GoldFinMarket Microfinance Organization LLP

Consolidated financial statements

for the year ended 31 December 2020
prepared in accordance with IFRSs

Shymkent 2021

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INDEPENDENT AUDITORS' REPORT

To: Owners of GoldFinMarket Microfinance Organization LLP

Opinion

We have audited the accompanying consolidated financial statements of GoldFinMarket Microfinance Organization LLP and its subsidiary (hereinafter – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

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

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

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

Approve

Serik Kozhikenov
Auditor, audit certificate №0000557
dated 24 December 2003
Chief Executive
Moore Stephens Kazakhstan LLP
14 June 2021

Askhat Lepessov
Audit partner

General licence No. 20008067 for audit activity issued 9 June 2020 by Ministry of Finance of the Republic of Kazakhstan

KZT'000	Note	2020	2019
Interest income	3	1,263,839	634,841
Finance costs	9(b),10	(139,953)	(50,347)
Net interest income		**1,123,886**	**584,494**
Recovery (accrual) of allowance for microloans	7	31,916	(64,700)
Net interest income after allowance		**1,155,802**	**519,794**
Administrative expenses	4	(952,708)	(506,444)
Other operating income		–	1,218
Operating profit		**203,094**	**14,568**
Foreign exchange loss		(53,450)	–
Profit before taxation		**149,644**	**14,568**
Income tax expense	5(a)	(30,080)	(2,914)
Profit for the year		**119,564**	**11,654**
Other comprehensive income		–	–
Total comprehensive income for the year		**119,564**	**11,654**

These consolidated financial statements have been approved for issue on 14 June 2021 and signed on behalf of the Group's management by:

Makhsat Dauletaliyev
Chairman of the Board
GoldFinMarket Microfinance Organization LLP

Aigerim Seitbekova
Chief accountant
GoldFinMarket Microfinance Organization LLP

KZT'000	Note	2020	2019
Assets			
Cash	6	483,612	98,399
Microloans issued	7	3,268,461	2,480,217
Advances paid and other current assets		12,209	794
Deferred tax asset	5(b)	4,066	3,407
Intangible assets		1,520	931
Property, plant and equipment	8	151,250	72,138
Right-of-use assets	9(a)	434,556	366,518
TOTAL ASSETS		**4,355,674**	**3,022,404**
Current liabilities			
Borrowings	10	434,889	354,092
Income tax payable		31,721	3,150
Other taxes payable		4,965	3,032
Trade and other payables	11	74,852	42,089
Lease liabilities	9(b)	465,631	387,827
TOTAL LIABILITIES		**1,012,058**	790,190
Equity			
Charter capital	12(a)	3,200,000	2,208,162
Retained earnings		143,616	24,052
TOTAL EQUITY		**3,343,616**	2,232,214
TOTAL EQUITY AND LIABILITIES		**4,355,674**	**3,022,404**

The notes on pages 5 to 18 are an integral part of these consolidated financial statements

KZT'000	Note	2020	2019
OPERATING ACTIVITIES			
Profit before taxation		149,644	14,568
Adjustments for:			
Depreciation and amortisation	4	187,890	88,647
Recovery (accrual) of allowance for microloans	7	(31,916)	64,700
Interest income	3	(1,263,839)	(634,841)
Finance costs	9(b),10	139,953	50,347
Unrealised foreign exchange loss		53,360	–
Operating cash flows before changes in working capital		(764,908)	(416,579)
Decrease (increase) in microloans issued		507,511	(1,309,484)
(Increase) decrease in advances paid and other current assets		(11,415)	4,530
Increase in other taxes payable		1,933	2,220
Increase in trade and other payables		32,763	31,121
Cash flows from operations before interest and income tax paid		(234,116)	(1,688,192)
Interest paid	10	(78,774)	(11,686)
Income tax paid		(2,168)	(5,437)
Net cash used in operating activities		**(315,058)**	**(1,705,315)**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	8	(113,201)	(75,625)
Purchases of intangible assets		(744)	(922)
Net cash used in investing activities		**(113,945)**	**(76,547)**
FINANCING ACTIVITIES			
Contributions to charter capital	12(a)	991,838	1,426,662
Proceeds from borrowings	10	2,886,600	553,500
Repayment of borrowings	10	(2,863,405)	(201,636)
Lease payments	9(b)	(203,743)	(96,561)
Net cash from financing activities		**811,290**	**1,681,965**
Net increase (decrease) in cash		382,287	(99,897)
Effect of exchange rate changes on cash		2,926	–
Cash at the beginning of the year		98,399	198,296
Cash at the end of the year	6	**483,612**	**98,399**

The notes on pages 5 to 18 are an integral part of these consolidated financial statements

KZT'000	Note	Charter capital	Retained earnings	Total
At 1 January 2019		**781,500**	**12,398**	**793,898**
Profit for the year		–	11,654	11,654
Contributions into charter capital	12(a)	1,426,662	–	1,426,662
At 31 December 2019		**2,208,162**	**24,052**	**2,232,214**
Profit for the year		–	119,564	119,564
Contributions into charter capital	12(a)	991,838	–	991,838
At 31 December 2020		**3,200,000**	**143,616**	**3,343,616**

The notes on pages 5 to 18 are an integral part of these consolidated financial statements

1. General information

(a) Organisation and operation

GoldFinMarket Microfinance Organization LLP (hereinafter – "the Company") is a limited liability partnership registered in the Republic of Kazakhstan in 2007. Last re-registration date is 3 November 2020 due to the change of the Company's name from GFM Microfinance Organization LLP.

The main office of the Company is registered at the address: Shayakhmetov street 3/2, Shymkent, Kazakhstan.

Physical location of the main office: Kunaev street 3B, Shymkent, Kazakhstan.

These consolidated financial statements include the Company and its subsidiary (hereinafter – "the Group"). Information on the Company's subsidiary is provided in note 16.

The Group provides lending services for individuals, individual entrepreneurs, representatives of small and medium-sized businesses operating in the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan on microfinance activities. The Group is licensed to carry out activities of a microfinance organisation and a pawnshop.

As at 31 December 2020, the Group had 106 employees (2019: 84 employees).

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, imposition or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements include management's estimates of Kazakhstan economic conditions and their impact on the results and financial position of the Group. Actual economic conditions can differ from those estimates.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRSs") as issued by the International Accounting Standards Board (hereinafter – "IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – "IFRIC") of the IASB.

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis.

Management believes that the Group's stable profitability is sufficient to meet the Group's anticipated cash flow requirements. After analysing the Group's projected interest rates for microloans, the level of disbursement, repayment of debt, as well as an assessment of possible adverse consequences, such as a decrease in interest rates on microloans, an increase in operating and capital costs, management reasonably believes that the Group has sufficient resources to continue working. in foreseeable future. Accordingly, the Group continues to apply the going concern principle in preparing the consolidated financial statements.

(c) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis.

(d) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2020 and the Group's financial performance for the year ended 31 December 2020.

2. Basis of preparation, continued

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to direct those activities of an enterprise that most significantly affect the returns the Group earns from its involvement with the enterprise. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through profit or loss.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(e) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan tenge (hereinafter – "tenge" or "KZT"), which is the functional currency of the Company and its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in tenge has been rounded to the nearest thousand (hereinafter – "KZT'000" or "KZT thousand").

(f) Adoption of standards and interpretations

In preparing the financial statements, the Group has applied the following standards and amendments effective from 1 January 2020:

- Amendments to IFRS 3 "Definition of a Business";
- Amendments to IFRS 7, IFRS 9 and IAS 39 "Interest Rate Benchmark Reform";
- Amendments to IAS 1 and IAS 8 "Definition of Material";
- Conceptual Framework for Financial Reporting.

The standards and amendments listed above did not have a material impact on the Group's financial statements.

(g) New standards and interpretations not yet adopted

The Group has not early adopted new standards, interpretations or amendments that were issued but are not yet entered into force, and their requirements have not been considered when preparing the financial statements. These standards and interpretations are not expected to have a material impact on these financial statements.

(h) Use of estimates and judgments

The Group's management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from those estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments made by management for preparation of these financial statements is described in the following notes:

- Note 5 – Income tax. Management made estimates in relation to the level of taxes payable which may then be audited by the tax authorities and timing of realisation of temporary differences;
- Note 7 – Microloans issued. Management made estimates in relation to the allowance for expected credit losses;
- Note 9 – Lease. Estimates were made in determining the lease term of contracts with renewal option and incremental borrowing rates;
- Note 13 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 14 – Commitments and contingencies. These require management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

3. Interest income

KZT'000	2020	2019
Interest income	1,180,578	564,787
Income on fines and penalties	79,492	46,661
Income on loan arrangement commissions	3,769	23,393
	1,263,839	**634,841**

4. Administrative expenses

KZT'000	2020	2019
Service and maintenance of fixed assets	378,877	198,601
Salaries and payroll taxes	197,381	105,686
Depreciation and amortisation	187,890	88,647
Royalties	70,400	31,200
Professional services	65,599	18,760
Advertising costs	11,480	31,596
Bank charges	7,902	3,058
Rent	–	8,260
Other	38,179	20,636
	952,708	**506,444**

5. Income tax

(a) Income tax expense

The major components of income tax expense are as follows:

KZT'000	2020	2019
Corporate income tax	30,739	6,044
Deferred income tax	(659)	(3,130)
Income tax expense	**30,080**	**2,914**

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory rate to income tax expense at the effective tax rate is as follows:

KZT'000	2020	2019
Profit before taxation	**149,644**	**14,568**
Income tax rate	20.0%	20.0%
At statutory income tax rate	29,929	2,914
Non-deductible expenses	151	–
Income tax expense	**30,080**	**2,914**
Effective income tax rate	20.1%	20.0%

(b) Deferred tax asset

The amounts of deferred tax assets (liabilities) are as follows:

KZT'000	2020	2019
Property, plant and equipment and intangible assets	(3,971)	(2,260)
Lease assets	(86,911)	(73,304)
Lease liabilities	93,126	77,565
Borrowings	–	446
Trade and other payables	1,554	798
Taxes payable	268	162
	4,066	**3,407**

5. Income tax expense, continued

Movement in deferred tax asset is as follows:

KZT'000	2020	2019
At 1 January	3,407	277
Credited to profit or loss	659	3,130
At 31 December	**4,066**	**3,407**

6. Cash

KZT'000	2020	2019
Petty cash	483,514	98,012
Cash at bank	98	387
	483,612	**98,399**

7. Microloans issued

KZT'000	2020	2019
Microloans secured by movable property	3,220,034	2,512,373
Unsecured microloans	74,884	9,763
Microloans secured by real estate	7,964	26,145
	3,302,882	2,548,281
Allowance for expected credit losses	(34,421)	(68,064)
	3,268,461	**2,480,217**

Microloans are provided for a period of less than a year.

Microloans issued are secured by collateral with the following estimated value at the time of issuance of microcloans:

KZT'000	2020	2019
Movable property	4,007,884	3,073,935
Real estate	45,381	47,787
	4,053,265	**3,121,722**

The estimated value of the collateral is determined as of the date of filing an application for a microloan. The value of real estate is determined by an independent appraisal, the value of movable property is determined by an independent appraisal or by the assessment of the Group's experts.

Movement in the allowance for expected credit losses is as follows:

KZT'000	2020	2019
At 1 January	68,064	7,280
(Recovered) accrued	(31,916)	64,700
Written off	(1,727)	(3,916)
At 31 December	**34,421**	**68,064**

8. Property, plant and equipment

KZT'000	Office furniture	Other equipment	Office equipment	Other	Total
Cost					
At 1 January 2019	2,848	477	2,478	386	6,189
Additions	33,107	23,938	17,461	1,119	75,625
At 31 December 2019	35,955	24,415	19,939	1,505	81,814
Additions	46,302	33,810	30,631	2,458	113,201
At 31 December 2020	82,257	58,225	50,570	3,963	195,015
Depreciation					
At 1 January 2019	792	256	1,330	107	2,485
Depreciation charge	2,513	1,338	3,182	158	7,191
At 31 December 2019	3,305	1,594	4,512	265	9,676
Depreciation charge	9,591	9,791	14,247	460	34,089
At 31 December 2020	12,896	11,385	18,759	725	43,765
Net book value					
At 31 December 2019	**32,650**	**22,821**	**15,427**	**1,240**	**72,138**
At 31 December 2020	**69,361**	**46,840**	**31,811**	**3,238**	**151,250**

Fully depreciated assets

As at 31 December 2020, the cost of fully depreciated property, plant and equipment in use was KZT 1,023 thousand (2019: KZT 983 thousand).

9. Lease

The Group leases offices, vehicles and equipment (gold analyser and payment systems). Rental contracts are typically made for fixed periods of equal of less than 12 months but have extension options. The lease contracts do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be subleased or used as security for borrowing purposes.

The lease liabilities for these properties were calculated as the present value of the outstanding rentals, using an incremental borrowing rates of 12.6% (2019: 12.4%).

(a) Right-of-use assets

KZT'000	Offices	Equipment	Vehicles	Other	Total
Cost					
At 1 January 2019	280,279	116,393	51,283	–	447,955
At 31 December 2019	280,279	116,393	51,283	–	447,955
Additions	112,601	38,974	18,052	11,634	181,261
Change in accounting estimates	94,872	(19,909)	–	–	74,963
At 31 December 2020	487,752	135,458	69,335	11,634	704,179
Amortisation					
At 1 January 2019	–	–	–	–	–
Amortisation charge	58,813	13,282	9,342	–	81,437
At 31 December 2019	58,813	13,282	9,342	–	81,437
Amortisation charge	108,000	29,910	15,009	727	153,646
Change in accounting estimates	38,131	(3,591)	–	–	34,540
At 31 December 2020	204,944	39,601	24,351	727	269,623
Net book value					
At 31 December 2019	**221,466**	**103,111**	**41,941**	**–**	**366,518**
At 31 December 2020	**282,808**	**95,857**	**44,984**	**10,907**	**434,556**

9. Lease, continued

(b) Lease liabilities

KZT'000	2020	2019
At 1 January	387,827	447,955
Additions	181,261	–
Change in estimates	40,423	–
Payments	(203,743)	(96,561)
Unwinding of discount	59,863	36,433
At 31 December	**465,631**	**387,827**
Non-current	238,585	249,366
Current	227,046	138,461
	465,631	**387,827**

10. Borrowings

First Heartland Jysan Bank JSC borrowings

In August 2019, the Company entered into loan facility agreement, amounting to KZT 500,000 thousand on a revolving basis at 13.5% per annum with First Heartland Jysan Bank JSC. The financing activity line is provided within a limit of a period from 27 August 2019 to 27 August 2022. The availability period for a part of the limit on a revolving basis is 12 months.

During 2020, the Group repaid the loan facility ahead of the schedule.

SIA Mintos Finance borrowings

In January 2020, the Company entered into a loan facility agreement with SIA Mintos Finance in the amount of EUR 2,000,000 on a revolving basis. During 2020, the Company received and partially repaid loans in tenge and in euros at 17.0-22.0% and 8.0-9.0% per annum, respectively. Loans were obtained for a period of 3 to 7 days. Loans received for the purpose of providing microloans for individuals.

The following is a table of borrowings movements:

KZT'000	2020	2019
At 1 January	354,092	–
Proceeds from borrowing	2,886,600	553,500
Repayment of borrowings	(2,863,405)	(201,636)
Interest accrued	80,090	13,914
Interest paid	(78,774)	(11,686)
Net exchange adjustment	56,286	–
At 31 December	**434,889**	**354,092**

11. Trade and other payables

KZT'000	2020	2019
Trade payables	22,099	22,444
Vacations accrued	7,768	3,992
Salaries and related payables	2,748	2,983
Financial instruments within trade payables	32,615	29,419
Payments received in advance	42,063	12,670
Other payables	174	–
	74,852	**42,089**

12. Equity

(a) Charter capital

	2020		2019	
	Share, %	KZT'000	Share, %	KZT'000
Baidosova Akgul	44	1,400,000	59	1,296,565
Mukan Gulzhan	29	925,000	41	911,597
Patyma Mamyrbek	27	875,000	–	–
	100	**3,200,000**	**100**	**2,208,162**

The ultimate controlling party as at 31 December 2020 and 2019 was an individual Baidosova Akgul, a citizen of the Republic of Kazakhstan.

In 2020, the charter capital increased to KZT 991,838 thousand (2019: KZT 1,426,662 thousand), by decisions of the Group's participants. The increase in the charter capital is fully paid in cash

(b) Dividends

In 2020 and 2019, the Group neither declared nor paid dividend.

13. Financial instruments and financial risk management objectives and policies

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Categories and fair values of financial assets and financial liabilities

Categories of financial assets and financial liabilities

KZT'000	Note	2020	2019
Financial assets at amortised costs			
Cash	6	483,612	98,399
Microloans issued	7	3,268,461	2,480,217
		3,752,073	**2,578,616**
Financial liabilities at amortised cost			
Lease liabilities	9(b)	465,631	387,827
Borrowings	10	434,889	354,092
Trade and other payables	11	32,615	29,419
		933,135	**771,338**

Fair values

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

13. Financial instruments and financial risk management objectives and policies, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from the Group's cash and microloans issued.

The carrying value of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at 31 December was:

KZT'000	2020	2019
Cash (less petty cash)	98	387
Microloans issued	3,268,461	2,480,217
	3,268,559	**2,480,604**

Cash

Credit risk related to cash is monitored by management in accordance with the policies of the Group. Free funds are held with banks in Kazakhstan with ratings of Standard & Poor's from "B" to "BB". The purpose of this policy is to reduce concentration of credit risk and minimise possible financial loss due to banks' failure to meet their contractual obligations.

Microloans issued

The Group has developed a credit quality review process to ensure early identification of possible changes in the borrowers' credit solvency. Limits on borrowers are determined using the credit risk classification system, which assigns each counterparty a credit rating. Ratings are regularly reviewed. The credit quality review allows the Group to assess the size of potential losses on the risks to which it is exposed and take necessary actions.

When deciding whether to issue such microloans, the Group conducts an analysis to ensure that the total credit risk on these microloans does not exceed the Group's distributed reserves.

The Group's exposure to credit risk fully applies to borrowers in Kazakhstan.

Impairment losses

The Group creates an allowance for impairment of trade receivables, which represents its estimate of expected credit losses. The ageing of trade receivables at 31 December was.

KZT'000	Gross	Expected loss rate	Impairment
2020			
Not past due	2,971,641	0%	–
Past due 0-90 days	314,952	-6%	(18,132)
More than 90 days	16,289	-100%	(16,289)
	3,302,882	**-1%**	**(34,421)**
2019			
Not past due	2,311,946	0%	–
Past due 0-90 days	200,113	-16%	(31,842)
More than 90 days	36,222	-100%	(36,222)
	2,548,281	**-3%**	**(68,064)**

(d) Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring continuity of funding and flexibility through the use of loans and purchases on credit.

13. Financial risk management objectives and policies, continued

Maturity of financial liabilities

The table below provides an analysis of the Group's financial liabilities to be settled on a gross basis by relevant maturity groups from the balance sheet date to the contractual settlement date:

KZT'000	Less than 3 months	3 to 12 months	1 to 5 years	Total
2020				
Lease liabilities	61,276	188,738	251,809	501,823
Borrowings	435,805	–	–	435,805
Trade and other payables	24,847	7,768	–	32,615
	521,928	**196,506**	**251,809**	**970,243**
2019				
Lease liabilities	36,021	108,063	288,168	432,252
Borrowings	146,522	331,117	–	477,639
Trade and other payables	25,427	3,992	–	29,419
	207,970	**443,172**	**288,168**	**939,310**

Borrowings include expected future interest payments calculated on the basis of interest rates effective on the balance sheet date. Lease liabilities are presented on an undiscounted gross basis.

(e) Price risk

The Group is not exposed to market risk as it concludes contracts without price change adjustment for services after their sale.

(f) Interest rate risk

At the reporting dates the Group is not exposed to interest rate risk as there are no financial instruments with floating interest rates.

(g) Currency risk

The Group is subject to currency risk exposure when performing transactions in currencies other than its functional currency.

The Group's exposure to foreign currency risk was as follows:

KZT'000	KZT	EUR	Total
2020			
Cash	483,612	–	483,612
Microloans issued	3,268,461	–	3,268,461
Lease liabilities	(465,631)	–	(465,631)
Borrowings	(66,529)	(368,360)	(434,889)
Trade and other payables	(32,615)	–	(32,615)
	3,187,298	**(368,360)**	**2,818,938**
2019			
Cash	98,399	–	98,399
Microloans issued	2,480,217	–	2,480,217
Lease liabilities	(387,827)	–	(387,827)
Borrowings	(354,092)	–	(354,092)
Trade and other payables	(29,419)	–	(29,419)
	1,807,278	**–**	**1,807,278**

Financial instruments denominated in tenge are not exposed to foreign currency risk and are provided for reconciliation of total amounts.

Sensitivity analysis

A 10% weakening (strengthening) of tenge against the Euro as at 31 December would have increased (decreased) net profit by KZT 29,469 thousand (2019: nil). This analysis assumes that all other variables remain constant.

13. Financial risk management objectives and policies, continued

(h) Capital management

The overriding objectives of the Group's capital management policy are to safeguard and support the business as a going concern and to maintain an optimal capital structure with a view to maximising returns to owners and benefits to other stakeholders by reducing the Group's cost of capital. The Group's overall policy remains unchanged from 2019.

14. Commitments and contingencies

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively.

Management interpretations of such legislation in applying it to business transactions of the Group may be challenged by the relevant tax authorities and, as a result, the Group may be claimed for additional tax payments, including fines, penalties and interest charges that could have a material adverse effect on the Group's financial position and results of operations.

Period for additional tax assessments

Tax authorities in Kazakhstan have the right to raise additional tax assessments for three or five years after the end of the relevant tax period, depending on the taxpayer category or tax period. In certain cases, as determined by the tax legislation, the terms could be extended for three years.

Possible additional tax liabilities

Management believes that the Group is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. Available insurance programs may not provide full coverage in the event of a major loss.

(c) Legal commitments

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As at 31 December 2020, the Group was not involved in any significant legal proceedings.

(d) Security of collateral

As stated in note 7, the collateral for microloans issued is movable property, partially in the custody of the Group. The Group bears risks for the safety of such property.

15. Related party disclosures

Related parties include the following:

- Key executives.
- Owners.
- Companies under common control.

15. Related party disclosures, continued

(a) Management remuneration

Rewards received by key executives are included in personnel costs of administrative expenses (see note 4) amounted to KZT 7,417 thousand (2019: KZT 4,195 thousand).

(b) Transactions with related parties

KZT'000	Owners	Companies under common control
2020		
Balance of microloans issued	–	73
Microloans issued during the year	–	159
Interest income	–	5
Lease payments	–	60,639
Purchases from related parties	–	65,494
2019		
Balance of microloans issued	–	2,113
Lease liabilities	96,611	75,502
Microloans issued during the year	–	2,214
Interest income	–	53
Sales to related parties	–	27,499
Lease payments	11,352	19,800
Purchases from related parties	81,272	119,068

(c) Terms and conditions of transaction with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

16. Group information

The consolidated financial statements include financial statements of the Company and its subsidiary GoldFinMarket Lombard LLP (100% ownership). GoldFinMarket Lombard LLP provides services in the field of pawnshops and is licensed to provide services in accordance with the legislation on microfinance activities.

The subsidiary was established in October 2020. At the moment it is inactive and has this asset in the form of cash in the amount of KZT 70,000 thousand.

17. Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the consolidated financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange ruling rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date when their fair value was determined. Foreign currency differences arising on retranslation at the exchange rate on the date of the transaction as well as those from retranslation of monetary assets and liabilities at the reporting date are recognised in profit or loss.

The following exchange rates were used in preparing the consolidated financial statements:

	2020		2019	
	Year-end	Average	Year-end	Average
Euro	516.79	471.44	426.85	428.51

17. Significant accounting policies, continued

(b) Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain (loss) on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income (other expenses) in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value. The expected remaining useful lives as follows:

- office furniture 3-5 years;
- other equipment 3-5 years;
- office equipment 2-5 years;
- other 2-7 years.

Useful lives and residual values of property, plant and equipment are analysed at each reporting date.

(c) Intangible assets

Intangible assets relate largely to software purchases, which are acquired by the Group and which have finite useful lives, are stated at cost (which comprises purchase price plus any directly attributable costs of preparing the asset for intended use) less accumulated amortisation and impairment losses.

Amortisation

Amortisation of intangible assets, which have expected useful lives of 3 to 10 years, is computed under the straight-line method over the estimated useful lives of the assets.

(d) Cash

Cash comprise cash at bank which is available on demand and subject to insignificant risk of changes in value and petty cash.

(e) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(f) Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. Also, the Group remeasures the lease liability to reflect a lease contract modification.

17. Significant accounting policies, continued

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

For contracts that contain a lease component and one or more additional non-lease components, the Group does not to separate non-lease components, and accounts for any lease and associated non-lease components as a single arrangement.

(g) Retirement employee benefits

The Group does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments.

(h) Interest income

Interest income commissions, fines and other income that the Group receives in connection with the issuance of microloans.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

(j) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable to receive taxable income in future, which can be utilised against this asset. Amount of deferred tax assets are reduced to the extent that it is not probable that appropriate tax savings would be used.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) Financial instruments

Recognition

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

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

17. Significant accounting policies, continued

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in profit or loss, except for the loans receivable from (payable to) owners, gains or losses at initial recognition of which are recognised directly in equity. Subsequent to initial recognition, the loans receivable from owners are measured at amortised cost using the effective interest method.

In determining the estimated fair value, investments are valued at the quoted market prices of the purchase on the transaction date. In the absence of quoted prices in active market investments, fair value is determined using quoted market prices for similar instruments traded.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is settled.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost at an amount equal to 12-month expected credit losses. For trade receivables the Group measures the loss allowance at an amount equal to lifetime expected credit losses. At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

18. Events after the reporting period

Conclusion of an additional loan agreement

In April 2021, the Group entered into an additional cooperation agreement with SIA Mintos Finance to increase the revolving credit limit to EUR 4,000,000 to replenish working capital.