



First Heartland Capital

First Heartland Capital Joint Stock Company

Financial Statements  
for the year ended 31 December 2021

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## Independent Auditors' Report

To the Shareholder and members of the Management Board of First Heartland Capital JSC

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of First Heartland Capital JSC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

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

#### *Other Matter*

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information to the statements related to the statements of net assets of mutual investment funds and changes in net assets of mutual investment funds under management of the Company which are presented on pages 43-44, do not form part of the financial statements. Such supplementary information was prepared by management following the requirements of the Rules for Carrying Out the Investment Portfolio Management Activity, approved by the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No.10 dated 3 February 2014.

Our opinion on the financial statements does not cover the supplementary information and we do not express an opinion thereon.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate 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.

**Report on Results of an Examination Conducted in Accordance with the Requirements of the Law of the Republic of Kazakhstan dated 7 July 2004, No.576-II “On Investment and Venture Funds”**

We conducted procedures to examine whether the accounts maintenance records keeping procedures and preparation of the statements related to the mutual investment fund assets transferred (accepted) under the Company’s investment management, which are listed in the Supplementary Information to the Financial Statements section (the “Funds”), comply with the requirements of the legislation of the Republic of Kazakhstan.

The examination was limited to such procedures selected on the basis of our judgments as inquiries, analysis, review of documents related to the assets making up the Funds, and benchmarking thereof against the requirements set by the legislation of the Republic of Kazakhstan on mutual investment funds.

As a result of our procedures the following has been established:

- 1) in accordance with the requirements set by the legislation of the Republic of Kazakhstan on mutual investment funds, assets which make up each Fund were segregated from the Company’s own assets and separate off-balance sheet accounting records kept for those assets were accounted for during 2021 using an independent off-balance-sheet accounting;
- 2) during 2021 the Company reconciled, on a monthly basis, the data of its internal accounting system for each Fund for its compliance with the custodians’ data;
- 3) during 2021 the Company kept records of the documents related to operations of each Fund by maintaining the logs, which included data listed in clause 46 of the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 3 February 2014, No.10 “On Approval of the Rules for Carrying out the Investment Portfolio Management Activity”;
- 4) the Company have signed the custodian contracts to account for and keep assets making up each of the Funds;
- 5) during 2021 the Company prepared, on a monthly basis, the statements of each Fund following the requirements set out in the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 28 January 2016, No. 41 “On Approval of the Rules of Submission of Financial Statements by Financial Organisations and Organisations Carrying out the Microfinance Activity”.



The engagement partner on the audit resulting in this independent auditors' report is:





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Assel Urdabayeva  
Certified Auditor  
of the Republic of Kazakhstan  
Auditor's Qualification Certificate  
№ МФ-0000096 of 27 August 2012

**KPMG Audit LLC**

*State Licence to conduct audit No. 0000021 dated 6 December 2006 issued by the  
Ministry of Finance of the Republic of Kazakhstan 6 December 2006*



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Sergey Dementyev  
General Director of KPMG Audit LLC  
acting on the basis of its Charter

25 February 2022

**First Heartland Capital Joint Stock Company**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

KZT'000	Note	2021	2020
Interest income calculated using the effective interest method	5	24,497	71,536
Other interest income	5	706,617	406,665
<b>Total interest income</b>		<b>731,114</b>	<b>478,201</b>
Fee and commission income	6	198	230
Fee and commission expense	6	(41,875)	(140,625)
<b>Net fee and commission expense</b>		<b>(41,677)</b>	<b>(140,395)</b>
Net (loss)/gain on financial instruments measured at fair value through profit or loss	7	(105,797)	119,642
Net foreign exchange gain on revaluation of financial assets and liabilities denominated in foreign currency	8	626,704	879,490
Other income/(expenses)		807	(162)
Reversal of credit losses/(credit losses)		451	(1,144)
Personnel expenses	9	(371,783)	(249,604)
General and administrative expenses	10	(103,584)	(40,097)
<b>Profit before income tax</b>		<b>736,235</b>	<b>1,045,931</b>
Income tax expense	11	(118,355)	(173,133)
<b>Profit and total comprehensive income for the year</b>		<b>617,880</b>	<b>872,798</b>

**Signed and authorised for issue on behalf of the Management Board of First Heartland Capital JSC:**

 	Vladimir Kim, Chairman of the Management Board
	Lyazzat Kaimoldayeva, Chief Accountant

25 February 2022

*First Heartland Capital Joint Stock Company*  
Statement of Financial Position as at 31 December 2021

KZT'000	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and cash equivalents	12	2,059,426	841,630
Financial instruments measured at fair value through profit or loss	13	29,545,698	30,360,553
Other receivables		1,257	74
Property, plant and equipment and intangible assets		9,312	9,983
Other assets		5,833	3,263
<b>Total assets</b>		<b>31,621,526</b>	<b>31,215,503</b>
<b>Liabilities</b>			
Corporate income tax		116,300	155,671
Other payables		9,735	16,265
Other liabilities	14	4,836	155,153
Deferred tax liability	11	-	15,639
<b>Total liabilities</b>		<b>130,871</b>	<b>342,728</b>
<b>Equity</b>			
Share capital	15	29,976,087	29,976,087
Retained earnings		1,514,568	896,688
<b>Total equity</b>		<b>31,490,655</b>	<b>30,872,775</b>
<b>Total equity and liabilities</b>		<b>31,621,526</b>	<b>31,215,503</b>



**First Heartland Capital Joint Stock Company**  
Statement of Cash Flows for the year ended 31 December 2021

<b>KZT'000</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Interest receipts		685,722	229,270
Fee and commission receipts		230	192
Fee and commission payments		(50,292)	(129,299)
Net receipts from financial instruments measured at fair value through profit or loss		491,334	157,408
Net outflow on foreign exchange transactions		(12,829)	(73,873)
Personnel expenses payments		(522,100)	(100,670)
Other operating expenses payments		(95,984)	(33,909)
<i>Net (increase)/decrease in operating assets</i>			
Financial instruments measured at fair value through profit or loss		831,619	(28,328,047)
Other receivables		(1,215)	7,738
Other assets		(2,570)	(2,231)
<b>Net cash from/(used in) operating activities before corporate income tax paid</b>		<b>1,323,915</b>	<b>(28,273,421)</b>
Corporate income tax paid		(173,365)	(2,365)
<b>Net cash flows from/(used in) operating activities</b>		<b>1,150,550</b>	<b>(28,275,786)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(4,300)	(7,437)
<b>Net cash flows used in investing activities</b>		<b>(4,300)</b>	<b>(7,437)</b>

*First Heartland Capital Joint Stock Company*  
*Statement of Cash Flows for the year ended 31 December 2021*

<b>KZT'000</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	15	–	29,254,087
<b>Net cash from financing activities</b>		–	<b>29,254,087</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,146,250</b>	<b>970,864</b>
Effect of exchange rate fluctuations on cash and cash equivalents		71,095	(221,352)
Effect of movements in ECL on cash and cash equivalents		451	(1,147)
Cash and cash equivalents at the beginning of the year		841,630	93,265
<b>Cash and cash equivalents as at the end of the year</b>	12	<b>2,059,426</b>	<b>841,630</b>

*First Heartland Capital Joint Stock Company*  
*Statement of Changes in Equity for the year ended 31 December 2021*

<b>KZT'000</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance as at 1 January 2020	722,000	23,890	745,890
<b>Total comprehensive income for the year</b>			
Profit for the year	–	872,798	872,798
<b>Transactions with owners recorded directly in equity</b>			
Ordinary shares issued (Note 15)	29,254,087	–	29,254,087
<b>Balance at 31 December 2020</b>	<b>29,976,087</b>	<b>896,688</b>	<b>30,872,775</b>
Balance as at 1 January 2021	29,976,087	896,688	30,872,775
<b>Total comprehensive income for the year</b>			
Profit for the year	–	617,880	617,880
<b>Balance at 31 December 2021</b>	<b>29,976,087</b>	<b>1,514,568</b>	<b>31,490,655</b>

## **1 Reporting entity**

### **(a) Organisation and operations**

First Heartland Capital Joint Stock Company (hereinafter, the “Company”) is a subsidiary of First Heartland Jusan Bank Joint Stock Company. The Company was established on 19 April 2018 as a joint stock company under the laws of the Republic of Kazakhstan. The Company carries out its operations on the basis of the license No. 3.1.4.14 dated 3 September 2018, issued by the National Bank of the Republic of Kazakhstan (hereinafter, the “NBRK”). The competent authority which regulates the Company’s operations is the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the “ARDFM”).

The Company’s principal activity is providing investment portfolio management services without the right to employ voluntary pension contributions, and advisory services on securities market activities.

The Company’s registered office is 45 Khaji Mukan Street, Almaty, 050059, Republic of Kazakhstan.

As at 31 December 2021 the sole shareholder of the Company is First Heartland Jusan Bank JSC (hereinafter, the “Shareholder”).

As at 31 December 2021 the major shareholders of First Heartland Jusan Bank JSC are First Heartland Securities JSC, a Kazakhstan broker company, which owns 78.73% of outstanding ordinary shares and Mr Galimzhan Shakhmardanovich Yessenov, who owns 20.11% of outstanding ordinary shares (31 December 2020: 80.04% of ordinary shares and 19.96% of ordinary shares, respectively).

As at 31 December 2021, the Company’s ultimate controlling party is NU Generation Fund, Inc., a non-profit organisation which had been set up solely with a view to ensuring the financing activities of the autonomous education institutions Nazarbayev University and Nazarbayev Intellectual Schools and their associates.

As at 31 December 2020, Pioneer Capital Invest LLP exercises its voting rights on the shares of Jusan Technologies Ltd, the parent company of First Heartland Securities JSC, in the sole interests of, and solely with a view to ensuring the financing activities of, the autonomous education institutions Nazarbayev University and Nazarbayev Intellectual Schools and their associates. As at 31 December 2020, “Nazarbayev Fund” Private Fund owns 67.53% interest in Pioneer Capital Invest LLP.

The Company’s activity is closely associated with the Shareholder’s requirements. Related party transactions are disclosed in Note 20.

### **(b) Kazakhstan business environment**

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

These financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

## **2 Basis of accounting**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).



**(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

**(c) Functional and presentation currency**

The functional currency, in which these financial are presented, is the Kazakhstan tenge (hereafter – “KZT”), as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- classification of financial assets – see Note 3(e)(i).
- estimates of fair values of financial assets and liabilities –see Note 21.

**(e) Fair value measurement**

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable either directly or indirectly.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 21 – financial assets and liabilities fair values and accounting classification.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

The following exchange rates have been applied by the Company in preparation of these financial statements at year-end:

	<u>31 December 2021</u>	<u>31 December 2020</u>
USD	431.8	420.91

#### (b) Interest income and expense

##### (i) *Effective interest rate*

Interest income and expense are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### (ii) *Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.



### **3 Significant accounting policies, continued**

#### **(b) Interest income and expense, continued**

##### **(iii) Calculation of interest income and expense**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

##### **(iv) Presentation**

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

‘Other interest income’ presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt and equity financial instruments measured at FVTPL.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

#### **(c) Fee and commission income and expense**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Company’s financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to service fees, which are expensed as the services are received.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted discretionary balances held with the JSC Central Depository of Securities (the “Central Depository”) and local banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### **(e) Financial instruments**

##### **(i) Classification**

###### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(i) Classification, continued**

###### **Financial assets, continued**

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income calculated using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### **Business model assessment**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;



### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(i) Classification, continued**

###### **Business model assessment, continued**

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

###### **Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

###### **Assessment whether contractual cash flows are solely payments of principal and interest, continued**

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets ( e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

###### **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company classifies its financial liabilities as measured at amortised cost.

Financial liabilities are not reclassified subsequent to their initial recognition.

##### **(ii) Derecognition**

###### **Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(ii) Derecognition, continued**

###### **Financial assets, continued**

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(e)(ii). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

###### **Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

##### **(iii) Modification of financial assets and financial liabilities**

###### **Financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Company due to changes in the NBRK key rate, if the loan agreement entitles the Company to do so.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.



### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(iii) Modification of financial assets and financial liabilities, continued**

###### **Financial assets, continued**

If cash flows are modified when the issuer is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Company further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(e)(iii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(b)).

###### **Financial liabilities**

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(iv) Impairment**

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- commission receivables.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

##### **Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

##### **Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the customer, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e)(ii)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.



### **3 Significant accounting policies, continued**

#### **(e) Financial instruments, continued**

##### **(iv) Impairment, continued**

###### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI and also net investment in the lease are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an asset or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

###### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

###### **Write-off**

Debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **(f) Investment securities**

Debt investment securities measured at amortised cost (see Note 3(e)(i)) are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Debt and equity investment securities mandatorily measured at FVTPL (see Note 3(e)(i)) are measured at fair value with changes recognised immediately in profit or loss. In addition, the Company has investment in debt and equity securities measured at fair value through other comprehensive income (see Note 3(e)(i)).

### **3 Significant accounting policies, continued**

#### **(f) Investment securities, continued**

##### ***Repurchase and reverse repurchase agreements***

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

##### ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

#### **(g) Property, plant and equipment**

##### ***(i) Owned assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

##### ***(ii) Depreciation***

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition of the item. The estimated useful lives are as follows:

- Computers 2-6 years;
- Office equipment 2-7 years.

##### **(h) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 2 to 7 years.

##### **(i) Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



### **3 Significant accounting policies, continued**

#### **(j) Share capital**

##### **(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### **(ii) Dividends**

The ability of the Company to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

#### **(k) Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

##### ***Current tax***

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

##### ***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### **(l) Fiduciary assets**

The Company provides services that result in the management of assets on behalf of third parties. These assets and the income arising therefrom are excluded from these financial statements as they are not assets of the Company. Commissions received from such business are shown within fee and commission income in the profit or loss.

In June 2020 the Company registered a closed-end fund for risk investment - J1 Capital.

### 3 Significant accounting policies, continued

#### (m) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).*
- *Annual Improvements to IFRS Standards 2018–2020*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

### 4 Financial risk review

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework see Note 16.

#### Credit risk - Amounts arising from ECL

#### Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv).

#### Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

#### Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.



## 4 Financial risk review, continued

### Credit risk - Amounts arising from ECL, continued

#### Inputs, assumptions and techniques used for estimating impairment, continued

##### *Significant increase in credit risk, continued*

##### *Credit risk grades, continued*

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the counterparty. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of borrower files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings;
- - quoted bond and credit default swap (CDS) prices for the issuer where available;
- Actual and expected significant changes in the political, regulatory and technological environment of the issuer or in its business activities.

##### *Generating the term structure of PD*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

##### *Determining whether credit risk has increased significantly*

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, and as required by IFRS 9, the Company will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Company determines a probation period during which the financial asset is required to demonstrated good behaviour to provide evidence that its credit risk has declined sufficiently.

## **4 Financial risk review, continued**

### **Credit risk - Amounts arising from ECL, continued**

#### **Inputs, assumptions and techniques used for estimating impairment, continued**

##### ***Significant increase in credit risk, continued***

###### *Definition of default*

The Company considers a financial asset to be in default when the customer is past due more than 90 days on any obligation to the Company.

In assessing whether a customer is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

###### *ECL measurement*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Company estimates LGD parameters depending on the type of counterparty. For financial assets designated as stages 1 and 2, the following 3 categories of LGD are considered:

- LGD is close to 0%, if the government acts as a counterparty.
- for other counterparties, LGD is calculated based on Moody’s recovery studies according to the external rating of a counterparty. LGD parameters are to be recalculated as far as revised studies are available (generally, on an annual basis)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the borrower and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period.

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.



## 4 Financial risk review, continued

### Credit risk - Amounts arising from ECL, continued

#### Inputs, assumptions and techniques used for estimating impairment, continued

#### Significant increase in credit risk, continued

#### Measurement of ECL, continued

KZT'000	Carrying amount at 31 December 2020	Carrying amount a 31 December 2020	External benchmarks used	
			PD	LGD
Cash and cash equivalents	2,059,426	841,630	Moody's default study	59-63%; 0% - if the Government of the Republic of Kazakhstan acts as a counterparty

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December 2021 and 31 December 2020.

Explanation of the terms: Stage 1, Stage 2, Stage 3, and POCI are included in Note 3(e)(iv).

KZT'000	31 December 2021		31 December 2020	
	Stage 1 12-month		Stage 1 12-month	
	ECL	Total	ECL	Total
<b>Cash and cash equivalents</b>				
- rated BBB- to BBB+	1,722,344	1,722,344	77,027	77,027
- rated from BB- to BB+	10,412	10,412	25	25
- rated B- to B+	-	-	2,309	2,309
- not rated	327,368	327,368	763,418	763,418
	<b>2,060,124</b>	<b>2,060,124</b>	<b>842,779</b>	<b>842,779</b>
Loss allowance	(698)	(698)	(1,149)	(1,149)
<b>Total</b>	<b>2,059,426</b>	<b>2,059,426</b>	<b>841,630</b>	<b>841,630</b>
<b>Other receivables</b>				
- not overdue	1,257	1,257	74	74
<b>Total</b>	<b>1,257</b>	<b>1,257</b>	<b>74</b>	<b>74</b>

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

## 5 Interest income

KZT'000	2021	2020
<b>Net interest income calculated using the effective interest method</b>		
Cash and cash equivalents	24,497	71,536
<b>Total interest income calculated using the effective interest method</b>	<b>24,497</b>	<b>71,536</b>
<b>Other interest income</b>		
Financial instruments at fair value through profit or loss	706,617	406,665
<b>Total other interest income</b>	<b>706,617</b>	<b>406,665</b>
	<b>731,114</b>	<b>478,201</b>



## 6 Net fee and commission expense

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it provides a service to a customer.

<b>KZT'000</b>	<b>2021</b>	<b>2020</b>
<b>Fee and commission income</b>		
Fee and commission income from asset management	198	230
	<b>198</b>	<b>230</b>
<b>Fee and commission expenses</b>		
Fee and commission for brokerage services	(41,722)	(140,426)
Other	(153)	(199)
<b>Fee and commission expenses</b>	<b>(41,875)</b>	<b>(140,625)</b>
<b>Net fee and commission expense</b>	<b>(41,677)</b>	<b>(140,395)</b>

The Company recognises receivables under the contracts with customers when the Company's right to receive consideration for the work performed becomes unconditional. As at 31 December 2021 accounts receivable under the contracts with customers amounted to KZT 43 thousand (31 December 2020: KZT 74 thousand) before impairment allowance deduction.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<b>Type of service</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
<b>Fee and commission income from asset management</b>	<p>Asset management service includes a single performance obligation (series of distinct services) that is satisfied over time;</p> <p>Consideration consists of two variable parts – management fee and performance fee.</p> <p>Management fee for asset management services is calculated based on a fixed percentage of the value of assets managed; and performance fee depends on the Company's return.</p>	<p>Consideration consists of two components: management fee based on average net asset value (NAV) - for closed-end mutual fund of risky investment and based on average total value of assets - for the interval mutual investment funds, and performance fees payable if a specified return level is achieved.</p> <p>The cumulative amount of consideration from the management fee to which the Company is entitled is not constrained, because it is calculated based on NAV for closed-end mutual funds of risky investment and total value of assets for interval mutual investments funds at the end of each month. Therefore, the consideration for the month is known after the end of each month. The Company determines that it can allocate the entire amount of the fee to the completed months, because the fee relates specifically to the service provided during those months. Performance based fee is recognised by the Company at point in time. This is because the performance fee has a high variability of possible consideration amounts, and any downward adjustment may be significant.</p>

## 7 Net (loss)/gain on financial instruments at fair value through profit or loss

KZT'000	2021	2020
Units	122,796	2,135
Corporate shares	51,659	7,190
ETF	7,594	(138,388)
Structured notes	(1,405)	1,218
State debt securities	(7,859)	22,859
Corporate bonds	(278,582)	224,628
	<u>(105,797)</u>	<u>119,642</u>

## 8 Net foreign exchange gain on revaluation of financial assets and liabilities denominated in foreign currency

KZT'000	2021	2020
Translation differences, net	639,533	953,363
Foreign exchange losses	(12,829)	(73,873)
	<u>626,704</u>	<u>879,490</u>

## 9 Personnel expenses

KZT'000	2021	2020
Employee benefits	326,780	92,098
Payroll related taxes and contributions	45,003	8,572
Employee benefit obligations	-	148,934
	<u>371,783</u>	<u>249,604</u>

## 10 General administrative expenses

KZT'000	2021	2020
Operating lease expenses	26,012	2,372
Information and technical expenses	20,646	-
Professional services	20,353	16,457
Hardware and software maintenance	11,529	5,716
Depreciation and amortisation	4,971	2,034
Repair and maintenance	4,821	4,943
Business trip expenses	3,054	837
Representation expenses	2,159	2,889
Materials	2,097	1,172
Taxes other than corporate income tax	151	606
Other	7,791	3,071
	<u>103,584</u>	<u>40,097</u>

## 11 Income tax expense

KZT'000	2021	2020
Current corporate income tax expense	(133,994)	(157,494)
Origination and reversal of temporary differences	29,844	(16,522)
Unrecognised deferred tax assets	(14,205)	883
<b>Corporate income tax expense</b>	<u>(118,355)</u>	<u>(173,133)</u>

In 2021, the applicable tax rate for current and deferred income tax is 20% (2020: 20%).

The reconciliation between the corporate income tax expense in the accompanying financial statements and profit before corporate income tax multiplied by the statutory tax rate for the year ended 31 December is as follows:

## 11 Income tax expense, continued

KZT'000	2021	%	2020	%
<b>Profit before corporate income tax</b>	<b>736,235</b>	<b>100.0</b>	<b>1,045,931</b>	<b>100.0</b>
<b>Income tax expense at applicable tax rate</b>	<b>147,247</b>	<b>20.0</b>	<b>209,186</b>	<b>20.0</b>
Non-taxable interest income	(54,972)	(7.5)	(39,936)	(3.8)
Non-deductible expenses on credit losses	(83)	(0.1)	2,308	0.2
Unrecognised deferred tax assets	14,205	1.9	(883)	(0.1)
Other non-deductible expenses	11,958	1.6	2,458	0.2
<b>Corporate income tax expense</b>	<b>118,355</b>	<b>16.1</b>	<b>173,133</b>	<b>16.5</b>

### Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2021 and 31 December 2020.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Deferred tax assets and liabilities as at 31 December 2021 as well as their movement during the year are as follows:

KZT'000	31 December 2020	Recognised in profit or loss	31 December 2021
Financial instruments at fair value through profit or loss	(46,325)	60,893	14,568
Property, plant and equipment and intangible assets	(300)	(63)	(363)
Other liabilities	30,986	(30,986)	-
<b>Net tax asset/(liability)</b>	<b>(15,639)</b>	<b>29,844</b>	<b>14,205</b>
Unrecognised tax asset	-	(14,205)	(14,205)
<b>Net tax asset/(liability) after deduction of unrecognised tax asset</b>	<b>(15,639)</b>	<b>15,639</b>	<b>-</b>

Deferred tax assets and liabilities as at 31 December 2020 as well as their movement during the year are as follows:

KZT'000	31 December 2019	Recognised in profit or loss	31 December 2020
Financial instruments at fair value through profit or loss	-	(46,325)	(46,325)
Property, plant and equipment and intangible assets	191	(491)	(300)
Other liabilities	692	30,294	30,986
<b>Net tax asset/(liability)</b>	<b>883</b>	<b>(16,522)</b>	<b>(15,639)</b>
Unrecognised tax asset	(883)	883	-
<b>Net tax asset/(liability) after deduction of unrecognised tax asset</b>	<b>-</b>	<b>(15,639)</b>	<b>(15,639)</b>

## 12 Cash and cash equivalents

	31 December 2021	31 December 2020
Reverse repurchase agreements	1,722,281	77,027
Cash on broker accounts	327,368	763,418
Current accounts with commercial banks	10,475	2,334
	<b>2,060,124</b>	<b>842,779</b>
Less impairment loss allowance	(698)	(1,149)
<b>Cash and cash equivalents</b>	<b>2,059,426</b>	<b>841,630</b>

At 31 December 2021 the fair value of financial assets collateralising reverse repurchase agreements that the Company is permitted to sell or repledge in the absence of default is KZT 1,722,281 thousand (31 December 2020: KZT 77,027 thousand).



## 13 Financial instruments at fair value through profit or loss

As at 31 December 2021 and 31 December 2020 financial instruments at fair value through profit or loss comprise of the following debt financial instruments:

	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>State debt securities</b>		
Discount notes of the National Bank of the Republic of Kazakhstan	1,147,078	3,046,831
Bonds of the Ministry of Finance of the Republic of Kazakhstan	1,142,207	991,793
<b>Total government debt instruments</b>	<u>2,289,285</u>	<u>4,038,624</u>
<b>Corporate bonds</b>		
- rated from A+ to A-	5,981,787	6,306,936
- rated from BBB- to BBB+	18,057,185	13,777,286
- rated from BB- to BB+	911,758	1,871,105
- rated from B- to B+	-	231,080
<b>Total corporate bonds</b>	<u>24,950,730</u>	<u>22,186,407</u>
<b>Structured notes</b>		
International structured notes	-	212,074
<b>Total structured notes</b>	<u>-</u>	<u>212,074</u>
<b>Equity instruments</b>		
Units	1,540,932	1,321,183
ETF	124,061	2,197,693
Corporate shares	640,690	404,572
<b>Total equity instruments</b>	<u>2,305,683</u>	<u>3,923,448</u>
	<u>29,545,698</u>	<u>30,360,553</u>

Financial instruments at fair value through profit or loss are not past due.

The following table sets out information about the credit quality, which is based on the issuers' ratings determined by Standards & Poor's rating agency or other agencies converted into Standard & Poor's scale.

## 14 Other liabilities

As at 31 December other liabilities comprise:

<b>KZT'000</b>	<u>31 December 2021</u>	<u>31 December 2020</u>
Payables to employees	4,836	155,153
	<u>4,836</u>	<u>155,153</u>

## 15 Share capital

### (a) Issued share capital

The authorised, issued and outstanding share capital comprises 29,038,253 ordinary shares (31 December 2020: 29,038,253 ordinary shares).

During the year ended 31 December 2020, the Company placed 28,316,253 shares at par value of KZT 1,033.12 per share.

### (b) Dividends

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency.

As at 31 December 2021 and 2010, no dividends were declared and paid.

## 16 Risk management

Management of risk is fundamental to the business of the Company and forms an essential element of the Company's operations. Market risk, includes price risk, interest risk, currency risk, credit risk and liquidity risk are the main risks, the Company faces in the course of its business.

### **Risk management policies and procedures**

The Company's risk management policies aim to identify, analyse, assess and take necessary response measures against the risks that the Company is exposed to. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, business directions and emerging best practice.

The Board of Directors of the Company has overall responsibility for the establishment of effective risk management framework, approval of the risk management policies and procedures; controls implementation thereof and is responsible for approval of certain transactions in compliance with the current legislation and regulations governing the Company's operations.

The Management Board is responsible for proper functioning of the risk management system, implementation of the risk management policies and procedures and ensuring that the Company operates within established risk parameters. Risk Management Department is responsible for implementation of procedures of risk identification, analysis and assessment and determination of the necessary response measures, oversight of compliance with the current legislation and preparation and presentation of the financial statements in compliance with the internal documents and risk management regulations. Risk Management Department reports directly to the Chairman of the Management Board.

### **(b) Market risk**

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Company manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits, which are monitored on a regular basis and reviewed and approved by the Investment Committee and Management Board.

In addition, the Company uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Company's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Company are carried with regard to price, interest rate, currency and liquidity risks.

The majority of the Company's financial assets and liabilities that bear interest are with fixed interest rate. The Company monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.



## 16 Risk management, continued

### (b) Market risk, continued

#### *Average interest rates*

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Average interest rates, %			
	2021		2020	
	KZT	US Dollar	KZT	US Dollar
<b>Interest bearing assets</b>				
Cash and cash equivalents	9.22	–	8.29	–
Financial instruments at fair value through profit or loss	8.98	1.77	8.98	1.63

#### *Cash flow interest rate sensitivity analysis*

An analysis of sensitivity of profit or loss for the year and equity of the Company to the risk of changes in the interest rates based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

#### *Sensitivity analysis, continued*

	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
<b>KZT'000</b>				
100 bp parallel rise	50,184	50,184	21,206	21,206
100 bp parallel fall	(50,184)	(50,184)	(21,206)	(21,206)

#### *Fair value interest rate sensitivity analysis*

An analysis of the sensitivity of profit or loss for the year and equity as a result of changes in the fair value of debt securities at fair value through profit or loss due to changes in the interest rates, based on positions existing as at 31 December 2021 and 2020 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
<b>KZT'000</b>				
100 bp parallel rise	(654,683)	(654,683)	(1,089,330)	(1,089,330)
100 bp parallel fall	45,189	45,189	130,647	130,647

### (c) Currency risk

The Company has assets denominated in several foreign currencies.

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December:

	2021	2020
	KZT'000	KZT'000
<b>US Dollar</b>		
<b>ASSETS</b>		
Cash and cash equivalents	308,614	762,238
Financial instruments at fair value through profit or loss	26,092,937	23,390,274
Other receivables	1,215	-
<b>Total assets</b>	<b>26,402,766</b>	<b>24,152,512</b>
<b>Net position</b>	<b>26,402,766</b>	<b>24,152,512</b>

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2021 and 2020, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.



## 16 Risk management, continued

### (c) Currency risk, continued

KZT'000	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT	4,224,443	4,224,443	3,864,402	3,864,402
5% depreciation of USD against KZT	(1,056,111)	(1,056,111)	(966,101)	(966,101)

### (d) Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2017 and 2016 and a simplified scenario of a 10% change in all securities prices is as follows:

KZT'000	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
10% increase in securities prices	230,568	230,568	392,345	392,345
10% decrease in securities prices	(230,568)	(230,568)	(392,345)	(392,345)

### (e) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and active monitoring of credit risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

KZT'000	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	2,059,426	841,630
Financial instruments measured at fair value through profit or loss	27,240,015	26,437,105
Other receivables	1,257	74
<b>Total maximum exposure to credit risk</b>	<b>29,300,698</b>	<b>27,278,809</b>

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

The Company receives and accepts collateral in the form of cash and marketable securities in respect of reverse repurchase agreement.

## 16 Risk management, continued

### (e) Credit risk, continued

This means that securities received/given as collateral cannot be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The table below shows financial assets and financial liabilities subject to enforceable master netting arrangements and similar arrangements as at 31 December 2021:

Types of financial assets	Related amounts not offset in the statement of financial position				
	Gross amounts of recognised financial asset	Gross amount of recognised financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral) Cash collateral received	Net amount
Reverse REPO agreements	1,722,281	–	1,722,281	(1,722,281)	–

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2020:

Types of financial assets	Related amounts not offset in the statement of financial position				
	Gross amounts of recognised financial asset	Gross amount of recognised financial liability offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral) Cash collateral received	Net amount
Reverse REPO agreements	77,027	–	77,027	(77,027)	–

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at amortised cost.

## 16 Risk management, continued

### (f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

As at 31 December 2021 and 2020 the Company's financial assets exceeded its financial liabilities and the Company was not exposed to significant liquidity risk.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2021:

KZT'000	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Total
<b>ASSETS</b>						
Cash and cash equivalents	2,059,426	–	–	–	–	2,059,426
Financial instruments measured at fair value through profit or loss	–	3,123,982	11,253,972	12,862,061	2,305,683	29,545,698
Other receivables	1,257	–	–	–	–	1,257
Property, plant and equipment and intangible assets	–	–	–	–	9,312	9,312
Other assets	–	–	5,833	–	–	5,833
<b>Total assets</b>	<b>2,060,683</b>	<b>3,123,982</b>	<b>11,259,805</b>	<b>12,862,061</b>	<b>2,314,995</b>	<b>31,621,526</b>
<b>LIABILITIES</b>						
Corporate income tax	–	–	116,300	–	–	116,300
Other payables	9,735	–	–	–	–	9,735
Other liabilities	–	–	4,836	–	–	4,836
<b>Total liabilities</b>	<b>9,735</b>	<b>–</b>	<b>121,136</b>	<b>–</b>	<b>–</b>	<b>130,871</b>
<b>Net position</b>	<b>2,050,948</b>	<b>3,123,982</b>	<b>11,138,669</b>	<b>12,862,061</b>	<b>2,314,995</b>	<b>31,490,655</b>



## 16 Risk management, continued

### (f) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2020:

KZT'000	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
<b>ASSETS</b>							
Cash and cash equivalents	841,630	–	–	–	–	–	<b>841,630</b>
Financial instruments measured at fair value through profit or loss	1,870,510	177,605	2,229,297	17,189,292	4,970,401	3,923,448	<b>30,360,553</b>
Other receivables	74	–	–	–	–	–	<b>74</b>
Property, plant and equipment and intangible assets	–	–	–	–	–	9,983	<b>9,983</b>
Other assets	–	–	3,263	–	–	–	<b>3,263</b>
<b>Total assets</b>	<b>2,712,214</b>	<b>177,605</b>	<b>2,232,560</b>	<b>17,189,292</b>	<b>4,970,401</b>	<b>3,933,431</b>	<b>31,215,503</b>
<b>LIABILITIES</b>							
Corporate income tax	–	–	155,671	–	–	–	<b>155,671</b>
Other payables	16,265	–	–	–	–	–	<b>16,265</b>
Other liabilities	–	–	155,153	–	–	–	<b>155,153</b>
Deferred tax liability	–	–	–	15,639	–	–	<b>15,639</b>
<b>Total liabilities</b>	<b>16,265</b>	<b>–</b>	<b>310,824</b>	<b>15,639</b>	<b>–</b>	<b>–</b>	<b>342,728</b>
<b>Net position</b>	<b>2,695,949</b>	<b>177,605</b>	<b>1,921,736</b>	<b>17,173,653</b>	<b>4,970,401</b>	<b>3,933,431</b>	<b>30,872,775</b>

## 17 Capital management

The ARDFM sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the ARDFM investment portfolio management companies have to maintain a ratio of liquid assets less liabilities to statutory minimum capital above the prescribed minimum level.

As at 31 December 2021, this minimum level is 1 (2020: 1). The Company is in compliance with the statutory capital ratio as at 31 December 2021 and 31 December 2020. As at 31 December 2021, the ratio of liquid assets less liabilities to statutory minimum capital is 132.78 (31 December 2020: 133.59).

## **18 Contingencies**

### **(a) Insurance**

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

### **(b) Litigation**

In the ordinary course of business, the Company 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 material adverse effect on the financial condition or the results of future operations.

### **(c) Taxation contingencies**

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## **19 Trust management**

### **Funds management and trust management activities**

The Company provided trust management services to mutual investment funds, individuals and legal entities. In June 2020 the Company registered "J1 Capital" close-end mutual investment fund of risky investment (the "CMIFRI"), and its units were placed on 1 July 2020. According to the Rules of the Fund the Company carries out trust management of the Fund's assets and invests the funds received in different financial instruments.

Cash of the unit holders which was used to purchase the units of "J1 Capital" CMIFRI represents the assets under the management of the Company as at 31 December 2021 and 2020 and amounted to KZT 5,076 thousand and KZT 30,297 thousand, respectively. The Company earns the fee income for providing these services (Note 5). Trust assets are not assets of the Company and therefore, they are not recognised in the statement of financial position as at 31 December 2021 and 2020.

## **20 Related party transactions**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The outstanding balances as of 31 December 2021 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows:

## 20 Related party transactions, continued

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
<b>Assets</b>				
Cash and cash equivalents	10,404	113,584	–	213,093
Other receivables	–	–	–	43
<b>Liabilities</b>				
Other payables	2,787	37	–	3,700

The income and expenses arising from related party transactions are as follows:

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
Fee and commission income	–	–	–	198
Fee and commission expense	–	28,424	–	13,298
Net foreign exchange loss on financial assets and liabilities denominated in foreign currency	6,916	–	–	–
General and administrative expenses	25,663	2,114	2,606	538
Personnel expenses	–	–	143,822	–

\* Other related party balances include those of First Heartland Securities JSC and “J1 Capital” SMIFRI.

The outstanding balances as of 31 December 2020 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows:

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
<b>Assets</b>				
Cash and cash equivalents	2,309	763,418	–	–
Other receivables	–	–	–	74
<b>Liabilities</b>				
Other payables	1,509	11,684	–	–
Other liabilities	–	–	118,291	–

The income and expenses arising from related party transactions are as follows:

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
Fee and commission income	–	–	–	230
Fee and commission expense	–	(140,460)	–	–
Net foreign exchange loss on financial assets and liabilities denominated in foreign currency	(73,873)	–	–	–
General and administrative expenses	(1,668)	–	–	(20)
Personnel expenses	–	–	(147,481)	–



## 20 Related party transactions, continued

Key management remuneration comprises the following:

KZT'000	2021	2020
Salaries and other employee benefits	121,204	26,652
Social tax and other social contributions	22,618	2,538
Employee benefit obligations	–	118,291
<b>Total key management remuneration</b>	<b>143,822</b>	<b>147,481</b>

## 21 Financial assets and liabilities: fair values and accounting classifications

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021.

KZT'000	FVTPL	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	2,059,426	2,059,426	2,059,426
Financial instruments at fair value through profit or loss	29,545,698	–	29,545,698	29,545,698
Other receivables	–	1,257	1,257	1,257
<b>Total financial assets</b>	<b>29,545,698</b>	<b>2,060,683</b>	<b>31,606,381</b>	<b>31,606,381</b>
Other payables	–	9,735	9,735	9,735
<b>Total financial liabilities</b>	<b>–</b>	<b>9,735</b>	<b>9,735</b>	<b>9,735</b>

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020.

KZT'000	FVTPL	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	841,630	841,630	841,630
Financial instruments at fair value through profit or loss	30,360,553	–	30,360,553	30,360,553
Other receivables	–	74	74	74
<b>Total financial assets</b>	<b>30,360,553</b>	<b>841,704</b>	<b>31,202,257</b>	<b>31,202,257</b>
Other payables	–	16,265	16,265	16,265
<b>Total financial liabilities</b>	<b>–</b>	<b>16,265</b>	<b>16,265</b>	<b>16,265</b>

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

## 21 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company has an established control framework with respect to the measurement of fair values. This framework includes control function presented by the Risk Management Department, which is independent of front office management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- quarterly calibration against observed market transactions;
- analysis and investigation of significant weekly valuation movements;
- where third-party information, such as broker quotes or pricing services, is used to measure fair value, the Chief Accountant assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS.

The table below analyses financial instruments measured at fair value as at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position: The amounts are based on the values recognised in the statement of financial position:

<b>KZT'000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	–	2,059,426	–	2,059,426
Financial instruments measured at fair value through profit or loss	25,715,481	3,830,217	–	29,545,698
Other receivables	–	–	1,257	1,257
	<b>25,715,481</b>	<b>5,889,643</b>	<b>1,257</b>	<b>31,606,381</b>

The table below analyses financial instruments measured at fair value as at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position: The amounts are based on the values recognised in the statement of financial position:



## 21 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

KZT'000	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	–	841,630	–	841,630
Financial instruments measured at fair value through profit or loss	25,000,746	5,359,807	–	30,360,553
Other receivables	–	–	74	74
	<b>25,000,746</b>	<b>6,201,437</b>	<b>74</b>	<b>31,202,257</b>

Fair value of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The following assumptions are used by the Management to estimate the fair values of financial instruments categorised into Level 2 of the fair value hierarchy:

- discount rate of 1.2% in USD and 9.0% in KZT (31 December 2020: 1.4% in USD and 9.1% in KZT) are used for discounting future cash flows from debt securities at fair value through profit or loss. Also, rarely traded equity instruments measured at fair value through profit or loss were categorised into Level 2 of the fair value hierarchy.
- the estimated fair values of cash and cash equivalents of the Company approximate their carrying values.

## 22 Subsequent events

On 2 January 2022 protests started in Western Kazakhstan related to an increase in the liquefied natural gas price from 60 tenge to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022 the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including additional taxes. On 19 January 2022 the state of emergency was lifted. According to the Company's management, these events have had no impact on the financial position of First Heartland Capital JSC.



**First Heartland Capital JSC**

Supplementary information to the financial statements  
for the year ended 31 December 2021

Supplementary information has been prepared following the requirements of the Rules for Investment Portfolio Management approved by the Resolution of the Management Board of the National Bank of Kazakhstan No.10 dated 3 February 2014.

Presented below is financial information on the mutual funds which are managed by First Heartland Capital JSC (the “Company”). These amounts represent customers’ funds.

In June 2020, the Company established “J1 Capital” close-end mutual investment funds of risky investment.

### Statement of net assets of “J1 Capital” SMIFRI

KZT'000	31 December 2021 (unaudited)	31 December 2020 unaudited
<b>Assets</b>		
Units of mutual investment funds	-	29,477
Cash and cash equivalents	5,076	859
<b>Total assets</b>	<b>5,076</b>	<b>30,336</b>
<b>Liabilities</b>		
Accounts payable	9	39
<b>Total liabilities</b>	<b>9</b>	<b>39</b>
<b>Net assets of “J1 Capital” SMIFRI</b>	<b>5,067</b>	<b>30,297</b>

### Statement of changes in net assets of “J1 Capital” SMIFRI

KZT'000	2020 unaudited	2020 unaudited
<b>Net assets at the beginning of the period</b>	<b>30,297</b>	-
Proceeds from placement of securities (units) of a mutual investment fund	-	30,000
Purchased securities (units) of a mutual investment fund	(25,159)	-
Dividend income on shares	73	199
Net loss on securities revaluation	(174)	(134)
Net foreign exchange gain	404	572
Commission expenses on asset management	(203)	(230)
Commission expenses for custody and registrar services	(4)	(5)
Other commission expenses	(156)	(59)
Other expenses	(11)	(46)
<b>Change in net assets for the year</b>	<b>(25,230)</b>	<b>30,297</b>
<b>Net assets at the end of the year</b>	<b>5,067</b>	<b>30,297</b>

As at 31 December 2021, the value of unit was KZT 1,013 thousand (unaudited) (31 December 2020: KZT 1,010 thousand, unaudited). The unit nominal value is KZT 1,000 thousand.

During 2021 and 2020 the Company provided services of asset management to the corporate clients. The Company invested funds received in trust in various financial instruments in accordance with asset trust management agreement and investment declaration of the fund. The Company keeps records of assets held in trust in accordance with IFRS and requirements of the legislation of the Republic of Kazakhstan. The Company is not exposed to credit risk in relation to these assets.

Maintaining of accounting and preparation of the reports with regard to the assets of “J1 Capital” close-end mutual investment fund of risky investment”, transferred (accepted) under the Company’s investment management, are carried out in compliance with the legislation of the Republic of Kazakhstan.