


“Swiss Capital” Microfinance organization”
Limited Liability Company

Financial statements for the year ended 31
December 2019 and Independent auditor’s
report



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TO THE PARTICIPANT OF SWISS CAPITAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of the "Swiss Capital" Microfinance organization" Limited Liability Company (hereinafter referred to as the "Company") which comprise the statement of financial position as at 31 December 2019 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the Company's financial position as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

Auditor T.A. Omarov

Auditor qualification certificate No. 0000237 dated April 29, 1996 issued by the Qualification Commission for certification of auditors of the Republic of Kazakhstan.

BDO Kazakhstan LLP

State license No. 15003448 issued February 19, 2015 by the Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan, Astana.

03 August 2020

Almaty

Director T.A. Omarov

RESPONSIBILITY OF THE MANAGEMENT FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management of “Swiss Capital” Microfinance organization” LLC (hereinafter - the "Company") is responsible for the preparation of financial statements, that present fairly the financial position of the Company as of 31 December 2019, as well as the financial results of its operations, cash flows and changes in equity for the year ended at 31 December 2019, in accordance with International Financial Reporting Standards (hereinafter - IFRS).

In preparing the financial statements, management is responsible for:

- Ensuring correct selection and application of accounting policies.
- Disclosure including accounting policy in a form ensuring relevance, reliability, comparability and clarity of information disclosed.
- Additional disclosures when compliance with IFRSs requirements is insufficient for users to understand the impact of certain transactions, other events or conditions on the financial position or financial performance of the Company.
- Assessing Company's ability to continue operations in the foreseeable future.

Management is also responsible for:

- Design, implementation and ensuring reliable internal control in the Company.
- Record keeping that allow for the disclosure of Company's transactions and providing sufficiently accurate information on the Company's financial position as of any date and ensuring financial statements compliance with IFRS.
- Record keeping in accordance with the legislation of the Republic of Kazakhstan.
- Taking all reasonable efforts to ensure safety of Company assets.
- Financial mismanagement detection and prevention.

The financial statements for the year ended 31 December 2019 were approved by the Company's management on August 03, 2020.

Signed and authorized for issue on behalf of the Management of the Company:

A. Beisenbayev



Director

D. Bakiyeva



Chief Accountant



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(in thousands of tenge)

	Notes	2019	2018
Interest income	5	1,233,398	1,057,484
Interest expenses	6	(303,315)	(215,771)
Net interest income		930,083	841,713
Loan impairment charge and write offs	7	(27,481)	(52,295)
Net interest income after impairment losses		902,602	789,418
Personnel expenses	8	(280,255)	(195,974)
Operating and administrative expenses	9	(591,262)	(556,021)
Foreign exchange gain / (loss), net	10	19,645	(234,550)
Other income	11	11,957	62,680
Income/(loss) before corporate income tax expense		62,687	(134,447)
Corporate income tax expense/(benefit)	12	1,919	(8)
Income/(loss) for the year		64,606	(134,455)
Other comprehensive income / (loss) for the year		-	-
Total comprehensive I income/(loss) for the year		64,606	(134,455)

Signed and authorized for issue on behalf of the Management of the Company:

A. Beisenbayev

Director

D. Bakiyeva

Chief Accountant

August 03, 2020



STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(in thousands of tenge)

	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	13	112,049	189,482
Loans to customers	14	3,018,477	1,641,787
Inventories	15	9,558	10,771
Tax prepaid	16	7,008	4,411
Property and equipment	17	89,962	64,127
Right-of-use assets	3	104,976	-
Intangible assets	18	5,885	4,321
Deferred tax assets	12	1,541	-
Other assets	19	17,654	15,572
Total assets		3,367,110	1,930,471
Liabilities			
Borrowed fund	20	2,958,100	1,714,659
Current payables	21	20,263	4,844
Tax liabilities	22	7,915	12,506
Lease liabilities	3	112,246	-
Deferred tax liability	12	-	377
Other liabilities	23	27,078	15,272
Total liabilities		3,125,602	1,747,658
Equity			
Issued capital	24	484,408	484,408
Retained earnings		(242,900)	(301,595)
Total equity		241,508	182,813
Total equity and liabilities		3,367,110	1,930,471

Signed and authorized for issue on behalf of the Management of the Company:

A. Beisenbayev

Director

D. Bakiyeva
August 03, 2020

Chief Accountant



STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(in thousands of tenge)

	Notes	2019	2018
Operating activities			
Profit/ (loss) before corporate income tax expense		62,687	(134,447)
<i>Adjustments:</i>			
Depreciation of property and equipment and amortization of intangible assets		22,358	14,986
Depreciation of right-of-use assets		34,107	-
Accrued interest income		(1,233,398)	(1,057,484)
Commissions		15	(22,539)
Accrued interest expenses on borrowed funds		291,380	215,771
Accrued interest expense on lease liabilities		11,935	-
Impairment charge on loans to customers		27,481	52,295
Other impairment and provisions		12,435	17,190
Accrued vacation reserve and other payroll accruals		16,350	12,005
Unrealized losses/(income) from transactions in foreign currencies		(19,413)	202,108
Loss on disposal of property and equipment		-	65
<i>Net increase in operating assets:</i>			
Loans to customers		(1,304,053)	(629,977)
Other assets		(3,466)	(15,233)
<i>Net increase/ (decrease) in operating liabilities:</i>			
Current payables		15,419	(9,891)
Other liabilities		(41,591)	1,482
Net cash flows used in operating activities before corporate income tax		(2,107,754)	(1,353,669)
Interest income received		1,120,642	966,656
Interest expenses paid		(215,994)	(199,897)
Net cash flows used in operating activities		(1,203,106)	(586,910)
Investing activities			
Purchase of property and equipment		(46,062)	(41,622)
Purchase of intangible assets		(3,695)	-
Net cash flows used in investing activities		(49,757)	(41,622)
Financing activities			
Contribution to issued capital		-	484,372
Receipt of amounts due to credit institutions		1,717,897	1,178,074
Repayment of amounts due to credit institutions		(485,014)	(926,522)
Repayment of leases liabilities		(44,692)	-
Net cash flows used in financing activities		1,188,191	735,924
Effect of exchange rate changes on cash and cash equivalents		(12,761)	10,279

STATEMENT OF CASH FLOWS (continued)

	Notes	2019	2018
Net (decrease)/increase in cash and cash equivalents		(77,433)	117,671
Cash and cash equivalents, beginning		189,482	71,811
Cash and cash equivalents, ending		<u>112,049</u>	<u>189,482</u>

Signed and authorized for issue on behalf of the Management of the Company:

A. Beisenbayev



Director

D. Bakiyeva

Chief Accountant

August 03, 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(in thousands of tenge)

	Notes	Issued capital	Retained earnings	Total equity
Balance as at 1 January 2018		36	(167,140)	(167,104)
Comprehensive income for the year		-	(134,455)	(134,455)
Contribution to issued capital		484,372	-	484,372
As at 31 December 2018		484,408	(301,595)	182,813
Impact of adopting IFRS 16		-	(5,911)	(5,911)
Balance as at 1 January 2019 restated in accordance with IFRS16		484,408	(307,506)	176,902
Comprehensive income for the year		-	64,606	64,606
As at 31 December 2019		484,408	(242,900)	241,508

Signed and authorized for issue on behalf of the Management of the Company:

A. Beisenbayev

D. Bakiyeva

August 03, 2020




Director
Chief Accountant

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

ZIP Credit LLP (hereinafter referred to as the Company) was registered in the Justice Department of the Bostandyksky District of the Almaty Department of Justice of the Ministry of Justice of the Republic of Kazakhstan, on 1 November 2016. According to the certificate of state registration of a legal entity, the Company was assigned a business identification number (BIN) 161140000592. On 27 April 2017, on the basis of the Decision of the Sole Participant No. 11, the Company was renamed to Swiss Capital LLP, and also changed the Company's location to the following: Republic of Kazakhstan, 050026, Almaty, Almalinsky district, Nurmakova Street, 93A. On April 22, 2020, based on the Decision of the Sole Participant No. 50 dated 31.03.2020, the Company was renamed into “Swiss Capital” Microfinance organization” LLC.

The main activities of the Company during 2018-2019 are:

- short-term loans to individuals collateralized by vehicles

On 4 January 2018 the Company was registered as a pawnshop.

On May 12, 2020, the Company received registration with the National Bank of the Republic of Kazakhstan as a microfinance organization.

The Company's legal address: Republic of Kazakhstan, 050026, Almaty, Nurmakov Street, 93A.

The number of employees of the Company as of 31 December 2018 and 2019 was 75 and 101 people respectively. As at 31 December 2019, the Company had 4 branches and 4 outlets in the Republic of Kazakhstan (31 December 2018: 1 branch and 4 outlets).

Participants:

As of 31 December 2018 and 31 December 2019, the sole shareholder of the Company was SWISS CAPITAL LATVIA Limited Liability Company (hereinafter - the Parent Company), on the basis of the decision of the sole shareholder No. 18 dated 5 December 2017 and in accordance with the share purchase agreement dated 5 December 2017.

The Parent Company exercises full control over its subsidiary - “Swiss Capital” Microfinance organization” LLC.

Operating environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Volatility of tenge exchange rate against major foreign currencies had a negative impact on the Kazakhstan economy. Interest rates in tenge remain high. These factors resulted in limited access to capital, a high cost of capital, high inflation and uncertainty regarding further economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

2. Basis of preparation

Statement of compliance - these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement - these financial statements have been prepared on the historical cost basis.

Compliance with the accrual basis is that the transactions and events in financial statements, with the exception of information about cash flows, are recognized as incurred, and not as the cash and its equivalents are received or paid, and are recorded in accounting registers and presented in financial statements of those periods to which they relate. Costs are recognized in the statement of profit or loss based on a direct comparison

2. Basis of preparation (continued)

between the costs incurred and the specific income items earned (concept of correlation). Revenue is recognized when the economic benefits associated with the transaction and the ability to reliably estimate the income received. The financial statements provide comparative information for the previous period.

Going concern - these financial statements have been prepared in accordance with IFRS, based on the assumption that the Company will adhere to the going concern principle. This involves the realization of assets and the settlement of liabilities in the ordinary course of business in the foreseeable future.

Functional and presentation currency - the functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional and the presentation currency of the Company is the national currency of the Republic of Kazakhstan - Kazakhstan tenge (“tenge”). These financial statements are presented in thousands of Kazakhstan tenge (“tenge”, “presentation currency”), unless otherwise indicated. Transactions in foreign currencies are translated to functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses arising from settlements on such transactions and from recalculation of monetary assets and liabilities denominated in foreign currencies at the end of the year are recognized in the statement of comprehensive income.

Exchange rates

Weighted average exchange rates established at the Kazakhstan Stock Exchange are used as official exchange rates in the Republic of Kazakhstan.

The following table shows the exchange rates for the following dates:

	31 December 2019	31 December 2018
US dollar	381.18	384.20
Euro	426.85	439.37
Russian ruble	6.17	5.52

3. Summary of significant accounting policies

Changes in accounting policies

The accounting principles adopted in the preparation of financial statements are consistent with the principles used for the preparation of the Company's annual financial statements for the year ended 31 December 2019, with the exception of the new standards and clarifications effective from 1 January 2020.

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 16 Leases

3. Summary of significant accounting policies (continued)

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	01 January 2019
Assets	
Right-of-use assets	87,379
Total assets	87,379
Liabilities	
Lease liabilities	93,299
Total liabilities	93,299
Equity	
Retained earnings	(5,920)
Total equity	(5,920)
Total equity and liabilities	87,379

(a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Other assets and Other liabilities, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the

3. Summary of significant accounting policies (continued)

date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Leases previously accounted for as operating leases (continued)

The Company also applied the available practical expedients wherein it:

- Used a discount rate for leases at the date of initial recognition based on the average bank borrowing rate in the month of recognition;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of 87,379 thousand of tenge were recognized;
- Additional lease liabilities of 87,379 thousand of tenge included in Lease liabilities;

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a

3. Summary of significant accounting policies (continued)

change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below 1,0 million of tenge). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of two to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognized in the statement of financial position and statement of comprehensive income

Set out below, are the carrying amounts of the Company’s right-of-use assets and lease liabilities and the movements during the period:

	<u>Right-of use assets</u>	<u>Lease liabilities</u>
As at 1 January 2019	87,379	93,299
Additions	51,704	51,704
Depreciation expense	(34,107)	-
Interest expense	-	11,935
Payments	-	(44,692)
As at 31 December 2019	<u>104,976</u>	<u>112,246</u>

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

3. Summary of significant accounting policies (continued)

The Interpretation is effective from for reporting periods beginning on or after 1 January 2019. The Interpretation did not have an impact on the financial statements of the Company.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required

- to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments also clarify that an entity must first determine the costs for the previous periods or gain/loss from extinguishing the obligations under the plan, excluding the effect of the asset ceiling. This amount is recognized in profit or loss. The entity then needs to determine the effect of the asset cap after the plan is changed, reduced, or the plan is settled in full. Any change in this effect, other than those included in net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Company.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss (ECL) model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the financial statements as the Company does not have long-term interests in associates and joint ventures.

Annual improvements 2015-2017 cycle (released in December 2017)

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair

3. Summary of significant accounting policies (continued)

value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Financial instruments

Initial recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e. the date that the Company commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

3. Summary of significant accounting policies (continued)

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost;
- FVOCI;
- FVPL.

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if such designation eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading, are derivative instruments or classified as measured at fair value upon the entity's discretion.

Loans to customers measured at amortized cost

The Company only measures amounts due from credit institutions, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Company provides loans for one year collateralized by the vehicles owned by the borrower. The vehicle is appraised at the market price and then 25% of this price is deducted automatically - after that an additional deduction is made based on the vehicle and the borrower's financial

3. Summary of significant accounting policies (continued)

characteristics. Due to this specific market and recommendation of the National Bank of Kazakhstan regarding the “fair” appraisal of vehicle collateral value (50% of the appraised value) we follow the below methodology. All vehicles are appraised by local licensed appraisal company, which provide a full valuation report under the local legislations. This appraisal is the basis for applied methodology.

Restructuring of a loan - any change in the order and conditions of the loan agreement, in accordance with any of the following cases:

- Change in the schedule of payments and conditional commitment of the loan in case of specific request of the borrower based on an overdue debt or future expected financial problems for the borrower.
- Provision of new funds and conditional commitments in case of specific request of the borrower based on an overdue debt or future expected financial problems for the borrower.
- Increase of credit limit in case of specific request of the borrower based on an overdue debt or future expected financial problems for the borrower.
- Reduction of the interest rate on the loan by specific request of the borrower based on an overdue debt or future expected financial problems for the borrower.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets and liabilities in 2019.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party’ under a “pass-through” arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

Write-off

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

3. Summary of significant accounting policies (continued)

Financial liabilities

A financial liability’ is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Fair value of financial instruments

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability; or
- (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must have access to the principal (or most advantageous) market at the measurement date. The Company shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value in the financial statements or whose fair value is disclosed in the financial statements are classified within the hierarchy of fair value inputs described below based on the lowest level inputs are significant for fair value measurement:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

In the case of assets and liabilities that are revalued in the financial statements on a periodic basis, the Company determines the need to move them between hierarchy levels by re-analyzing the classification (based on the lowest level data that are significant for fair value assessments as a whole) at the end each reporting period.

Initial measurement of financial instruments

At initial recognition, financial instruments are measured at fair value, which is adjusted for directly related fees and costs in the case of instruments not overestimated at fair value through profit or loss.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Company determines that the fair value at initial recognition differs from the transaction price:

3. Summary of significant accounting policies (continued)

(a) If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) or based on a valuation technique that uses only data from observable markets (ie a Level 2 input). The Company shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss.

(b) In all other cases, the initial measurement of financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company shall recognize that deferred difference as a gain or loss only to the extent that the inputs become observable or at instrument derecognition.

Cash and cash equivalents

Cash and cash equivalents include cash, current accounts of the Company in the commercial banks, and highly liquid financial assets with original maturities of less than 3 (three) months, which are not exposed to significant risk of changes in fair value and are used by the Company to settle current liabilities. Cash and cash equivalents are recorded at amortized cost in the statement of financial position.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the borrowings are derecognized as well as through the amortization process.

Offsetting financial assets

Offsetting financial assets and liabilities by recording only the net balance in the statement of financial position, is carried out only if there is a legally enforceable right to offset and intention to sell the asset simultaneously with the settlement of the liability. The right to set-off should not be subject to an event in the future and should have legal force in all the following circumstances:

- In the ordinary course of business
- In case of default of the obligation; and
- In case of insolvency or bankruptcy of the entity, or any of the counterparties.

These conditions are generally not met for master netting agreements, and the corresponding assets and liabilities are recorded in the statement of financial position in full.

Taxation

The current corporate income tax expense is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate income taxes are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred corporate income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred corporate tax asset is recorded only to the extent that it is probable that taxable

3. Summary of significant accounting policies (continued)

profit will be available against which the deductible temporary differences can be offset. Deferred corporate tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company’s activities. These taxes are recorded in the statement of comprehensive income within *Operating and Administrative expenses*.

Leases

Operating lease – Company as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included in the statement of comprehensive income within *Operating and Administrative expenses*.

Property, plant and equipment

Property, plant and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Hardware	3
Office furniture and equipment	3-10
Vehicles	5

The asset’s residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in the statement of comprehensive income within *Administrative expenses*, unless they qualify for capitalization.

Intangible assets

Intangible assets include software and are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic lives of 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic

3. Summary of significant accounting policies (continued)

benefits will be required to settle the liability and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Company does not have any pension arrangements other than the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments for employees. These expenses are charged in the period the related salaries are earned. In addition, the Company has no significant post-retirement benefits

Equity

Issued capital

Issued capital is classified as equity. Incremental costs directly attributable to the issue of additional issued capital are recognized as a deduction from equity, net of any tax effects.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar income and expenses

The Company calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial 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 carrying amount is recorded as interest income or expense.

When a financial asset 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 financial assets are neither defaulted nor credit-impaired, the Company reverts to calculating interest income on a gross basis.

Other commissions that are not an integral part of the total profitability of loans, as well as other income and expenses are recorded at the date of the provision of the respective service.

Foreign currency translation

The financial statements are presented in Kazakhstani tenge (presentation currency). The Company's functional currency is Kazakhstani tenge, Transactions in foreign currencies are initially translated into functional currency at the official exchange rate at the date of the

3. Summary of significant accounting policies (continued)

transaction established by the National Bank of Republic of Kazakhstan (hereinafter - the “NBRK”). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of comprehensive income as *Net exchange (gain)/loss*. Non-monetary items that are measured at historical cost in a foreign currency are translated at exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated at the official exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate on the date of the transaction are included in *Net exchange (gain)/loss*.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, 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.

IFRS 17 is effective for reporting periods beginning on or after 1 January’ 2021, 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 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material are not expected to have a significant impact on the Company’s financial statements.

3. Summary of significant accounting policies (continued)

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments come into effect from 1 January 2020, but entities may choose to apply them earlier. The amendments are not expected to have a significant impact on the Company’s financial statements.

4. Significant accounting judgements and estimates

Estimation uncertainty

During applying the Company’s accounting policies, management has used its judgements and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgements and estimates are as follows:

Allowance for impairment of loans to customers and receivables

The measurement of losses under IFRS 9 for all categories of financial assets requires judgement. In particular, at estimating ECLs/ impairment losses and the assessment of a significant increase in credit risk the Company needs to assess the value and terms of future cash flows and value of collateral. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on LECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of relations between macroeconomic scenarios and, economic inputs, such as GDP, and the effect on PD;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Management uses estimates based on historical and forward-looking inputs on the structure of losses in respect of assets with similar credit risks and objective indications of an impairment for groups of loans and receivables. Based on experience, the Company uses subjective judgment in adjusting the observable inputs with respect to a group of loans or receivables to record the current circumstances.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include corporate income tax, social tax and other taxes. Kazakhstan trade and tax legislation, in particular, include provisions that may have more than

4. Significant accounting judgements and estimates (continued)

one interpretation, and therefore there is a practice of tax authorities to make an arbitrary judgment on the activities of taxpayers. In this regard, any taxpayer has risks of tax authorities challenging the taxpayer actions based on the interpretation of tax legislation, which can result in additional taxes, fines and penalties. Management believes that the Company is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. Management of the Company is confident that all necessary tax accruals have been made, and, accordingly, no provisions have been made in the financial statements. Tax authorities may conduct tax inspections for the previous five years.

Deferred tax assets

Deferred tax assets are recognized by the Company in respect of unused tax losses and unused tax credits carried forward only to the extent that it is probable that future taxable profit may be earned due to which unused tax losses and unused tax credits can be realized.

Litigation

The Company recognizes provisions only when there is a current liability due to past events, it is possible to transfer economic benefits and the cost of such transfer can be reliably estimated. If these criteria are not met, the contingent liability may be disclosed in the notes to the financial statements. The application of this accounting principle to legal proceedings requires the management of the Company to make decisions on various actual and legal issues beyond management's control.

The Company reviews unresolved legal proceedings every time when the changes occur as well as at each reporting date, in order to assess the need to make provisions in the financial statements. Among the factors that are taken into account when deciding on making a provision are the essence of the claim or fine, the legal process and the potential damage in the jurisdiction in which the trial takes place, whether a lawsuit was filed or a fine was imposed, how the lawsuit is processed (including after the financial statements date, but prior to its issue), the opinions or views of legal advisers, experience of such proceedings and any decisions of the Company's management regarding how to respond to a lawsuit, claim or fine.

Measurement of financial liabilities fair value at initial recognition

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow (DCF) model. Initial data for these models are taken from observable markets where possible, but where it is not possible, a certain degree of judgment is required in determining fair value. Judgments include factors such as liquidity risk, credit risk, and volatility. Changes in assumptions regarding these factors may affect the fair value of financial instruments.

Fixed and variable rate loans are estimated by the Company based on parameters such as interest rates, country-specific risk factors, solvency per customer and risk profile of the funded project. The Company's management believes that the interest rate on loans covers all the above parameters (see Notes 6 and 20).

Leases - estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the

4. Significant accounting judgements and estimates (continued)

Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. More details are provided in Note 3.

5. Interest income

Interest income on:	2019	2018
Loans to customers	1,232,177	1,055,107
Current bank accounts	1,221	2,377
Total interest income	1,233,398	1,057,484

Since July 16, 2018, there have been changes in the legislation of the Republic of Kazakhstan regarding the maximum size of the annual EIR on loans granted to individuals. The annual EIR should not exceed 100 percent. The Company applies this restriction from the moment such changes take effect. These changes do not apply to loans granted that entered into force before July 16, 2018.

6. Interest expenses

Interest expenses on:	2019	2018
Interest expense on unsecured loans from credit institutions (for more information see the Note 25)	(291,380)	(215,771)
Other interest expenses	(11,935)	-
Total interest expenses	(303,315)	(215,771)

Interest expenses from credit institutions are at interest rate of 12% to 16.5% per annum.

7. Loan impairment charge

Loan impairment charges in 2019 are:

	Stage* 1	Stage 2	Stage 3	Total
Loan impairment charge	(2,872)	(9,155)	(15,454)	(27,481)

* See the description of the Stages in Note 26 Credit Risk.

Loan impairment charges in 2018 are:

	Stage* 1	Stage 2	Stage 3	Total
Loan impairment charge	(3,501)	(8,976)	(39,818)	(52,295)

	2019	2018
Loan impairment charge		
Loans to customers	(27,481)	(52,295)
Total loan impairment charge	(27,481)	(52,295)

8. Personnel expenses

Personnel expenses	2019	2018
Salary	(234,494)	(168,633)
Bonuses	(29,411)	(15,336)
Provision for vacation	(16,350)	(12,005)
Total personnel expenses	(280,255)	(195,974)

9. Operating expenses

Operating expenses	2019	2018
Marketing and advertising expenses	(139,694)	(138,993)
Consultant and professional services	(191,792)	(149,215)
Depreciation and amortization	(56,465)	(14,987)
Taxes	(52,420)	(49,572)
Registration and notary fees	(40,947)	(33,090)
IT and communication	(31,715)	(29,835)
GPS costs	(28,105)	(28,428)
Bank charges	(12,478)	(10,004)
Rental and utilities	(6,942)	(31,378)
Transportation and parking	(6,292)	(6,916)
Repairs and maintenance	(5,311)	(11,723)
Travel expenses	(4,276)	(1,669)
Consumables and Office supplies	(3,550)	(5,089)
Legal services	(1,387)	(3,642)
Debt clearing commissions	-	(27,208)
Other expenses	(9,888)	(14,272)
Total operating expenses	(591,262)	(556,021)

10. Foreign exchange gain (loss)

Foreign exchange gain (loss), net	2019	2018
Foreign exchange gain	59,547	62,273
Foreign exchange loss	(39,902)	(296,823)
Total foreign exchange gain (loss), net	19,645	(234,550)

11. Other income

Other income	2019	2018
Commissions	(15)	22,539
Penalties and fines	23,407	57,174
Expenses on writing off debts to borrowers	(12,435)	(17,190)
Other income	1,000	157
Total other income	11,957	62,680

12. Corporate income tax

The main components of income tax expense for the reporting years ended 31 December are:

	2019	2018
Effect of temporary differences	1,919	(8)
Total income tax expense	1,919	(8)

Reconciliation of income tax expense based on statutory rate with actual income tax is as follows:

	2019	2018
Loss before tax	62,687	(134,447)
Official tax rate	20%	20%
Income tax calculated at the official rate	12,537	(26,889)
Tax effect:		
Permanent differences	(10,618)	26,881
Total tax benefit/(expense)	1,919	(8)

	Statement of financial position		Statement of comprehensive income	
	31 December 2019	31 December 2018	2019	2018
Deferred tax assets				
Property, plant and equipment and intangible assets	1,425	1,344	(80)	(232)
Right-of use assets	20,995	-	(20,995)	-
Provisions	(1,306)	(943)	363	391
Accrued taxes	(207)	(24)	183	(167)
Lease liabilities	(22,448)	-	22,448	-
Total deferred tax (assets)/liabilities	(1,541)	377	1,919	(8)
Deferred income tax benefit/(expenses)	-	-	1,919	(8)
Deferred tax (assets)/liabilities	(1,541)	377	-	-

The calculation of deferred tax for 2019 is given in the following table:

	Book value	Tax base	Balance difference	Rate	Tax
Property, plant and equipment and intangible assets	96,486	89,360	7,126	20%	1,425
Right-of use assets	104,976	-	104,976	20%	20,995
Provisions	(6,528)	-	(6,528)	20%	(1,306)
Accrued taxes	(1,035)	-	(1,035)	20%	(207)
Lease liabilities	(112,246)	-	(112,246)	20%	(22,448)
Total	81,653	89,360	(7,707)		(1,541)

12. Corporate income tax (continued)

The calculation of deferred tax for 2018 is given in the following table:

	Book value	Tax base	Balance difference	Rate	Tax
Property, plant and equipment and intangible assets	68,448	61,724	6 724	20%	1,344
Provisions	(4,717)	-	(4 717)	20%	(943)
Accrued taxes	(118)	-	(118)	20%	(24)
Total	63,613	61,724	1 889		377

13. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	24,858	4,540
Cash in transit	195	61
Cash in current bank accounts	86,996	184,881
Total cash and cash equivalents	112,049	189,482

Cash and cash equivalents by currency:

	31 December 2019	31 December 2018
KZT	50,923	70,307
USD	61,126	119,175
Total cash and cash equivalents	112,049	189,482

The current bank accounts included a deposit for 10,000 US dollars in Asia Credit Bank JSC under the bank term deposit agreement No. DEP_ORG_0039-002 dated 13 November, 2017. The funds were deposited for 36 months; the interest rate was 2% per annum.

14. Loans to customers

Loans to customers as at 31 December 2019 and 2018 included loans secured by collateral to individuals::

	31 December 2019	31 December 2018
Loans to customers		
Principle	2,965,298	1,617,069
Interest	139,234	83,291
Gross carrying value of loans to customers	3,104,532	1,700,360
Allowance for impairment	(86,055)	(58,573)
Total loans to customers	3,018,477	1,641,787

Analysis of changes in gross carrying value and corresponding ECL allowance on loans during the year ended 31 December 2019 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	(3,501)	(9,736)	(45,337)	(58,574)
Change in ECL during the year	(2,872)	(9,155)	(15,454)	(27,481)
ECL allowance as at 31 December 2019	(6,373)	(18,891)	(60,791)	(86,055)

14. Loans to customers (continued)

Analysis of changes in gross carrying value and corresponding ECL allowance on loans during the year ended 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(5,536)	(1,794)	(2,700)	(10,030)
Impact of adopting IFRS 9			3,751	3,751
Change in ECL during the year	2,035	(7,942)	(46,388)	(52,295)
ECL allowance as at 31 December 2018	(3,501)	(9,736)	(45,337)	(58,574)

Analysis by credit quality of loans outstanding at 31 December 2019 is as follows:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Loans to individuals collateralized by vehicles				
Stage 1 (not past due and past due for less than 30 days)	2,845,248	(6,372)	2,838,876	0.22%
Stage 2 (past due for more than 30 day but less than 90 days)	100,788	(18,891)	81,897	18.74%
Stage 3 (past due for over 90 days)	158,496	(60,792)	97,704	38.36%
Total loans collateralized by vehicles	3,104,532	(86,055)	3,018,477	2.77%

Analysis by credit quality of loans outstanding at 31 December 2018 is as follows:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Loans to individuals collateralized by vehicles				
Loans collateralized by vehicles				
Stage 1 (not past due and past due for less than 30 days)	1,535,308	(3,501)	1,531,807	0.23%
Stage 2 (past due for more than 30 day but less than 90 days)	35,377	(9,736)	25,641	27.52%
Stage 3 (past due for over 90 days)	129,676	(45,337)	84,339	34.96%
Total loans collateralized by vehicles	1,700,361	(58,574)	1,641,787	3.44%

15. Inventories

	Raw materials	Stationery and others	Office equipment consumables	GPS	Other inventory	Total inventory
1 January 2018	1,845	175	97	2,989	-	5,106
Purchased from suppliers	9,688	3,129	1,385	15,096	2,599	31,897
Return of goods to supplier	-	-	(9)	-	(17)	(26)
Written off for own consumption	(7,435)	(2,878)	(1,176)	(12,328)	(2,389)	(26,206)
31 December 2018	4,098	426	297	5,757	193	10,771
Purchased from suppliers	4,802	3,107	1,211	5,814	2,391	17,325
Return of goods to supplier	-	-	-	-	-	-
Written off for own consumption	(4,154)	(3,193)	(1,424)	(7,373)	(2,394)	(18,538)
31 December 2019	4,746	340	84	4,198	190	9,558

16. Tax prepaid

As of 31 December prepaid taxes include:

	31 December 2019	31 December 2018
Corporate income tax for non-residents	541	-
Value added tax	3,071	2,020
Other taxes and payments to the budget	3,396	2,391
Total tax prepaid	7,008	4,411

17. Property, plant and equipment

For the years ended 31 December, the movement of property, plant and equipment is presented as follows:

Historical cost	Vehicles	Hardware	Other	Total
As at 01.01.2018	-	21,405	19,231	40,636
Additions	1,935	10,423	30,316	42,674
Transferred from inventories	-	(280)	(206)	(486)
As at 31.12.2018	1,935	31,548	49,341	82,824
Additions	2,839	9,203	34,021	46,063
As at 31.12.2019	4,774	40,751	83,362	128,887
Accumulated depreciation				
As at 01.01.2018	-	(3,430)	(1,521)	(4,951)
Depreciation for the year	(161)	(8,568)	(5,017)	(13,746)
As at 31.12.2018	(161)	(11,998)	(6,538)	(18,697)
Depreciation for the year	(434)	(9,906)	(9,888)	(20,228)
As at 31.12.2019	(595)	(21,904)	(16,426)	(38,925)
Net book value				
As at 31 December 2018	1,774	19,550	42,803	64,127
As at 31 December 2019	4,179	18,847	66,936	89,962

18. Intangible assets

Intangible assets are mainly represented by software:

For the years ended 31 December, the movement of intangible assets is presented as follows:

Historical cost	Total
As at 01.01.2018	6,127
Additions	-
As at 31.12.2018	6,127
Additions	3,695
As at 31.12.2019	9,822
Accumulated amortization	
As at 01.01.2018	(566)
Depreciation for the year	(1,240)
As at 31.12.2018	(1,806)
Depreciation for the year	(2,131)
As at 31.12.2019	(3,937)

18. Intangible assets (continued)

Net book value

As at 31 December 2018	<u>4,321</u>
As at 31 December 2019	<u>5,885</u>

19. Other assets

31 December 2019	<1 year	>1 year	Total
Other receivables	224	-	224
Advances paid*	9,527	4,739	14,266
Prepaid expenses	3,164	-	3,164
Total other assets	12,915	4,739	17,654

31 December 2018	<1 year	>1 year	Total
Other receivables	37	-	37
Advances paid*	10,606	3,515	14,121
Prepaid expenses	1,098	-	1,098
Other assets	316	-	316
Total other assets	12,057	3,515	15,572

20. Borrowed funds

	31 December 2019	31 December 2018
Principal	2,915,925	1,714,659
Interest	42,175	-
Total borrowed funds*	2,958,100	1,714,659

* for more information see the Note 25

Terms of loans	Loan currency	Nominal interest rate
The loans were provided under the following terms:	USD	12%-16.5%

Movement of borrowed funds for the reporting period:

	31 December 2019	31 December 2018
At the beginning of the reporting period	1,714,659	1,234,608
Borrowed funds received	1,717,897	1,178,074
Borrowed funds repaid	(485,014)	(926,522)
Accrued interest	291,380	215,771
Interest repayment of	(215,994)	(199,897)
Withholding tax at source	(32,654)	(32,062)
Exchange (gain)/loss	(32,174)	244,687
At the end of the reporting period	2,958,100	1,714,659

21. Accounts payable

As of December 31, accounts payable included:

	31 December 2019	31 December 2018
Current accounts payables to suppliers and contractors	20,138	4,750
Other current accounts payable	125	94
Total current accounts payable	20,263	4,844

Accounts payable by currency:

	31 December 2019	31 December 2018
KZT	7,871	3,638
USD	11,149	1,044
EURO	1,243	162
Total accounts payable	20,263	4,844

Accounts payable by maturity:

	31 December 2019	31 December 2018
< 60 days	20,176	4,844
60 - 90 days	86	-
90 - 180 days	1	-
Total accounts payable	20,263	4,844

22. Tax liabilities

As of 31 December, tax liabilities included:

	31 December 2019	31 December 2018
Withholding tax	2,211	9,928
Individual income tax	2,004	479
Value added tax	2,213	1,895
Social tax	783	1
Other taxes	704	203
Total current tax liabilities	7,915	12,506

23. Other liabilities

As of 31 December, other liabilities included:

	31 December 2019	31 December 2018
Social security payable	919	650
Pension deductions payable	2,622	1,633
Salaries payable	9,738	5,575
Employee benefits	6,528	4,718
Others	7,271	2,696
Total other current liabilities	27,078	15,272

24. Issued capital

	31 December 2019	31 December 2018
Issued capital	484,408	484,408
	484,408	484,408

As of 31 December 2019, the sole shareholder of the Company was SWISS CAPITAL LATVIA Limited Liability Company on the basis of the decision of the sole shareholder No.18 dated 5 December 2017 and in accordance with the agreement on the purchase of shares dated 5 December 2017.

25. Related party disclosures

Related parties or related party transactions as defined by IAS 24 Related Party Disclosures represent:

- a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control of the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Group; and that have joint control over the Company;
- b) Members of key management personnel of the Company or its parent;
- c) Close members of the family of any individuals referred to in (a) or (b);
- d) Parties that are entities controlled, jointly controlled or significantly influenced by any individual referred to in (c) or (b), or for which a significant voting right in such entity directly or indirectly resides with individual referred to in (c) or (b).

In considering each possible related party relationship, attention is paid to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below.

The balances as well as the corresponding gain or loss with related parties are follows:

	<u>Parent Company</u>	
	2019	2018
Statement of financial position		
Liabilities		
Borrowed fund (unsecured loans up to 1 year)	693,134	461,348
Current payables	1,906	-
Statement of comprehensive income		
Interest expenses	(102,133)	(55,906)
Operating and administrative expenses	(22,955)	(9,187)
Foreign exchange gain (loss), net	(753)	(75,886)
	<u>Other related parties</u>	
	2019	2018
Statement of financial position		
Liabilities		
Borrowed fund (unsecured loans up to 1 year)	2,033,364	693,019
Current payables	8,828	-
Statement of comprehensive income		
Interest expenses	(125,028)	(75,955)
Operating and administrative expenses	(150,098)	(125,692)
Foreign exchange gain (loss), net	24,088	(81,573)

25. Related parties disclosures (continued)

Key management personnel compensation

Key management personnel include the Director, Deputy Director, the Chief Accountant. The compensation of key management personnel for the years ended December 31 is as follows:

	31 December 2019	31 December 2018
Salary	46,000	28,830
Taxes	4,275	2,725
Total	50,275	31,555

26. Risk management

Categories of financial instruments - as of December 31, financial instruments were presented as follows:

	31 December 2019	31 December 2018
Financial assets:		
Cash and cash equivalents	112,049	189,482
Short-term loans to customers	3,018,477	1,641,787
	<u>3,130,526</u>	<u>1,831,269</u>
Financial liabilities:		
Short-term payables	20,263	4,844
Borrowed funds	2,958,100	1,714,659
	<u>2,978,363</u>	<u>1,719,503</u>
Net position at the end of the period	<u>152,163</u>	<u>111,766</u>

Objectives of financial risk management - risk management is an essential element of the Company's operations. The Company controls and manages financial risks related to the Company's operations through internal risk reports that analyze the likelihood of the risk and its estimated amount.

These risks include market risk (including currency risk, risk of changes in fair value due to interest rate fluctuations and price risk), liquidity risk and interest rate risk with respect to cash flows. A description of the Company's risk management policy is given below.

Liquidity risk management - the final responsibility for managing liquidity risk lies with the owners of the Company, who have created the necessary liquidity risk management system for the Company's liquidity management and short-term, medium-term and long-term financing. The Company manages liquidity risk by maintaining appropriate reserves through continuous monitoring of estimated and actual cash flows, and comparing maturities of financial assets and liabilities.

The current liquidity ratio of the Company as of December 31:

	31 December 2019	31 December 2018
Financial assets:		
Cash and cash equivalents	112,049	189,482
Short-term loans to customers	3,018,477	1,641,787
	<u>3,130,526</u>	<u>1,831,269</u>
Financial liabilities:		
Short-term payables	20,263	4,844
Borrowed funds	2,958,100	1,714,659
	<u>2,978,363</u>	<u>1,719,503</u>
Current liquidity ratio, %	<u>105.11%</u>	<u>106.50%</u>

26. Risk management (continued)

The table below shows financial assets and financial liabilities by their maturity as of 31 December 2019:

31 December 2019	up to 1 year	1-5 years	5-15 years	Total
Financial assets:				
Cash and cash equivalents	3,018,477	-	-	3,018,477
Short-term loans to customers	112,049	-	-	112,049
	3,130,526	-	-	3,130,526
Financial liabilities:				
Current payables	2,958,100	-	-	2,958,100
Borrowed funds	20,263	-	-	20,263
	2,978,363	-	-	2,978,363

The table below shows financial assets and financial liabilities by their maturity as of 31 December 2018:

31 December 2018	up to 1 year	1-5 years	5-15 years	Total
Financial assets:				
Cash and cash equivalents	189,482	-	-	189,482
Short-term loans to customers	1,641,787	-	-	1,641,787
	1,831,269	-	-	1,831,269
Financial liabilities:				
Current payables	4,844	-	-	4,844
Borrowed funds	1,714,659	-	-	1,714,659
	1,719,503	-	-	1,719,503

The Company is expected to repay liabilities at the expense of cash flows.

Credit risk

Credit risk is the risk that the Company will incur a financial loss because its customers or counterparties failed to fulfill their contractual obligations. The Company manages credit risk through the adoption of approved policies and procedures, requiring setting and meeting the limits of credit risk concentration as well as by means of establishing the credit committees whose functions include credit risk monitoring.

The Company establishes:

- Procedures for review and approval of loan applications
- Methodology of borrowers' creditworthiness assessment
- Methodology of proposed collateral assessment
- Requirements to loan documentation
- Procedures of ongoing monitoring of loans and other credit risk-bearing products.

The Company continuously monitors the performance of individual loans and other credit risks. Apart from individual borrower analysis, the Company assesses the loan portfolio as a whole with regard to concentration of loans and market risks.

Impairment measurement

The Company calculates ECL on a group basis according to the migration matrix adjusted for

26. Risk management (continued)

the impact of the macroeconomic factors to measure the expected cash shortage, discounted at the EIR or its approximate value. A cash shortage is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The ECL calculation method is outlined below and the key elements are as follows:

Probability of Default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LECL) unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12m ECL is the portion of LECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LECL and 12m ECL are calculated on either an individual or collective basis depending on the nature of the underlying portfolio of financial instruments.

The Company has established a methodology to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups the loans as follows:

- Stage 1:** When loans are first recognized. Stage 1 loans also include loans with less than 30 days of delay
- Stage 2:** Stage 2 loans include the loan with 31-90 days of delay.
- Stage 3:** Loans with over 90 days of delay.

Definition of default and cure

The Company considers a financial instrument as defaulted and therefore refers it to Stage 3 (credit-impaired assets) for ECL calculations in all cases when the borrower delays the loan repayment for 90 days.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of events indicating inability of the borrower to repay the loan. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include the following:

- The Company has information about force majeure, as well as other circumstances that caused the borrower a significant material damage or do not allow the borrower to

26. Risk management (continued)

- continue operations, including information about the deprivation/suspension of a license for activities, as well as information about the absence of employment or commercial activities of the borrower
- A high probability of bankruptcy or another type of financial reorganization, as well as involvement in the court proceedings of the borrower, which may deteriorate the financial condition of the latter
- The borrower is deceased.

By decision of the Credit Committee, the Company is entitled to apply additional risk factors as indications of an impairment:

- Lack of communication with the borrower
- Court proceedings on claims of third parties, where the borrower acts as a defendant
- Loss of collateral or the absence of duly executed collateral.

Under the Company’s policy the financial instrument is treated as ‘cured’ and after that are reclassified into Stage 3 when none of the default criteria is in place for at least three consecutive payments according to the last schedule approved in accordance with the restructuring. The decision on asset’s classification into Stage 2 or Stage 1 once cured depends on indications of significant increase in credit risk compared to initial recognition.

The following table shows cash balances in accounts at second-tier banks using the credit rating of Fitch Ratings and Standard & Poor’s agencies:

	Fitch Ratings	Moody’s	2019	2018
Bank CenterCredit JSC		B2/ Stable/NP, Ba2.kz	16,036	8,279
Halyk Bank JSC		Ba1/ Stable/NP	66,828	172,554
JSC AsiaCredit Bank	B-/ Negative		4,132	4,110
Total			86,996	184,943

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. The Company’s exposure to the currency risk is primarily due to short-term loans received from the related parties in foreign currency. The following table provides a sensitivity analysis the Company’s profit before tax (due to possible changes in the fair value of monetary assets and liabilities) to possible changes in the Euro, US dollar exchange rate, provided all other parameters are the same.

	Change in exchange rate (+/-)	Impact on profit before tax
U.S. dollar	10%	(290,812)
EURO	10%	(1,248)

Capital Management - the Company’s policy is to maintain a sound capital base in order to keep the confidence of participants, lenders and the market, as well as to ensure the future development of the business. The Company manages the capital structure and changes it in accordance with changes in economic conditions.

The Company controls capital using the financial leverage ratio, which is calculated by dividing the amount of net debt by capital and net debt.

Net debt includes loans, trade and other payables less cash and cash equivalents, excluding amounts related to discontinued operations.

The Company’s policy further provides for maintaining the value of this ratio in the range of 20-40%.

26. Risk management (continued)

	31 December 2019	31 December 2018
Current payables	20,263	4,844
Other current liabilities	27,078	15,271
Borrowed funds	2,958,100	1,714,659
Cash and cash equivalents	(112,049)	(189,483)
Net debt	2,893,392	1,545,291
Capital	241,508	182,813
Total capital and net debt	3,134,900	1,728,104
Financial leverage ratio	11.98	8.45

The company copes with the task, continuing its activities in accordance with the principle of the going concern to ensure profit for participants and optimal capital structure.

Fair value of financial instruments approximates their carrying value due to their short-term repayment period.

27. Financial and contingent liabilities

Operating environment - the main economic activity of the Company is carried out in the Republic of Kazakhstan. Legislation and regulatory documents affecting the economic situation in the Republic of Kazakhstan are subject to frequent changes, and therefore the Company's assets and operations may be exposed if the political and economic situation deteriorates.

On December 9, 2018 in the Republic of Kazakhstan the Rules for the implementation of trade activities of pawnshops, regulating the activities of the Company, entered into force.

27. Financial and contingent liabilities (continued)

Legal issues - the Company may be subject to legal proceedings and court decisions that, individually or in combination, will not have a significant impact on the Company.

Taxation - the Government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure on the way to a market economy. As a result, the laws and regulations governing companies continue to change rapidly. In recent years, many new tax and foreign exchange laws and regulations have been introduced, which are not always clearly written and whose interpretation and application depends on the opinions of local tax authorities. Failure to comply with Kazakhstan laws and regulations may result in the application of fines and penalties which may be significant. In particular, taxes are checked by several authorities, which by law are entitled to impose fines and penalties. Although the Company believes that it adequately takes into account all tax liabilities, based on its understanding of tax legislation, the above facts may be associated with tax risks for the Company.

Environmental issues - the Company's management believes that it currently complies with all effective environmental, occupational health and safety laws and regulations of the Republic of Kazakhstan. However, these laws and regulations are subject to change in the future. The Company cannot predict the deadlines and extent of changes to environmental, occupational health and safety laws. In case of such changes, the Company may be required to upgrade the technology to meet more stringent requirements.

Volatility of the world and Kazakhstan financial markets - in recent months, the capital and credit markets of the world's largest economies have been characterized by significant volatility. A number of the largest global financial institutions declared bankruptcy, were sold to other financial institutions and / or received financial assistance from the state. Despite the measures that were taken or can be taken by the Kazakhstan government to stabilize the situation, there is an economic uncertainty regarding the availability and cost of lending for

27. Financial and contingent liabilities (continued)

both the Company and its counterparties as a result of instability in the global and Kazakhstan capital and credit markets. The situation of economic uncertainty may persist in the near future. In this regard, there is the risk that the recoverable amount of the Company's assets may be lower than their book value, which will affect the Company's profitability accordingly.

Certificates of insurance

The Company Company has the following effective certificates of insurance:

- civil liability certificate of insurance for damage to the life and health of third parties
- Company's property certificate of insurance.

Litigation

In the opinion of the Company's management, there are no ongoing legal proceedings or unresolved lawsuits that could have a significant impact on the results of operations or financial position and which were not accrued or disclosed in these financial statements.

28. Events after the reporting date

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of Tenge against US Dollar and Euro. Currently, the Company's management is analyzing the possible impact of changing micro- and macroeconomic economic conditions on the financial position and performance of the Company.

Due to the recent transient development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Company regards this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

29. Approval of financial statements

These financial statements for the year ended 31 December 2019 were approved for issue by the Company management on August 03, 2020.