAMU | (71,373) | (3,525) |
| Interest expense on bonds | (1,031,049) | (516,983) |
| Unwinding of discount on bonds | (8,244) | (1,428) |
| Interest expense on other loans received | (37,970) | (51,325) |
| Unwinding of lease discount | (236) | - |
| Penalties for late payment on other loans received | <u>(2,351,720)</u> | <u>(1,282,770)</u> |
| | <u>9,895,216</u> | <u>6,882,814</u> |

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.

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 (2021: KZT 58 million), loan terms in 2022 ranged from 30 days to 84 months (2021: from 30 days to 60 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 (2021: from 2% to 3.74%).

7 General and administrative expenses

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| Remuneration of personnel and related deductions | 2,361,721 | 1,431,950 |
| Supplier services | 1,107,171 | 634,650 |
| Charitable assistance to related parties (Note 24) | 278,819 | 378,180 |
| Related party services (Note 24) | 226,705 | 528,308 |
| Depreciation of a right-of-use asset (Note 13) | 142,002 | 130,446 |
| Inventories | 62,519 | 50,382 |
| Depreciation and amortization (Notes 11,12) | 40,840 | 29,715 |
| Other taxes | 17,470 | 4,858 |
| Other | 35,790 | 16,138 |
| | <u>4,332,288</u> | <u>3,204,628</u> |

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Notes to the financial statements for the year ended 31 December 2022
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8 Other income, net

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Income from penalties for late loan repayment | 770,453 | 965,371 |
| Income under the contract of assignment (Note 19) | 924,753 | 293,865 |
| Income from sale of property, plant and equipment | 77,912 | - |
| Expenses on disposal of property, plant and equipment | (45,964) | - |
| Other income (expenses), net | 38,661 | 51,190 |
| | <u>1,765,815</u> | <u>1,310,426</u> |

9 Impairment losses and write-offs

| | <u>2022</u> | <u>2021</u> |
|---|----------------|----------------|
| Provision for expected credit losses on loans to customers (Note 15) | 756,190 | 462,662 |
| Provision (Recovery of provision) for impairment on prepayments and other current assets (Note 18) | (4,474) | 3,306 |
| Provision (Recovery of provision) for expected credit losses on cash and cash equivalents (Note 14) | (257) | 1,062 |
| Provision for expected credit losses on restricted cash (Note 16) | 3 | - |
| | <u>751,462</u> | <u>467,030</u> |

10 Income tax expense

(a) Income tax expense

| | <u>2022</u> | <u>2021</u> |
|--------------------|------------------|----------------|
| Current income tax | 1,331,605 | 956,701 |
| Deferred tax | (1,826) | (17,611) |
| | <u>1,329,779</u> | <u>939,090</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>2022</u> | <u>2021</u> |
|--|------------------|----------------|
| Income before tax | 6,576,695 | 4,519,916 |
| Estimated amount of tax at the established rate (20%) | 1,315,339 | 903,983 |
| Adjustments for income and expenses that do not change the tax | | |
| - general and administrative expenses | 14,440 | 35,107 |
| | <u>1,329,779</u> | <u>939,090</u> |

(b) Deferred tax assets and liabilities

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

| | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| Property, plant and equipment and intangible assets | (13,519) | (9,857) |
| Taxes | 1,155 | 2,840 |
| Unused vacation | 17,709 | 11,528 |
| Outstanding interest payable | 16,641 | 13,896 |
| Lease | 5,198 | 4,844 |
| | <u>27,184</u> | <u>23,251</u> |

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Notes to the financial statements for the year ended 31 December 2022
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10 Income tax expense (continued)

The movement of time differences can be represented as follows:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| As at January 1 | 23,251 | 5,640 |
| Increase as a result of joining (Note 5) | 2,107 | - |
| Included in the profit or loss | <u>1,826</u> | <u>17,611</u> |
| As at December 31 | <u>27,184</u> | <u>23,251</u> |

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| 11 | Property, plant and equipment | Transport | Computers | Other | Construction in progress | Total |
|----|----------------------------------|-----------------|-----------------|-----------------|--------------------------|-----------------|
| | <i>Historical cost</i> | | | | | |
| | As at 31 December 2020 | 68,012 | 13,138 | 31,911 | 2,691 | 115,752 |
| | Acquired | - | 6,744 | 42,172 | - | 48,916 |
| | Received as a result of joining | - | 137 | 29,234 | - | 29,371 |
| | Disposed | - | - | - | (2,691) | (2,691) |
| | As at 31 December 2021 | 68,012 | 20,019 | 103,317 | - | 191,348 |
| | Acquired | - | 27,002 | 15,641 | - | 42,643 |
| | Received as a result of joining | - | 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) |
| | As at 31 December 2022 | - | 82,380 | 86,040 | - | 168,420 |
| | <i>Accumulated depreciation</i> | | | | | |
| | As at 31 December 2020 | (9,635) | (4,923) | (11,278) | - | (25,836) |
| | Accrued for the year | (6,801) | (7,805) | (15,110) | - | (29,716) |
| | As at 31 December 2021 | (16,436) | (12,728) | (26,388) | - | (55,552) |
| | Accrued for the year | (6,235) | (16,021) | (18,017) | - | (40,273) |
| | Disposed | 22,671 | 381 | 760 | - | 23,812 |
| | As at 31 December 2022 | - | (28,368) | (43,645) | - | (72,013) |
| | <i>Carrying value</i> | | | | | |
| | As at 31 December 2020 | 58,377 | 8,215 | 20,633 | 2,691 | 89,916 |
| | As at 31 December 2021 | 51,576 | 7,291 | 76,929 | - | 135,796 |
| | As at 31 December 2022 | - | 54,012 | 42,395 | - | 96,407 |

Depreciation of property, plant and equipment in the amount of KZT 40,273 thousand (2021: KZT 29,716 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 40,273 thousand as of 31 December 2022 (31 December 2021: KZT 29,716 thousand). Property, plant and equipment are not pledged under loan agreements (Note 21).

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12 Intangible assets

| | <u>Trademark</u> | <u>Licenses</u> | <u>Total</u> |
|--|------------------|-----------------|----------------|
| <i>Historical cost</i> | | | |
| As at 31 December 2020 | - | - | - |
| Received as a result of joining | 177,622 | - | 177,622 |
| As at 31 December 2021 | 177,622 | - | 177,622 |
| Acquired | 206 | 16,177 | 16,383 |
| Transferred from property, plant and equipment | 137 | - | 137 |
| As at 31 December 2022 | 177,965 | 16,177 | 194,142 |
| <i>Accumulated depreciation</i> | | | |
| As at 31 December 2020 | - | - | - |
| As at 31 December 2021 | - | - | - |
| Acquired | - | (567) | (567) |
| As at 31 December 2022 | - | (567) | (567) |
| <i>Carrying value</i> | | | |
| As at 31 December 2020 | 177,622 | - | 177,622 |
| As at 31 December 2021 | 177,965 | 15,610 | 193,575 |

Amortization of intangible assets is fully included in administrative expenses (Note 7).

13 Right-of-use asset and lease obligations

The Company has lease agreements for premises. The lease terms usually do not exceed three years. The Company's obligations under lease agreements are secured by the lessor's ownership of the leased assets. The Company does not have the right to transfer, or sublease leased assets.

The Company also has some lease agreements for premises with a lease term not exceeding 12 months. For these contracts, the Company applies the recognition exemptions provided for short-term leases and leases of low-value assets. The Company includes the costs of such a lease in general and administrative expenses.

During 2022-2021, 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:

| | Premises | |
|--------------------------|-----------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| As at January 1 | 254,583 | 280,706 |
| Additions | 57,731 | 133,935 |
| Disposals | (12,366) | (29,612) |
| Depreciation expense | (142,002) | (130,446) |
| As at December 31 | 157,946 | 254,583 |

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14 Cash and cash equivalents

| | 31.12.2022 | 31.12.2021 |
|--|-------------------------|-------------------------|
| Cash on hand in KZT | 179,463 | 50,143 |
| Cash on bank accounts in KZT | 335,716 | 936,170 |
| Short-term deposit in KZT | 543,000 | 1,340,544 |
| Cash in transit in KZT | 59,056 | - |
| Less: provision for expected credit losses | <u>(1,268)</u> | <u>(1,525)</u> |
| | <u>1,115,967</u> | <u>2,325,332</u> |

Cash credited to terminals is classified as cash in transit.

As at 31 December 2022 and as at 31 December 2021, the short-term deposit is a deposit placed in Halyk bank of Kazakhstan JSC for a period of up to three months. The agreement provides for additional installments and withdrawals at any periodicity. The interest rate on the deposit is 14.75% (2021: 7.5%).

Interest on deposits is recorded as interest income in the statement of comprehensive income in the amount of KZT 16,670 thousand (2021: KZT 5,220 thousand).

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

| | 2022 | 2021 |
|--|----------------|----------------|
| Provision for expected credit losses as at 1 January | (1,525) | (463) |
| Accrued | - | (1,062) |
| Recovered | 257 | - |
| Provision for expected credit losses as at 31 December | <u>(1,268)</u> | <u>(1,525)</u> |

Information about the Company's exposure to credit risk in relation to cash is disclosed in Note 26.

15 Loans to customers

| | 31.12.2022 | 31.12.2021 |
|--|--------------------------|--------------------------|
| Long-term consumer loans to customer | 16,520,171 | 3,621,494 |
| Less: Provision for expected credit losses | <u>(23,978)</u> | <u>(4,511)</u> |
| | <u>16,496,193</u> | <u>3,616,983</u> |
| Consumer loans to customer | 18,197,043 | 17,413,328 |
| Interest accrued | 850,414 | 1,254,837 |
| Less: Provision for expected credit losses | <u>(1,662,245)</u> | <u>(920,017)</u> |
| | <u>17,385,212</u> | <u>17,748,148</u> |

Loans to customers as of 31 December 2022 and 2021 are presented in KZT.

Loans to customers and interest accrued are recorded on loans issued to individuals and legal entities secured by movable and immovable property. The collateral for these loans is vehicles and real estate objects of individuals and legal entities that have received loans.

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15 Loans to customers (continued)

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

| | <u>2022</u> | <u>2021</u> |
|---|---------------------------|-------------------------|
| Provision for expected credit losses as of January 1 | (924,528) | (466,122) |
| Accrued | (756,190) | (462,662) |
| Used | 31,069 | 4,256 |
| Increased by joining | (36,574) | - |
| Provision for expected credit losses as of December 31 | <u>(1,686,223)</u> | <u>(924,528)</u> |

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15 Loans to customers (continued)

The table below shows credit quality and maximum exposure to credit risk by maturity and ECL stage.

| | 31.12.2022 | | | | | |
|--------------------------------------|--------------|-------------------|--------------|------------------|--------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | |
| | Individually | On a group basis | Individually | On a group basis | Individually | On a group basis |
| Not overdue | - | 31,939,086 | - | - | - | 31,939,086 |
| Overdue up to 30 days | - | 1,708,527 | - | - | - | 1,708,527 |
| Overdue from 30 to 180 days | - | - | - | 809,987 | - | 809,987 |
| Individually impaired | - | - | - | - | 1,110,028 | 1,110,028 |
| | - | 33,647,613 | - | 809,987 | - | 35,567,628 |
| Provision for expected credit losses | - | (919,148) | - | (188,352) | - | (1,686,223) |
| | - | 32,728,465 | - | 621,635 | - | 33,881,405 |

| | 31.12.2021 | | | | | |
|--------------------------------------|--------------|-------------------|--------------|------------------|--------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | |
| | Individually | On a group basis | Individually | On a group basis | Individually | On a group basis |
| Not overdue | - | 20,740,301 | - | - | - | 20,740,301 |
| Overdue up to 30 days | - | 665,728 | - | - | - | 665,728 |
| Overdue from 30 to 180 days | - | - | - | 318,921 | - | 318,921 |
| Individually impaired | - | - | - | - | 564,709 | 564,709 |
| | - | 21,406,029 | - | 318,921 | - | 22,289,659 |
| Provision for expected credit losses | - | (404,343) | - | (93,354) | - | (924,528) |
| | - | 21,001,686 | - | 225,567 | - | 21,365,131 |

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15 Loans to customers (continued)

As of 31 December 2022, the total fair value of collateral was KZT 115,146,049 thousand (2021: KZT 54,459,535 thousand).

Information about the Company's exposure to credit risk in relation to loans to customers is disclosed in Note 26.

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 (Note 21). As at 31 December 2022 the Company's provision for expected credit losses amounted to KZT 3 thousand.

17 Loans to related parties and other financial assets

Loans to related parties
 Interest accrued

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|-------------------|-------------------|
| | - | 1,189,900 |
| | - | 190,600 |
| | <u>-</u> | <u>1,380,500</u> |

Loans issued to related parties

During 2021, the Company concluded a number of loan agreements with MFO TAS MICROFINANCE LLP for a total amount of KZT 887,700 thousand with a term of one year from the date of receipt, the interest rate stipulated in the agreement is 22.7%.

The debt on accrued remuneration on loans of MFO TAS MICROFINANCE LLP as of December 31, 2021 amounts to KZT 190,600 thousand.

Debt of MFO TAS MICROFINANCE LLP was repaid as a result of the joining (Note 5).

Information about the Company's exposure to credit risk in relation to loans to customers is disclosed in Note 26.

18 Prepayments and other current assets

Prepayments for the supply of inventory and the provision of services
 Prepayments for the supply of inventory and the provision of services to related parties
 Employee receivables
 Key management personnel receivables
 Other debts of employees
 Prepaid expenses
 Other current assets
 Less: Provision for impairment

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|-------------------|-------------------|
| | 23,310 | 22,515 |
| | 60 | - |
| | 10,208 | 16,059 |
| | 92,160 | 44,572 |
| | 6,609 | - |
| | 20,593 | 9,717 |
| | 23,975 | 8,720 |
| | - | (5,653) |
| | <u>176,915</u> | <u>95,930</u> |

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18 Prepayments and other current assets (continued)

The movements for provision for impairment of advances paid and other current assets were as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-------------|----------------|
| Provision for impairment as at 1 January | (5,653) | (2,347) |
| Accrued | - | (3,306) |
| Written off against the provision | 1,179 | - |
| Recovered | 4,474 | - |
| Provision for impairment as at 31 December | <u>-</u> | <u>(5,653)</u> |

19 Accounts receivable

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|-------------------|-------------------|
| Accounts receivable under the contract of assignment | 78,926 | 113,360 |
| Accounts receivable for sold bonds | - | 5,499 |
| Other | 505 | 469 |
| | <u>79,431</u> | <u>119,328</u> |

On June 23, 2021, the Company entered into an agency agreement with Freedom Finance Life Insurance Company JSC (the "insurance company") under the terms of which the Company provides intermediary services for a fee to enter into insurance contracts for and on behalf of the insurance company. Accounts receivable represent amounts due for accrued remuneration to be received. The contract does not provide for offsetting with the obligation to transfer cash received under concluded insurance contracts (Note 22).

20 Authorised capital

As at December 31, 2022, and 2021, the registered and paid-in authorised capital of the Company was KZT 1,565,000 thousand and KZT 1,465,000 thousand respectively. The list of participants is disclosed in Note 1.

Dividends

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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21 Financial liabilities

| | Interest rate | Maturity | 31.12.2021 | 31.12.2020 |
|--|---------------|-----------|-------------------|------------------|
| Long-term financial liabilities | | | | |
| Halyk bank of Kazakhstan JSC | 13.5%-21.25% | 2023-2025 | 4,545,892 | 4,592,000 |
| DAMU Entrepreneurship Development Fund JSC | 9%-13% | 2023-2025 | 747,474 | 36,666 |
| Bonds | 19% | 2023 | - | 3,238,087 |
| Lease liabilities | 12.8%-17.3% | 2023-2025 | 49,402 | 143,265 |
| | | | 5,342,768 | 8,010,018 |
| Short-term financial liabilities | | | | |
| Halyk bank of Kazakhstan JSC | 13.5%-21.25% | 2023-2022 | 4,480,350 | 2,738,605 |
| Interest on bank loans | | 2023-2022 | 54,451 | 31,597 |
| DAMU Entrepreneurship Development Fund JSC | 9%-13% | 2023-2022 | 658,620 | 146,667 |
| Interest on DAMU loans | | 2023-2022 | 28,753 | 1,813 |
| Bonds | 19% | 2023-2022 | 6,163,296 | 1,104,000 |
| Interest on bonds | | 2023-2022 | 68,401 | 36,070 |
| Other financial liabilities to related parties | 0% | 2023-2022 | 627,549 | 500,604 |
| Lease liabilities | 12.8%-17.3% | 2023-2022 | 134,532 | 135,539 |
| | | | 12,215,952 | 4,694,895 |

21 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 2022-2021 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 7,118,691 thousand (31.12.2021: 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. The collateral value of real estate as of December 31, 2022 is KZT 11,981,651 thousand (2021: KZT 1,178,582 thousand).

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 GC, 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, 2022, and 2021, 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 18 months from the date of receipt of the amount of the first tranche.

The collateral for the credit line is the guarantees provided by the related parties.

Bonds

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.

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21 Financial liabilities (continued)

The discount on the placement amounted to KZT 17,979 thousand and is reflected as a decrease in the book value of the bonds, unwinding of the discount from the date of placement to December 31 amounted to KZT 8,244 thousand (31.12.2021: KZT 1,428 thousand) and is reflected in finance costs.

On December 30, 2019, the Company listed 4,000 coupon bonds on the exchange of the Astana International Financial Center ("AIX") for a total amount of KZT 4,000,000 thousand with an interest rate of 20% per annum, payment of remuneration on a quarterly basis and maturity date of December 30, 2021. The nominal value of one bond is 1,000,000 (One million) tenge. As of December 31, 2,002 shares were placed at par value.

As at December 31, 2021, the value of bonds due by January 5, 2022 amounted to KZT 1,104,000 thousand. On January 5, 2022, the Company fully repaid the nominal value of the bonds.

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 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.

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>2022</u> | <u>2021</u> |
|-----------------------------------|--------------------------|--------------------------|
| As at January 1 | 278,804 | 290,393 |
| Addition | 57,731 | 133,935 |
| Disposals | (8,978) | (35,342) |
| Accrued interest | 37,970 | 51,325 |
| Payments | (181,593) | (161,507) |
| As at December 31 | <u>183,934</u> | <u>278,804</u> |
| | <u>31.12.2022</u> | <u>31.12.2021</u> |
| Long-term portion of liabilities | 134,532 | 135,539 |
| Short-term portion of liabilities | 49,402 | 143,265 |
| | <u>183,934</u> | <u>278,804</u> |

The Company's exposure to liquidity risk in relation to financial liabilities is disclosed in Note 26.

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22 Trade payables

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|---|-----------------------|-----------------------|
| Trade payables | 23,610 | 27,786 |
| Accounts payable under the contract of assignment (Note 19) | 99,614 | 130,206 |
| Trade payables of related parties | 100 | 1,929 |
| | <u>123,324</u> | <u>159,921</u> |

Accounts payable under the contract of assignment is a debt on obligations to transfer funds to an insurance company under concluded insurance contracts (Note 19).

Trade payables as of 31 December 2022 and 2021 are denominated in KZT.

Information about the Company's exposure to liquidity risk in relation to trade payables is disclosed in Note 26.

23 Other liabilities

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|-----------------------|-----------------------|
| Taxes payable and off-budget payments | 69,011 | 48,549 |
| Salaries payable | 121,768 | 80,988 |
| Advances received | 154,677 | 131,889 |
| Advances received from related parties | 249,569 | - |
| Unused vacation | 88,546 | 57,639 |
| Other | 4,518 | 2,478 |
| | <u>688,089</u> | <u>321,543</u> |

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.

24 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.

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24 Related party transactions (continued)

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

| | <u>2022</u> | <u>2021</u> |
|--|----------------|----------------|
| Net interest income: | | |
| Interest income | 241,866 | 284,269 |
| Interest expense | (185,065) | (78,702) |
| | <u>56,801</u> | <u>205,567</u> |
| Acquisition of inventory | | |
| Acquisition of inventory | 3,232 | - |
| General and administrative expenses | | |
| Charity | 278,819 | 378,180 |
| Collateral registration services | 327 | 135,967 |
| Marketing services | - | 86,969 |
| Services for setting and removing encumbrances of collateral | 43,932 | 86,925 |
| Cleaning services | 57,537 | 80,764 |
| Rental premises | 62,843 | 54,810 |
| Training | 60,352 | 78,229 |
| Construction and installation works | 1,714 | 3,575 |
| Other expenses | - | 1,069 |
| | <u>505,524</u> | <u>906,488</u> |

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

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|---|--------------------|-------------------|
| Prepayment and other current assets | 60 | - |
| Loans to related parties and other financial assets | - | 1,380,500 |
| Short-term financial liabilities | (627,549) | (500,604) |
| Short-term financial liabilities - bonds | (1,139,491) | (393,107) |
| Trade payables | (100) | (1,929) |
| | <u>(1,767,080)</u> | <u>484,860</u> |

Key management personnel consist of five persons as at December 31, 2022 (2021: three persons). Remuneration to key management personnel of the Company accrued for 2022 is KZT 200,778 thousand (2021: KZT 103,440 thousand) and it represents salaries and other current payments.

25 Contractual and contingent liabilities

(a) Political and economic conditions

In recent years, there have been some improvements in the economic situation in the country, however, the economic situation of the Republic of Kazakhstan continues to show the characteristics inherent in emerging markets. Among other things, such characteristic features include the lack of a freely convertible national currency outside the country and the low level of liquidity of debt and equity securities in the markets.

The Company's financial condition and future operations may deteriorate due to the ongoing economic challenges inherent in emerging markets. The Company's management cannot anticipate the extent or duration of the economic difficulties or assess their impact, if any, on these financial statements.

25 Contractual and Contingent Liabilities (continued)

(b) Taxation

Kazakhstan's tax law and practices change continuously and are therefore subject to varying interpretations and frequent changes that may have a retrospective impact. In addition, the interpretation of tax legislation by the tax authorities in relation to the transactions and activities of the Company may not coincide with the interpretation of management. As a result, the Company's transactions may be challenged by the tax authorities, and the Company may be charged additional taxes, penalties, and fines. Tax periods are open for review by the tax authorities for five years

The Company's management believes that it has interpreted the relevant provisions of the legislation correctly, and that the Company's position adopted in terms of tax and currency legislation will be successfully defended in the event of any dispute. Accordingly, as of 31 December 2022 and 2021, no provision was made for potential tax liabilities

(c) 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.

(d) 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.

(e) Economic sanctions on the Russian Federation

In February 2022, because of the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation.

Due to increased geopolitical tensions, since February 2022 there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of the tenge against the USD and euro.

The Company's management regularly analyzes the potential impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.

26 Financial risk management

The Company's activities involve various financial risks: market risk, liquidity risk, and credit risk. The Company's risk management program focuses on the unpredictability of financial risks and aims to minimize the potential negative impact on the Company's financial results. The Company does not use derivative financial instruments to hedge its exposure to risks.

Risk of interest rate changes affecting cash flows and fair value

At the reporting date, the Company has no assets or liabilities with floating interest rates, and therefore management does not disclose the sensitivity analysis to changes in interest rates.

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26 Financial risk management (continued)

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 at 31 December 2022 and 31 December 2021, all financial instruments were denominated in KZT.

Credit risk

Credit risk is the risk that the Company will incur financial losses because the counterparties will not meet their obligations under the financial instrument or the client agreement.

The Company is exposed to credit risk in due to 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).

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

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

| | Location | Rating | 31.12.2022 | 31.12.2021 |
|-------------------------|-----------------|----------------|-------------------|-------------------|
| ForteBank JSC | Kazakhstan | B+ stable | - | 3,317 |
| Halyk Bank JSC | Kazakhstan | BB stable | 899,203 | 2,246,107 |
| NurBank JSC | Kazakhstan | BB stable | 5,513 | 6,051 |
| RPS Asia | Kazakhstan | Without Rating | 2,702 | 543 |
| RPS Asia | Kazakhstan | Without Rating | 47,985 | 14,275 |
| Kassa 24 LLP | Kazakhstan | Without Rating | 2,544 | 2,007 |
| Acquiring LLP | Kazakhstan | Without Rating | 219 | 326 |
| QIWI KAZAKHSTAN LLP | Kazakhstan | Without Rating | 5,606 | 4,088 |
| Less: provision for ECL | | | (1,271) | (1,525) |
| | | | 962,501 | 2,275,189 |
| Loans to customers | Kazakhstan | Without Rating | 35,567,628 | 22,289,659 |
| Less: provision for ECL | | | (1,686,223) | (924,528) |
| | | | 33,881,405 | 21,365,131 |

26 Financial risk management (continued)

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 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.

| 2022 | From 1 to 3 months | From 3 months to 1 year | More than 1 year | Total |
|-----------------------|-------------------------------|--|-----------------------------|-------------------|
| Financial liabilities | 185,238 | 12,030,714 | 5,342,768 | 17,558,720 |
| Trade payables | 123,324 | | | 123,324 |
| | 308,562 | 12,030,714 | 5,342,768 | 17,682,044 |
| 2021 | From 1 to 3 months | From 3 months to 1 year | More than 1 year | Total |
| Financial liabilities | 1,207,365 | 3,487,530 | 8,010,018 | 12,704,913 |
| Trade payables | 159,921 | - | - | 159,921 |
| | 1,367,286 | 3,487,530 | 8,010,018 | 12,864,834 |

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.

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24 Financial risk management

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

| | As at 1 January 2021 | Cash flows | Accrued interest | Interest paid | Recognition of a lease | Other* | As at 31 December 2021 |
|-----------------------------------|-------------------------|------------------|---------------------|--------------------|---------------------------|--------------------|---------------------------|
| Halyk Bank JSC | 3,609,001 | 3,724,852 | 709,509 | (681,160) | - | - | 7,362,202 |
| DAMU Entrepreneurship Development | - | 183,333 | 3,525 | (1,456) | - | (256) | 185,146 |
| Bonds | 2,004,224 | 2,350,977 | 516,983 | (499,669) | - | 5,642 | 4,378,157 |
| Other financial liabilities | 6,176,815 | (321,119) | - | - | - | (5,355,092) | 500,604 |
| Lease liabilities | 290,393 | (110,182) | 51,325 | (51,325) | 133,935 | (35,342) | 278,804 |
| | 12,080,433 | 5,827,861 | 1,281,342 | (1,233,610) | 133,935 | (5,385,048) | 12,704,913 |

The column "Cash flows" reflects cash flows from bank loans and other financial liabilities, which represent the net amount of receipts and payments on borrowed funds in the statement of cash flows

The column "Other" includes offsets and non-monetary transactions on other financial liabilities, accounts receivable on unpaid placed bonds, withheld income tax at the source of payment, reduction of lease obligations due to termination of the contract. The Company classifies the remuneration paid as cash flows from operating activities.

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26 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.

| 2022 | Measurement date | Fair value measurement using | | |
|--|------------------|------------------------------|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Assets for which fair values are disclosed | | | | |
| 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 | - |
| Liabilities for which fair values are disclosed | | | | |
| Trade payables | 31 December 2022 | - | (123,324) | - |
| Financial liabilities | 31 December 2022 | - | (17,558,720) | - |

| 2021 | Measurement date | Fair value measurement using | | |
|--|------------------|------------------------------|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Assets for which fair values are disclosed | | | | |
| Loans to customers | 31 December 2021 | - | 21,365,131 | - |
| Cash and cash equivalents | 31 December 2021 | - | 2,325,332 | - |
| Loans to related parties and other financial assets | 31 December 2021 | - | 1,380,500 | - |
| Accounts receivable | 31 December 2021 | - | 119,328 | - |
| Liabilities for which fair values are disclosed | | | | |
| Trade payables | 31 December 2021 | - | (159,921) | - |
| Financial liabilities | 31 December 2021 | - | (12,704,913) | - |

26 Financial risk management (continued)

Capital Management

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.

Currently, the Company's regulatory capital is represented by:

- The minimum size of the authorised capital;
- The minimum amount of equity capital;
- Capital adequacy;
- The maximum amount of risk per borrower;
- Leverage ratio.

The table below summarizes the composition of the Company's regulatory capital and ratios. During 2022 and 2021, the Company complied with all external capital requirements.

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|--------------------------|--------------------------|
| Authorised capital | 1,565,000 | 1,465,000 |
| Retained earnings | 15,694,198 | 11,087,843 |
| Total equity | <u>17,259,198</u> | <u>12,552,843</u> |
| | | |
| Total assets | 35,754,827 | 25,877,473 |
| | | |
| Requirements to the borrower in the form of microfinance and receivables, including written-off from the balance | <u>59,764</u> | <u>198,629</u> |
| | | |
| Total liabilities | 18,495,629 | 13,324,630 |
| | | |
| Capital adequacy ratio | <u>0.49</u> | <u>0.49</u> |
| Maximum amount per borrower | <u>0.004</u> | <u>0.016</u> |
| Leverage ratio | <u>1.114</u> | <u>1.048</u> |

27 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.

27 Significant non-monetary transactions (continued)

2021

- increase in fixed and intangible assets as a result of merger in the amount of KZT 206,993 thousand,
- increase in loans to customers as a result of merger in the amount of KZT 778,065 thousand,
- increase in share capital as a result of merger in the amount of KZT 965,000 thousand,
- netting of loans issued to related parties and other financial liabilities as a result of merger in the amount of KZT 5,355,092 thousand,
- receivables for outstanding bonds in the amount of KZT 5,499 thousand.

28 Subsequent events

On February 20, 2023, Mr. Okimbayev N.E. left the Company on the basis of a contract of sale of a 1.5% stake in the authorized capital.

On March 10, 2023 the Company paid coupon interest on the bonds in the amount of KZT 346,109 thousand.