Microfinance Organization Bastau Agro Finance LLP

Financial statements
For the year ended 31 December 2020
And Independent Auditors' Report

Contents

Microfinance Organisation Bastau Agro Finance LLP

Statement of the Management Responsibility for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2020

The management of the Microfinance Organisation Bastau Agro Finance LLP (hereinafter - the 'Company') is responsible for the preparation of financial statements that present fairly, in all material respects the financial position of the Company as of 31 December 2020, as well as financial results of its operations, changes in equity and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards ('IFRS').

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

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

Management is also responsible for:

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

The financial statements of the Company for the year ended 31 December 2020 were approved on behalf of the Company June 30, 2021.

Director **Zhangunov Y. O.**

Crowe

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INDEPENDENT AUDITORS' REPORT

To the Participants of

Microfinance Organisation Bastau Agro Finance LLP

Opinion

We have audited the accompanying financial statements of Microfinance Organisation Bastau Agro Finance LLP (hereinafter referred to as the 'Company'), consisting of the statement of financial position as of 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as explanatory notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We have performed our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent in relation to the Company, as required by the Code of Ethics for Professional Accountants of the International Ethics Standards Boards for Accountants (Code of IESBA) and the ethical requirements applicable to our audit of the financial statements in Kazakhstan, and we performed other ethical responsibilities of ours in compliance with those requirements and the Code of Ethics for Professional Accountants. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses for the loans issued to customers	
The assessment of the level of the provision for expected credit losses on the loans issued to customers in accordance with IFRS 9 is a key area of judgment applied by the Company's management. The identification of factors that have significantly increased credit risk since initial recognition, including the identification of changes in the risk of a default occurring over the remaining life of the financial instrument, and the determination of the probability of default and the level of default losses, require significant use of professional judgment, assumptions, and analysis of various historical, current and forecast information. Key areas of judgement included the following: • identifying loans with a significant increase in credit risk or impaired loans, and allocating loans issued to customers according to the appropriate stages of impairment. • determining the expected credit losses in the event of a loan default and the expected repayment of the defaulted loans, including valuation of collateral to determine default losses on impaired loans to customers. Due to the significant balances on loans to customers, the degree of estimation uncertainty and the complexity of judgments used by management in estimating expected credit losses, we have identified impairment of loans to customers as a key audit matter. Information on expected credit losses on loans to customers is disclosed in Note 5 "Significant accounting judgments and estimates", Note 11 "Loans to customers" and Note 19 "Financial risk management" to the financial statements.	Our audit procedures included an analysis of the methodology for assessing the provision for expected credit losses on the loan portfolio. We have also reviewed and tested controls on the processes for identifying factors that have significantly increased credit risk on loans issued to customers since initial recognition and the existence of default, including the maturity of overdue loans and changes in internal credit ratings. We analyzed the judgments used by the Company's management in determining the significant increase in credit risk and default criteria for loans to customers in connection with the ongoing COVID-19 pandemic. We have tested, on a sample basis, the underlying data and analyzed the assumptions used by the Company in assessing the provision for expected credit losses, including historical information on debt servicing, financial and non-financial information about the borrower, and expected flows to recover losses in the event of default as a result of the sale of held collateral. We also analyzed the forward-looking information, including the weights of the scenarios used by the Company in the model for calculating expected credit losses, taking into account the uncertainty associated with the COVID-19 pandemic. We have recalculated the provision for expected credit losses. We have reviewed the information on the provision for expected credit losses on loans to customers disclosed in the Notes to the financial statements. We did not find any significant deviations when performing the above procedures.
Assessment of financial liabilities	
We consider this to be a key audit matter due to the materiality of the amounts recognized and due to the need for judgment by the Company's management in determining the fair value of the liability at the date of initial recognition. Information about financial liabilities is presented in Note 15 "Financial liabilities" and Note 19	Our audit procedures included an analysis of the methodology, model, and testing of the underlying data used by the Company in determining the fair value of financial liabilities at initial recognition. We have reviewed the information on financial liabilities disclosed in the Notes to the financial statements.

"Financial risk management" to the financial statements.	

Other information

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor, who expressed an unqualified opinion on these statements on February 14, 2020.

We draw attention to Note 4 to the financial statements, which indicates that the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity for the year ended date have been revised. As part of our audit of the 2020 financial statements, we also reviewed the adjustments described in Note 4 that were used to amend the 2019 financial statements. We did not participate in the audit, review or any other procedures related to the financial statements for 2019, other than checking the submitted adjustments. Accordingly, we do not express an opinion or any other form of assurance on the financial statements for 2019.

Responsibility of the Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing going concern information, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Company, cease its activity or when it has no other real alternative other than liquidation or termination of activity.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance whether the financial statements are free of material misstatement due to fraud or error, and to issue an audit report with our audit opinion. Reasonable assurance means a high degree of certainty but does not guarantee that the audit performed in accordance with the International Standards on Auditing always identifies significant misstatements, if any. Misstatements can result from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit performed in accordance with the International Standards on Auditing, we use professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or errors; design and perform audit procedures in response to the risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Detection risk of material misstatement resulting from fraud is higher than the detection risk of material misstatement due to errors, since fraud can involve conspiracy, falsification, deliberate omission, misrepresentation of information or override of internal controls;
- Obtain understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates, and appropriateness of disclosures prepared by Management;

- Make a conclusion with respect to the appropriateness of application of going concern assumption, and based on the audit evidence obtained we make a conclusion whether there is substantial uncertainty due to certain events or conditions that can result in significant doubts about the Company's ability to continue as a going concern. If we come to a conclusion that significant uncertainty exists, in the audit opinion we should draw attention to the relevant disclosure in the financial statements or, if such disclosure is inadequate, we should qualify our opinion. Our conclusions are based on the audit evidence obtained before the date of our audit opinion. However, future events or conditions can result in the loss of the Company's ability to continue as a going concern;
- Evaluate the overall presentation of the financial statements, its structure and content, including disclosures, we also evaluate whether the financial statements present the underlying transactions and events so as to ensure their fair presentation.

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

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

We select from the issues that we brought to the attention of those charged with governance those issues that were most important to the audit of the financial statements for the current period and, therefore, are key issues of the audit.

We describe those issues in our audit opinion, except in cases where public disclosure of those issues is prohibited by applicable laws or regulations, or, in very rare cases, where we come to the conclusion that a certain matter shall not be communicated in our audit report, since we reasonably assume that the adverse effects of communicating such information would be much stronger than public benefit from its disclosure.

Lidiya Petruk

Auditor

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

55/16, Mangilik El avenue, Yesil district, Nur-Sultan, Kazakhstan, Z05T3F2

Alberto Simoncini

Director Crowe Audit Astana Limited Liability Partnership

License to perform audit activities in Astana International Financial Centre No. AFSA-A-LA-2019-0027 issued by Astana Financial Services Authority on 27 June 2019

June 30, 2021

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2020
(in thousands of Kazakhstani tenge)

	Note	2020	2019* restated
Interest income	6	43,790	50,804
Interest expense	6	(3,857)	(5,206)
Net interest income		**39,933**	**45,598**
General and administrative expenses	7	(45,271)	(24,038)
(Losses)/ reversal from impairment and write-offs	11,12,13	(13,916)	(3,346)
Other income and expenses	8	25,072	7,343
Income before tax		**5,818**	**25,557**
Income tax expense	9	(2,035)	(6,081)
Income for the period		**3,783**	**19,476**
Other comprehensive income		-	-
Total comprehensive income for the period		**3,783**	**19,476**

On behalf of the Company's management:

Director **Zhangunov Y. O.**

June 30, 2021

Notes on pages 14-54 are an integral part of these financial statements

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Financial Position as of 31 December 2020
(in thousands of Kazakhstani tenge)

	Note	31.12.2020	31.12.2019* restated	31.12.2018* restated
ASSETS				
Non-current assets:				
Property, plant and equipment		189	16	33
Finance lease receivables	10	-	6,095	12,071
Long-term loans to customers	11	27,000	9,447	46,953
Deferred tax assets	9	667	640	-
		27,856	**16,198**	**59,057**
Current assets:				
Loans to customers	11	226,125	461,657	32,190
Finance lease receivables	10	4,718	7,790	7,262
Inventory		24,657	51	7
Prepayments and other current assets	13	8,771	987	361
Prepayments for current income tax		1,292	-	227
Cash and cash equivalents	12	18,732	32,008	98,929
		284,295	**502,493**	**138,976**
TOTAL ASSETS		**312,151**	**518,691**	**198,033**

Notes on pages 14-54 are an integral part of these financial statements

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Financial Position as of 31 December 2020
(in thousands of Kazakhstani tenge)

	Note	31.12.2020	31.12.2019* restated	31.12.2018* restated
LIABILITIES AND EQUITY				
Equity				
Authorised capital	15	258,401	258,401	161,000
Retained earnings		34,189	30,406	10,930
Total owners` equity		**292,590**	**288,807**	**171,930**
Non-current liabilities				
Long-term financial liabilities	16	5,051	7,524	15,116
Deferred tax liability		-	-	692
		5,051	**7,524**	**15,808**
Short-term liabilities				
Short-term financial liabilities	16	9,370	214,747	10,052
Trade payables	17	1,511	1,977	243
Contractual obligations	18	3,629	-	-
Income tax payable		-	5,636	-
		14,510	**222,360**	**10,295**
TOTAL EQUITY AND LIABILITIES		**312,151**	**258,691**	**198,033**

On behalf of the Company's management:

Director **Zhangunov Y. O.**

June 30, 2021

Notes on pages 14-54 are an integral part of these financial statements

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Cash Flows for the year ended 31 December 2020
(in thousands of Kazakhstani tenge)

	Note	2020	2019
OPERATING ACTIVITIES:			
Repayment of loans issued by clients		496,145	201,352
Interest received on the placed deposit		1,624	1,302
Interest received on finance lease		431	2,361
Interest received on loans granted		45,096	34,875
Repayment of the principal debt under the finance lease		8,137	4,264
Penalties received for late loan repayment		13,464	4,826
Other income		-	108
Issuance of loans to clients		(280,700)	(579,033)
Payments to suppliers for goods and services		(57,768)	(1,449)
Salary payments		(14,629)	(16,402)
Payments for other taxes		(5,189)	(5,218)
Other payments		(718)	-
Cash from operating activities before income tax and interest paid		*205,893*	*(353,014)*
Interest paid on loans		(2,263)	(2,603)
Corporate income tax		(8,990)	(1,341)
Net cash flows received (used) from operating activities		**194,640**	**(356,958)**
INVESTING ACTIVITIES:			
Acquisition of property, plant, and equipment		(217)	-
Net cash flows received (used) from investing activities		**(217)**	**-**

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Cash Flows for the year ended 31 December 2020
(in thousands of Kazakhstani tenge)

FINANCING ACTIVITIES:		
Repayment of loans	(214,642)	(88,500)
Receipt of loans	-	283,000
Proceeds from bond placement	5,034	-
Contribution to the authorized capital	-	97,401
Net cash flows received (used) from financing activities	**(209,608)**	**291,901**
Effect of currency exchange rates against tenge	18	-
Net inflow/(outflow) of cash	**(15,167)**	**(65,057)**
Cash and cash equivalents at the beginning of the year	32,008	98,929
Change in provision for expected credit losses	1,891	(1,864)
Cash and cash equivalents at the end of the year	**18,732**	**32,008**

On behalf of the Company's management:

Director **Zhangunov Y. O.**

June 30, 2021

Mirofinance Organisation Bastau Agro Finance LLP
Statement of Changes in Equity for the year ended 31 December 2020
(in thousands of Kazakhstani tenge)

	Authorised capital	Retained earnings	Total
As of 31 December 2018 (restated)	**161,000**	**10,930**	**171,930**
Contribution to the authorized	97,401	-	97,401
Total comprehensive income	-	19,476	19,476
As of 31 December 2019 (restated)	**258,401**	**30,406**	**288,807**
Total comprehensive income	-	3,783	3,783
As of 31 December 2020	**258,401**	**34,189**	**292,590**

On behalf of the Company's management:

Director **Zhangunov Y. O.**

June 30, 2021

Notes on pages 14-54 are an integral part of these financial statements

1 General Information

The Microfinance Organisation Bastau Agro Finance LLP (hereinafter - the “Company”) was registered on 26 May, 2017 by the Department of Registration of Rights to Real Estate and Legal Entities of the branch of the non-profit JSC "State Corporation" Government for Citizens" in Almaty, BIN 170540026867. On December 25, 2019, the Company was re-registered due to a change in the composition of participants. On December 21, 2017 the Almaty branch of the National Bank of the Republic of Kazakhstan included the Company in the register of microfinance organizations for No. 05.17.014 dated 21.12.2017.

The main activity of the Company is the provision of micro-loans to individuals and legal entities with or without collateral, short-term loans secured by movable property and the provision of property for financial lease.

On May 28, 2020, the Company received Certificate No. 1119 of Central Securities Depository JSC on assignment of international identification code - ISIN KZX000000385.

The legal address of the Company is: 135 ABYLAI KHAN Avenue, Almaty, Almaly district, 050000, Republic of Kazakhstan. The sole participant of the Company is the Limited Liability Partnership " QADAM Group (KADAM Group)".

The ultimate controlling party of QADAM Group LLP (KADAM Group) are citizens of the Republic of Kazakhstan:

- an individual Temirbekov Kanat Amanbekovich,
- an individual Abdykadyrov Amangeldi Akbatyrovich,
- an individual Baglan Birzhan Baglanuly.

The accompanying financial statements were approved for issue and signed on behalf of the Company's management on June 30, 2021.

2 Basis of preparation of the financial statements

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

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

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

2 Basic of preparation of the financial statements (continued)

Fair value measurement

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that value is directly observable or otherwise determined. When measuring an asset or liability at fair value, the Company considers the characteristics of the asset or liability if they were considered by market participants.

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

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

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

Going concern principle

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

Due to the coronavirus pandemic in 2020, the Company's management believes that the Company's forecasts, considering a reasonably possible pessimistic scenario, show that the Company has sufficient liquidity to meet its cash needs in the foreseeable future. Accordingly, the Company continues to apply the going concern principle in preparing these financial statements.

Conversion of foreign currency

(a) Functional currency

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

(b) Transactions and balances

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

Conversion of foreign currency (continued)

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

3 Review of significant aspects of accounting policies

a) New standards, clarifications and amendments to existing standards and clarifications

The accounting policies adopted in the preparation of the financial statements are consistent with the policies applied in the preparation of the separate financial statements of the Company for the year ended December 31, 2019, except for the adopted new standards effective as of January 1, 2020. The Company has not early adopted any other standards, clarifications or amendments that have been issued but are not yet effective.

The following are new standards, amendments and interpretations that have been issued but are not yet effective as of the date of the Company's financial statements. The Company intends to apply these standards, amendments, and clarifications, if applicable, from the effective date.

Amendments to IFRS 3 - Definition of a Business

The amendments to IFRS 3 explain that to be considered a business, an integrated set of activities and assets must include at least a contribution and a fundamentally significant process, which together can significantly contribute to the creation of returns. This explains that the business does not necessarily have to include all the inputs and processes needed to create returns. These amendments had no impact on the Company's financial statements.

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

The amendments to IFRS 7, IFRS 9, and IAS 39 'Financial Instruments: Recognition and Measurement' provide for a number of exemptions that apply to all hedging relationships that are directly affected by the base rate reform. The reform of the base interest rate affects the hedging relationship if it results in uncertainties about the timing and / or amount of cash flows based on the base interest rate for the hedged item or hedging instrument.

These amendments did not have any impact on the Company's financial statements, as it does not have an interest-rate hedging relationship.

Amendments to IAS 1 and IAS 8 - Definition of Material

The amendments propose a new definition of materiality, according to which 'information is material if it can reasonably be expected that its omission, misstatement or masking will affect the decisions of the main users of general-purpose financial statements made by them based on these financial statements that provide financial information about a particular reporting entity'.

The amendments explain that materiality will depend on the nature or quantitative significance of the information (taken individually or in combination with other information) in the context of the financial statements as a whole.

These amendments did not have any impact on the Company's financial statements, and it is expected that there will be no future impact either.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework.

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB *issued Covid-19-Related Rent Concessions* - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

b) Standards issued but not yet effective

The following are new standards, amendments and interpretations that have been issued but are not yet effective as of the date of the Company's financial statements. The Company intends to apply these standards, amendments, and clarifications, if applicable, from the effective date.

IFRS 17 Insurance Contracts

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

3 Review of significant aspects of accounting policies (continued)

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

• a specific adaptation for contracts with direct participation features (the variable fee approach)

• a simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

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

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

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability does not impact its classification.

3 Review of significant aspects of accounting policies (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. This standard is not applicable to the Company.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of the Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

3 Review of significant aspects of accounting policies (continued)

This amendment is effective for annual periods beginning on or after 1 January 2022. Early application is allowed.
This standard is not applicable to the Company.

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

As part of the annual improvements to IFRS process for the period 2018-2020, the IASB issued an amendment to IFRS 9. The amendment explains the amounts of commission fees that an entity considers when assessing whether the terms of a new or modified financial liability differ materially from those of the original financial liability. Such amounts include only those fees paid or received between a particular lender and the borrower, including fees paid or received by the lender or the borrower on behalf of the other party. The entity shall apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual periods beginning on or after 1 January 2022. Early application is allowed. The Company will apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which it first applies the amendment.

The amendment is not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.
This standard is not applicable to the Company.

c) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing parts of equipment and borrowing costs for long-term construction projects if the capitalization criteria are met.

When significant components of property, plant and equipment need to be replaced at regular intervals, the Company recognizes such components as separate assets with corresponding individual useful lives and depreciates them accordingly.

Similarly, during a major technical inspection, the costs associated with it are recognized in the carrying amount of property, plant, and equipment as a replacement of equipment if all the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss when incurred. The present value of the estimated cost to retire an asset after use is included in the cost of the related asset if the criteria for recognizing an allowance for future costs are met.

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

	Useful life (number of years)
Other	3-5

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

3 Review of significant aspects of accounting policies (continued)

Useful lives and asset depreciation methods are reviewed at the end of each annual reporting period and adjusted, as necessary.

d) Impairment of non-financial assets

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

The recoverable amount is determined as the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in this asset, for which estimates of future cash flows have not been adjusted.
If the recoverable amount of the asset (cash-generating unit) is lower than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

e) Leases

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

Company as a lessor

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

Company as a tenant

Short- term rental and lease of assets with low cost

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

3 Review of significant aspects of accounting policies (continued)

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

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

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

f) Financial instruments-initial recognition and subsequent measurement

Date of recognition

Financial assets and financial liabilities, other than loans issued, are initially recognized on the trade date, which is the date on which the Company becomes a party to the contract that defines the terms of the related instrument. This includes transactions on standard terms: the purchase or sale of financial assets, the terms of which require delivery of the assets within a period which usually established by regulation or traditionally applied in the market. Loans issued are recognized when funds are transferred to the accounts of the beneficiaries.

Initial recognition of financial instruments

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

“First day” profit or loss

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

3 Review of significant aspects of accounting policies (continued)

Categories of measurement of financial assets and financial liabilities

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

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

Financial liabilities are measured at amortized cost

Business model valuation

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

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

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

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

Funds in banks and loans issued

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

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

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

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

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

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

3 Review of significant aspects of accounting policies (continued)

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

Reclassification of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

Derecognition not related to material modification

Financial assets

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

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

3 Review of significant aspects of accounting policies (continued)

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

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

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

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

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

Financial liabilities

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

Impairment of financial assets

Overview of the principles for estimating expected credit losses

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

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

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

Significant increase in credit risk

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

Grouping of financial assets that are evaluated on a group basis

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

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

3 Review of significant aspects of accounting policies (continued)

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

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

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

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

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

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

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

- Stage 1 — Upon initial recognition of the loan, the Company recognizes an allowance for impairment in the amount of 12-month ECL. Stage 1 also includes loans issued for which the credit risk has decreased to such an extent that they have been transferred from Stage 2.

- Stage 2 — If the credit risk of the loans has increased significantly since the initial recognition, the Company recognizes an allowance for impairment in the amount equal to the full-term ECL. Stage 2 also includes loans issued for which the credit risk has decreased to such an extent that they have been transferred from Stage 3.

- Stage 3 — Loans that are credit-impaired. The Company recognizes an allowance for impairment in the amount equal to the full-term ECL.

- POCI — Purchased or originated credit-impaired (POCI) financial assets – are the assets for which there was a credit impairment at the time of initial recognition. On initial recognition of PSCOs, financial assets are carried at fair value and subsequently interest income on them is recognized on a credit risk adjusted EIR basis. ECL provision is recognized or derecognized only to the extent that there has been a change in the amount of expected credit losses.

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

3 Review of significant aspects of accounting policies (continued)

Calculating expected credit losses

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

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

- Probability of default (PD) — The probability of default (PD) is a calculated estimate of the probability of default over a given time. Default can only occur at a certain point in time during the period under review if the asset has not been derecognized and it is still part of the portfolio.

- Exposure at Default (EAD) — Exposure at Default (EAD) is an estimate of the amount that is exposed to default at some future date, considering expected changes of this amount after the reporting date, including payments of principal and interest, stipulated by the contract or otherwise, repayments of loans issued, and interest accrued because of late payments.

- Loss given default (LGD) — Loss given default (LGD) is the estimate of the loss incurred in the event of a default at a particular point in time. LGD is calculated as the difference between contractual cash flows and the cash flows that the lender expects to receive, including from the sale of collateral. This indicator is usually expressed as a percentage in relation to EAD.

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

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

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

3 Review of significant aspects of accounting policies (continued)

The principles for evaluating ECL are described below:

- Stage 1 — 12-month ECL is calculated as part of lifetime ECL, which is ECL arising from defaults on a financial instrument within 12 months after the reporting date. The Company calculates 12-month ECLs based on expectations that a default will occur within 12 months after the reporting date. This 12-month probability of default is applied to the EAD and multiplied by the expected LGD and then discounted using the approximate original EIR. Such calculations are made for each of the two scenarios indicated above.

- Stage 2 — If the credit risk of a loan has increased significantly since initial recognition, the Company recognizes an allowance for impairment in an amount equal to the ECL for the entire period. The calculation principles are the same as above, including the ability to use multiple scenarios, except that PD and LGD are calculated over the life of the instrument. The expected cash shortfalls are discounted using the approximate value of the original EIR.

- Stage 3 — For loans that are credit-impaired, the Company recognizes an allowance for impairment in an amount equal to lifetime ECL. The calculation method is the same as for Stage 2 assets, with PD set at 100%.

- POCI — Purchased of originated credit-impaired financial assets are assets for which there was a credit impairment at the time of initial recognition. In the case of such assets, the Company recognizes as a provision for losses only accumulated from the date of initial recognition changes in ECL for the whole period, based on two probability weighted scenarios, and discounted using an EIR adjusted for credit risk.

- Commitments to provide loans — In measuring lifetime ECL for the unused portion of the loan commitment, the Company considers the portion of the commitment that is expected to be used over the expected life. ECLs are subsequently calculated at the present value of the expected cash shortfalls if the loan commitment is met based on two probability-weighted scenarios. The expected cash shortfall is discounted using the approximate expected EPR of the loan.

Forecast information

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

- GDP growth;
- inflation;
- oil price.

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

3 Review of significant aspects of accounting policies (continued)

Valuation of collateral

To mitigate credit risks for financial assets, the Company strives to use collateral wherever possible. Collateral takes various forms, such as land, real estate, inventory turnover, vehicles, and containers. Collateral, unless foreclosed, is not reflected in the Company's statement of financial position. However, the fair value of collateral is considered in determining ECL. Usually, it is assessed at least at the conclusion of the contract and is revalued on a quarterly basis. For more details on the impact of various credit enhancements on the Company, refer to Note 11.

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

Restructured and modified loans

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

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

g) *Cash and cash equivalents*

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

h) Labour costs and related deductions

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

i) Advances and prepayments

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

3 Review of significant aspects of accounting policies (continued)

j) Interest income and expense

The Company calculates interest income on debt financial assets measured at amortized cost by applying the effective interest rate to the gross carrying amount of financial assets, other than credit-impaired assets.

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

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

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

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

k) Income tax

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

Current income tax

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

Deferred income tax

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

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

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

Deferred income tax assets and liabilities are offset when:

- The company has legal right to offset current tax assets against current tax liabilities;
- Liabilities relate to income tax levied by the same tax authority;

3 Review of significant aspects of accounting policies (continued)

- The Company plans to recover its tax assets and settle its tax liabilities on a net basis.

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

l) Authorised capital

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

4 Restatement of comparative information

During the preparation of the financial statements for the year ended December 31, 2020, the Company identified errors in accounting for 2019 transactions. The corresponding items in the statement of financial position as of 31 December 2019 and transactions for the year ended 31 December 2019 have been restated:

As of December 31, 2019, there were separate reclassifications of comparative figures to bring them in line with the information presented as of December 31, 2020, which was changed from the previous year, as management believes that such reclassifications are more in line with the structure of these assets and liabilities. Below is an explanation of the reclassifications and error corrections made.

1. The company has incorrectly included in other long-term liabilities and finance lease receivables the amount of unearned finance income in the amount of KZT 2,511 thousand,
2. The company under-accrued interest income under finance lease agreements for 2018 in the amount of KZT 1,281 thousand and erroneously included this amount in the income of 2019, and over-accrued interest income for 2019 in the amount of KZT 521 thousand,
3. The company did not correctly classify the current finance lease debt as long-term debt in the amount of KZT 7,790 thousand as of December 31, 2019 and KZT 5,981 thousand at December 31, 2018,
4. The company did not correctly classify finance lease interest payable in the amount of KZT 207 thousand in loans to customers as of 31 December 2019,
5. The Company did not correctly classify current loans to customers as non-current in the amount of KZT 37,137 thousand as of December 31, 2019 and KZT 714 thousand as of December 31, 2018,
6. The Company reclassified the outstanding interest and fines in the amount of KZT 2,384 thousand from prepayments and other current assets to loans to customers as of 31 December 2019,
7. The company did not correctly classify the current and non-current portion of financial liabilities in the amount of KZT 85 thousand as of December 31, 2019 and KZT 52 thousand as of December 31, 2018,
8. The company reclassified income tax payable to a separate cost item in the amount of KZT 5,636 thousand from tax liabilities, the rest of the tax payable was reclassified to trade payables in the amount of KZT 333 thousand at 31 December 2019 years and 33 thousand tenge at 31 December 2018
9. The Company reclassified liabilities for other mandatory payments to the budget in the amount of KZT 152 thousand to “trade payables” as of December 31, 2019 and KZT 77 thousand as of December 31, 2018,
10. The company reclassified short-term provisions in the amount of KZT 714 thousand to the item “Trade payables”,
11. The Company reclassified the expense for amortization of discount on loans received from “other finance income (expenses), net” in the amount of KZT 2,408 thousand to “Interest expense”,
12. The Company reclassified the items “operating expenses” in the amount of KZT 24,025 thousand tenge and “other non-operating expenses” in the amount of KZT 13 thousand to the item “general and administrative expenses”.
13. The Company has reclassified “provision for loan impairment” in the amount of KZT 1,482 thousand and “provision for cash and deposits” in the amount of KZT 1,864 thousand in the line item “Impairment losses and write-offs”.
14. The Company has reclassified the items "income from services and commissions" and "fines, penalties, forfeit on loans issued" into the item "other income (expenses), net".

4 Restatement of comparative information (continued)

Statement of financial position as of 31 December 2019

The previously reflected and corrected items of the company's statement of financial position as of 31 December 2019 are presented below.

	Paragraph	Presented in current reporting	Classification changes and corrections	Presented earlier
Assets				
Non-current assets				
Property, plant and equipment		16	-	16
Long-term loans to customers	5	9,447	(37,137)	46,584
Finance lease receivables	1,2,3,4	6,095	(9,334)	15,429
Deferred tax assets		640	-	640
		16,198	**(46,471)**	**62,669**
Current assets				
Inventory		51	-	51
Long-term loans to customers	4,5,6	461,657	39,314	422,343
Finance lease receivables	3	7,790	7,790	-
Prepayments and other current assets	6	987	(2,384)	3,371
Cash and cash equivalents		32,008	-	32,008
		502,493	**44,720**	**457,773**
Total assets		**518,691**	**(1,751)**	**520,442**
Liabilities and equity				
Equity				
Authorized capital		258,401	-	258,401
Retained earnings	2	30,406	760	29,646
Total owners` equity		**288,807**	**760**	**288,047**
Non-current liabilities				
Financial liabilities	7	7,524	(85)	7,609
Other long-term financial liabilities	1	-	(2,511)	2,511
		7,524	**(2,596)**	**10,120**
Current liabilities				
Trade payables	8,9,10	1,977	1,199	778
Financial liabilities	7	214,747	85	214,662
Income tax payable	8	5,636	5,636	-
Tax liabilities	8	-	(5,969)	5,969
Obligations for other obligatory payments to the budget	9	-	(152)	152
Short-term estimated liabilities	10	-	(714)	714
		222,360	**85**	**222,275**
Total equity and liabilities		**518,691**	**(1,751)**	**520,442**

4 Restatement of comparative information (continued)

Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2019

The previously recognized and corrected items of the Company's statement of profit and loss and other comprehensive income for the year ended December 31, 2019 are presented below:

	Paragraph	Presented in current reporting	Classification changes and corrections	Presented earlier
Interest income	2	50,804	(521)	51,325
Interest expense	11	(5,206)	(2,408)	(2,798)
Net interest income		**45,598**	**(2,929)**	**48,527**
Provision for loan impairment	13	-	1,482	(1,482)
Net interest income after provision for impairment		**-**	**(1,447)**	**47,045**
Income from services and commissions	14	-	(3,104)	3,104
Fines, penalties, forfeit on loans issued	14	-	(4,239)	4,239
Provision for cash and deposits	13	-	1,864	(1,864)
Non-interest income		**-**	**(5,479)**	**5,479**
Other financial income (expenses), net	11	-	2,408	(2,408)
Operating expenses	12	-	24,025	(24,025)
Other non-operating expenses	12	-	13	(13)
General and administrative expenses	12	(24,038)	(24,038)	-
(Losses)/ reversal losses from impairment and write-offs	13	(3,346)	(3,346)	-
Other income (expenses), net	14	7,343	7,343	-
Income before tax		**25,557**	**(521)**	**26,078**
Income tax expense		(6,081)	-	(6,081)
Income for the period		**19,476**	**(521)**	**19,997**
Other comprehensive income		-	-	-
Total comprehensive income for the period		**19,476**		**19,997**

4 Restatement of comparative information (continued)

Statement of Financial Position as of 31 December 2018

The previously reflected and corrected items of the Company's statement of financial position as of 31 December 2018 are presented below.

	Paragraph	Presented in current reporting	Classification changes and corrections	Presented earlier
Assets				
Non-current assets				
Property, plant and equipment		33	-	33
Long-term loans to customers	5	46,953	(714)	47,667
Finance lease receivables	2	12,071	(5,981)	18,052
		59,057	**(6,695)**	**65,752**
Current assets				
Inventory		7	-	7
Long-term loans to customers	5	32,190	714	31,476
Finance lease receivables	2,3	7,262	7,262	-
Prepayment for income tax		227	-	227
Prepayments and other current assets		361	-	361
Cash and cash equivalents		98,929	-	98,929
		138,976	**7,976**	**131,000**
Total assets		**198,033**	**1,281**	**196,752**
Liabilities and equity				
Equity				
Authorized capital		161,000	-	161,000
Retained earnings	2	10,930	1,281	9,649
Total owners` equity		**171,930**	**1,281**	**17,649**
Non-current liabilities				
Financial liabilities	7	15,116	(52)	15,168
Deferred tax liabilities		692	-	692
		15,808	**(52)**	**15,860**
Current liabilities				
Trade payables	8,9	243	110	133
Financial liabilities	7	10,052	52	10,000
Tax liabilities	8	-	(33)	33
Obligations for other obligatory payments to the budget	9	-	(77)	77
		10,295	**52**	**10,243**
Total equity and liabilities		**198,033**	**1,281**	**196,752**

5 Significant accounting judgements, estimates and assumptions

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

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

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

Impairment losses on financial assets

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

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

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

The Company's policy implies regular review of models considering actual losses and their adjustment if necessary.

The amount of the provision for expected credit losses on loans issued and interest receivable recognized in the statement of financial position as of 31 December 2020 was KZT15,050 thousand (2019: KZT 1,191 thousand) (note 11).

(b) Lease

The company decided to use the recognition exemption for the existing lease agreements for office space and warehouse, so the lease term at the beginning of the lease is 12 months, and there is no reasonable certainty about its extension.

(c) Taxation

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

6 Net interest income

	2020	2019
Interest income		
Interest income on loans issued	40,742	47,080
Interest income on financial lease	1,138	2,192
Interest income on the placed deposit	1,910	1,532
	43,790	**50,804**
Interest expense		
Interest expense on bank loans	(1,359)	(2,798)
Penalties on loans	(750)	-
Amortization of loan discount	(1,654)	(2,408)
Interest expense on bonds	(94)	-
	(3,857)	**(5,206)**
	39,933	**45,598**

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

The company issues loans to legal entities and individuals without forming a legal entity (individual entrepreneurs, peasant / farms) secured by real estate and movable property up to 50 million tenge, loan terms in 2020 ranged from 3 months to 120 months (2019: from 3 months to 36 months). Loan rates depend on the amount and term of the loan, as well as the type of collateral; in 2020, rates were applied from 11% to 23% per annum (2019: from 11% to 35% per annum).

7 General and administrative expenses

	2020	2019
Remuneration of personnel and related deductions	19,423	22,675
Supplier services	11,872	343
Entrance fee	7,760	-
Rent current	5,382	-
Bank services	265	281
Travel expenses	111	340
Depreciation of fixed assets	21	18
Other	437	381
	45,271	**24,038**

8 Other income and expenses

	2020	2019
Income from penalties for late loan repayment	22,294	4,239
Income from reimbursement of arbitration fees	2,777	-
Commission for the organization of the loan	-	3,104
	25,071	**7,343**

9 Income tax expenses

(a) *Income tax expenses*

	2020	2019
Current income tax	2,062	7,413
Deferred income tax	(27)	(1,332)
	2,035	**6,081**

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

	2020	2019
Income before tax	5,818	25,557
Estimated amount of tax at the established rate (20%)	1,164	5,111
Adjustments for income and expenses that do not change the tax base:		
- general and administrative expenses	871	970
	2,035	**6,081**

(b) Deferred tax assets and liabilities

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

	2020	2019
Deferred tax liabilities		
Discount on loans received	(164)	(495)
	(164)	***(495)***
Deferred tax assets		
Fixed assets and intangible assets	6	-
Provision for expected credit losses	625	992
Reserve for vacation	200	143
	831	***1,135***
	667	**640**

The movement of time differences can be represented as follows:

	2020	2019
As of January 1	640	(692)
Charged to expenses	27	1,332
As of December 31	**667**	**640**

10 Finance lease receivables

The table below discloses the gross carrying amount and the amount of the estimated allowance for expected credit losses for finance lease receivables by class as of 31 December 2020, 31 December 2019 and 31 December 2018:

	31.12.2020	31.12.2019	31.12.2018
Financial lease to peasant farms	5,885	14,022	18,286
Remuneration arrears	497	1,527	1,489
Less: Provision for expected credit losses	(1,664)	(1,664)	(442)
Total finance lease receivables	**4,718**	**13,885**	**19,333**

The components of net investment in finance leases are presented as follows:

As of December 31, 2020:

	During 1 year	From 1 to 5 years	Total
Minimum lease payments to be received	6,403	-	6,403
Unearned finance income	(21)	-	(21)
Net minimum lease payments receivable as of December 31, 2020	6,382	-	6,382
Less: Provision for expected credit losses	(1,664)	-	(1,664)
Net investments in finance lease	**4,718**	**-**	**4,718**

As of December 31, 2019:

	During 1 year	From 1 to 5 years	Total
Minimum lease payments to be received	10,384	6,327	16,711
Unearned finance income	(930)	(232)	(1,162)
Net minimum lease payments receivable as of December 31, 2019	9,454	6,095	15,549
Less: Provision for expected credit losses	(1,664)	-	(1,664)
Net investments in finance lease	**7,790**	**6,095**	**13,885**

As of December 31, 2018:

	During 1 year	From 1 to 5 years	Total
Minimum lease payments to be received	9,454	13,880	23,334
Unearned finance income	(2,192)	(1,367)	(3,559)
Net minimum lease payments receivable as of December 31, 2018	7,262	12,513	19,775
Less: Provision for expected credit losses	-	(442)	(442)
Net investments in finance lease	**7,262**	**12,071**	**19,333**

10 Finance lease receivables (continued))

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

	2020	2019	2018
Provision for expected credit losses as of January 1	(1,664)	(442)	-
Accrued	-	(1,222)	(442)
Provision for expected credit losses as of December 31	**(1,664)**	**(1,664)**	**(442)**

The total amount of finance lease receivables is secured by leased assets, since the right to the asset is returned to the Company in case of default by the counterparty.

As of December 31, 2020, December 31, 2019 and December 31, 2018, the entire amount of finance lease receivables is accounted for by 2 counterparties.

As of December 31, 2020, December 31, 2019 and December 31, 2018, the Company has no cases of asset withdrawals due to late lease payments.

11 Loans to customers

	31.12.2020	31.12.2019	31.12.2018
Long-term loans to customers			
Loans issued to customers to peasant farms	27,000	-	36,953
Loans issued to individuals	-	9,447	10,000
Less: Provision for expected credit losses	-	-	-
	27,000	**9,447**	**46,953**
Short-term loans to customers			
Loans issued to customers to peasant farms	59,421	103,734	16,473
Loans issued to legal entities	149,200	166,487	15,000
Loans issued to individuals	9,199	176,788	350
Loans issued to related parties	1,009	-	-
Interest receivable	10,837	13,455	1,298
Arrears on penalties and fines issued	11,509	2,384	-
Less: Provision for expected credit losses	(15,050)	(1,191)	(931)
	226,125	**461,657**	**32,190**

Loans to customers as of 31 December 2020, 31 December 2019 and 31 December 2019 are presented in tenge.

Loans to customers issued to peasant farms, individuals and legal entities secured by movable and immovable property are secured by vehicles and real estate objects.

11 Loans to customers (continued)

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

	2020	2019	2018
Provision for expected credit losses as of January 1	(1,191)	(931)	-
Accrued	(13,859)	(260)	(931)
Provision for expected credit losses as of December 31	**(15,050)**	**(1,191)**	**(931)**

The table below shows the credit quality and maximum exposure to credit risk in the context of the terms and stage of the ECL.

11 Loans to customers (continued)

	31.12.2020					
	Stage 1 Individually	Stage 1 On a group basis	Stage 2 Individually	Stage 2 On a group basis	Stage 3	Total
Not expired	-	215,358	-	-	-	215,358
Overdue						
Overdue up to 30 days	-	11,423	-	-	-	11,423
Individually impaired	-	-	-	-	14,394	14,394
	-	**226,781**	**-**	**-**	**14,394**	**241,175**
Estimated provision for ECL	-	(656)	-	-	(14,394)	(15,050)
	-	**226,125**	**-**	**-**	**-**	**226,125**

	31.12.2019					
	Stage 1 Individually	Stage 1 On a group basis	Stage 2 Individually	Stage 2 On a group basis	Stage 3	Total
Not expired	-	460,464	-	-	-	460,464
Overdue up to 30 days	-	-	-	-	-	-
Overdue from 30 to 180 days	-	-	2,384	-	-	2,384
	-	**460,464**	**2,384**	**-**	**-**	**462,848**
Estimated provision for ECL	-	-	(1,191)	-	-	(1,191)
	-	**460,464**	**1,193**	**-**	**-**	**461,657**

11 Loans to customers (continued)

	31.12.2018					
	Stage 1 Individually	Stage 1 On a group basis	Stage 2 Individually	Stage 2 On a group basis	Stage 3	Total
Not expired	-	78,265	-	-	-	78,265
Overdue up to 30 days	-	-	-	-	-	-
Overdue from 30 to 180 days	-	-	1,647	-	-	1,647
	-	**78,265**	**1,647**	**-**	**-**	**79,912**
Estimated provision for ECL	-	-	(931)	-	-	(931)
	-	**78,265**	**716**	**-**	**-**	**78,981**

As of 31 December 2020, the total fair value of collateral was KZT 532,883 thousand (2019: KZT 580,723 thousand, 2018: KZT 171,860 thousand).

Information about the Company's exposure to credit risk in relation to loans to customers is disclosed in Note 19.

12 Cash and cash equivalents

	31.12.2020	31.12.2019	31.12.2018
Cash on bank accounts in KZT	1,801	9,019	76
Cash on bank accounts in USD	5,051	-	-
Short-term deposits in KZT	11,900	24,900	98,900
Минус: Резерв под ожидаемые кредитные убытки	(20)	(1,911)	(47)
	18,732	**32,008**	**98,929**

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

	2020	2019	2018
Provision for expected credit losses as of 1 January	(1,911)	(47)	-
Accrued	-	(1,864)	(47)
Restored	1,891	-	-
Provision for expected credit losses as of 31 December	**(20)**	**(1,911)**	**(47)**

As of December 31, 2020, a short-term deposit consists of a deposit placed with Nur-Bank JSC for a period of no more than one year. The terms of the deposit placement implies the withdrawal of any amount of money during the term of the deposit without changing the original conditions. According to the terms of the agreement the amount of remuneration is 7.25%.

The interest on the deposit is recorded as interest income in the statement of profit or loss and other comprehensive income.

Information about the Company's exposure to credit and currency risk in relation to cash is disclosed in Note 19.

13 Advances paid and other current assets

	31.12.2020	31.12.2019	31.12.2018
Advances issued for the supply of inventory and the provision of services	13	308	300
Advances issued for the supply of inventory and the provision of services to related parties	7,700	-	-
Employee debt on reported amounts	152	79	61
Arrears of employees on paid wages	462	600	-
Other receivables	1,684	-	-
Prepaid expenses	8	-	-
Prepaid taxes	700	-	-
Less: Allowance for impairment	(1,948)	-	-
	8,771	**987**	**361**

13 Advances paid and other current assets (continued)

The movement of the allowance for impairment of advances issued and other current assets can be represented as follows:

	2020	2019	2018
Allowance for impairment as of 1 January	-	-	-
Accrued	(1,948)	-	-
Allowance for impairment as of 31 December	**(1,948)**	**-**	**-**

14 Authorised capital

As of December 31, 2018, the sole participant of the Company was Alem Agro Holding LLP. The authorized capital was KZT 161,000 thousand.

During 2019, the sole participant increased the authorized capital to 258,401 thousand tenge.

On November 28, 2019 on the basis of sale and purchase agreement, 100% stake in the authorized capital is belong to by QADAM Group LLP (KADAM Group).

The information about the ultimate controlling parties is disclosed in Note 1.

15 Financial liabilities

	Interest rate	Currency	Maturity	31.12.2020	31.12.2019	31.12.2018
Long-term financial liabilities						
Agrarian Credit Corporation JSC	2%-15%	KZT	2021	-	10,000	20,000
Discount on the loan				-	(2,476)	(4,884)
Fixed rate bonds	5.25%	USD	2022	5,051	-	-
				5,051	**7,524**	**15,116**
Short-term financial liabilities						
Agrarian Credit Corporation JSC	2-15%	KZT	2020	10,000	22,000	10,000
Discount on the loan			2022	(822)	-	-
Interest on bank loans		KZT	2021	93	247	52
Interest on bonds		USD		93	-	-
Other financial liabilities to related parties	0%	KZT	2020	-	192,500	-
Debt on interest and penalties for late repayment		KZT	2021	6	-	-
				9,370	**214,747**	**10,052**

15 Financial liabilities (continued)

Agrarian Credit Corporation JSC

On November 13, 2018, the Company and Agrarian Credit Corporation JSC entered into an agreement to open a credit line in the amount of KZT 30,000 thousand, under which Agrarian Credit Corporation JSC provides the Company with bank loans under separate bank loan agreements (accessory agreements). The total term of the credit line is until November 13, 2021. The credit line was provided for lending to agricultural cooperatives aimed at organizing procurement services for meat, dairy and fruit and vegetable products.

The interest rate stipulated by the agreement is 2% per annum. The difference between the nominal value and the fair value of loans in the amount of KZT 5,087 thousand was considered as part of interest income in 2018.

The release of the discount based on the effective interest rate was included in finance costs and in 2020 amounted to KZT1,654 thousand (2019: KZT 2,408 thousand, 2018: KZT 203 thousand) (Note 6).

On June 12, 2019, the Company and Agrarian Credit Corporation JSC concluded an agreement on opening a credit line in the amount of 33,000 thousand tenge. The total term of the credit line is until May 1, 2020. The credit line is provided for replenishment of working capital and refinancing of final borrowers.

Bonds

On August 25, 2020, the Company listed 2,200 pieces of coupon bonds on the Astana International Financial Center ("AIX") for a total amount of 6,600,000 US dollars with an interest rate of 5.25% per annum, payment of remuneration on a semi-annual basis and maturity on August 25, 2022. The nominal value of one bond is 3,000 (three thousand) US dollars. As of December 31, it was placed at a nominal value of 4 pieces.

Accrued remuneration for 2020 - 94 thousand tenge, exchange rate difference of 1 thousand tenge.

Other financial liabilities

Other financial liabilities in the amount of KZT 192,500 thousand are reflected on the basis of an interest-free loan agreement with Alem-Agro LTD LLP. The maturity date is January 31, 2020.

The Company's exposure to liquidity risk in relation to financial liabilities is disclosed in Note 19.

16 Trade payables

	31.12.2020	31.12.2019	31.12.2018
Trade payables	62	-	6
Salaries payable	-	599	82
Liabilities for taxes and other payments to the budget	80	485	110
Other liabilities	371	179	45
Vacation allowance	998	714	-
	1,511	**1,977**	**243**

Trade payables as of 31 December 2020, 31 December 2019 and 31 December 2018 are denominated in tenge. Information about the Company's exposure to liquidity risk in relation to trade payables is disclosed in Note 19. The fair value of trade payables is approximately equal to its carrying amount due to the short-term repayment period.

17 Related party transactions

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

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

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

	2020	2019	2018
Net finance income:			
Interest income			
Alem-Agro LTD LLP	1,057	-	-
Purchase of services			
Alem-Agro Holding LLP			
Rental of premises	5,382	-	-
Acquisition of fixed assets			
Alem-Agro Holding LLP	217	-	-

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

	31.12.2020	31.12.2019	31.12.2018
Advances paid and other current assets			
Alem-Agro Holding LLP	7,700	-	-
Loans to customers			
Alem-Agro LTD LLP	1,057	-	-
Financial liabilities			
Alem-Agro LTD LLP	-	(192,500)	-

The key management personnel consist of four people as of December 31, 2020 (2019: three people, 2018: 2 people). Remuneration to key management personnel of the Company accrued for 2020 is 13,080 thousand tenge (2019: 15,213 thousand tenge, 2018: 1,336 thousand tenge) and represents wages and other current payments.

18 Contingent liabilities

(a) Political and economic conditions

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

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

19 Contingent liabilities (continued)

(b) Taxation

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

The Company's management believes that it has interpreted the relevant provisions of the legislation correctly, and that the Company's position adopted in terms of tax and currency legislation will be successfully defended in the event of any dispute. Accordingly, as of 31 December 2020 and 2019, no provision was made for potential tax liabilities.

(c) Lawsuits and claims

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

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

(d) Insurance

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

20 Financial risk management

The Company's activities involve various financial risks: market risk, liquidity risk, and credit risk. The Company's risk management program focuses on the unpredictability of financial risks and aims to minimize the potential negative impact on the Company's financial results.

The Company manages risks through an ongoing process of identification, assessment and monitoring, as well as through the establishment of risk limits and other internal control measures.

The Company does not use derivative financial instruments to hedge its exposure to risks.

21 Financial risk management (continued)

Categories of financial instruments

As of 31 December 2020, and 2019, the financial instruments are as follows:

	2020	2019	
Financial assets			
Cash and cash equivalents	18,732	32,008	98,929
Loans issued to customers	253,125	471,104	79,143
Finance lease receivables	4,718	13,885	19,333
	276,575	**516,997**	**197,405**
Financial liabilities			
Financial liabilities	(14,421)	(222,271)	(25,168)
Trade payables	(62)	-	(6)
	(14,483)	**(222,271)**	**(25,174)**

Risk of interest rate changes affecting cash flows and fair value

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

Currency risk

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

As of December 31, 2020, the Company has cash balances in US dollars in the amount of KZT 5,051 thousand and bond obligations in the amount of KZT 5,144 thousand (31.12.2019 and 31.12.2018: all financial instruments were denominated in tenge).

Sensitivity analysis

A 10% increase in the tenge exchange rate against the US dollar as of December 31 would increase the amount of net income by 7 thousand tenge in 2020.

This analysis assumes that all other variables remain unchanged.

Credit risk

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

The Company is exposed to credit risk in connection with loans issued to customers, interest receivable and other financial assets. The carrying amount of these financial assets represents the current amount of credit risk, but not the maximum amount of risk that may arise in the future because of changes in value (Notes 10.11).

The degree of credit risk is constantly monitored in order to ensure compliance with credit limits and creditworthiness in accordance with the risk management policy approved by the Company.

Assessment of impairment

The Company calculates expected credit losses based on several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted using the effective interest rate or its approximate value. The methodology for calculating expected credit losses and the main elements is given in note 3 f.

The Company has developed a policy to assess at the end of each reporting period whether there has been a significant increase in the credit risk of a financial instrument since initial recognition, by considering changes in the risk of default over the remaining term of the financial instrument.

19 Financial risk management (continued)

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

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

	Location	Rating	31.12.2020	31.12.2019	31.12.2018
ATF Bank JSC	Казахстан	B- stable/ B- stable	5,077	-	-
Nurbank JSC	Казахстан	B- stable/ B- negative	13,675	33,919	98,976
Less: Provition for ECL			(20)	(1,911)	(47)
			18,732	**32,008**	**98,929**

Liquidity risk

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

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

2020	**From 1 to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Financial liabilities	192	10,000	5,051	**15,243**
Trade payables	62	-	-	**62**
	254	**10,000**	**5,051**	**15,305**

2019	**From 1 to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Financial liabilities	247	214,500	10,000	**224,747**
	247	**214,500**	**10,000**	**224,747**

2018	**From 1 to 3 months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Financial liabilities	52	10,000	20,000	**30,052**
Trade payables	6	-	-	**6**
	58	**10,000**	**20,000**	**30,058**

19 Financial risk management (continued)

Changes in liabilities arising from financing activities

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

19 Financial risk management (continued)

	As of 1 January 2020	Cash flows	Accrued interest	Interest paid	Amortization of discount	Other*	As of 31 December 2020
Agrarian Credit Corporation JSC	29,771	(22,000)	1,359	(2,263)	1,654	756	9,277
Other financial liabilities	192,500	(192,500)	-	-	-	-	-
Bonds	-	5,034	94	-	-	16	5,144
	222,271	**(209,466)**	**1,453**	**(2,263)**	**1,654**	**772**	**14,421**

	As of 1 January 2019	Cash flows	Accrued interest	Interest paid	Amortization of discount	As of 31 December 2019
Agrarian Credit Corporation JSC	25,168	2,000	2,798	(2,603)	2,408	29,771
Other financial liabilities	-	192,500	-	-	-	192,500
	25,168	**194,500**	**2,798**	**(2,603)**	**2,408**	**222,271**

	As of 1 January 2018	Cash flows	Accrued interest	Discount	Amortization of discount	As of 31 December 2018
Agrarian Credit Corporation JSC	-	30,000	52	(5,087)	203	25,168
	-	**30,000**	**52**	**(5,087)**	**203**	**25,168**

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

The "Other" column includes accrued penalties and penalties for late repayment, exchange differences. The Company classifies the interest paid as cash flows from operating activities.

19 Financial risk management (continued)

Fair value of financial instruments

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

		Fair value measurement using		
2020	**Measurement date**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed				
Loans to customers	31 December 2020	-	253,125	-
Finance lease receivables	31 December 2020	-	4,718	-
Cash and cash equivalents	31 December 2020	-	18,732	-
Liabilities for which fair values are disclosed				
Trade payables	31 December 2020	-	(62)	-
Financial liabilities	31 December 2020	-	(14,421)	-

		Fair value measurement using		
2019	**Measurement date**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed				
Loans to customers	31 December 2019	-	471,104	-
Finance lease receivables	31 December 2019	-	13,885	-
Cash and cash equivalents	31 December 2019	-	32,008	-
Liabilities for which fair values are disclosed				
Financial liabilities	31 December 2019	-	(222,271)	-

19 Financial risk management (continued)

2018	Measurement date	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets for which fair values are disclosed				
Loans to customers	31 December 2018	-	79,143	-
Cash and cash equivalents	31 December 2018	-	19,333	-
Other financial assets	31 December 2018	-	98,929	-
Liabilities for which fair values are disclosed				
Trade payables	31 December 2018	-	(6)	-
Financial liabilities	31 December 2018	-	(25,168)	-

Capital Management

The objectives of the Company in managing capital are:

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

The capital to net debt ratio of the Company was calculated as follows:

	31.12.2020	31.12.2019	31.12.2018
Total debt (note 15)	14,421	222,271	25,168
Cash and cash equivalents (note 12)	(18,732)	(32,008)	(98,929)
Net debt	**(4,311)**	**190,263**	**(73,761)**
Equity	**292,590**	**288,807**	**171,930**
Equity to net debt ratio	(67.87)	1.52	(2.33)

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

	31.12.2020	31.12.2019	31.12.2018
Loans to customers (note 11)	253,125	471,104	79,143
Equity	292,590	288,807	171,930
Capital to loan portfolio ratio	1.16	0.61	2.17

20 Subsequent events

On March 10, 2021 the Company received a license to carry out microfinance activities under No. 02.21.0011.M.

In the period after the reporting date, the Company placed 167 pieces of coupon bonds.

On June 7, 2021, the Company concluded a framework agreement on the provision of financing with Bank RBK JSC in the amount of 250,000 thousand tenge, under which on June 16 the Company received the first tranche in the amount of 105,000 thousand tenge, the interest rate is 12% per annum, the maturity date is May 1, 2022.