FHC
First Heartland Capital

First Heartland Capital Joint Stock Company

Financial Statements
for the year ended 31 December 2022

Contents

KPMG

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Independent Auditors' Report

To the Shareholder and Board of Directors 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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 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 financial statements related to the statements of net assets of investment funds and changes in net assets of investment funds under management of the Company, which are presented on pages 40 - 41, 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.

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 Standards, 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 judgment 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 Audit in accordance with the Law of the Republic of Kazakhstan dated 7 July 2004, No.576-II "On Investment and Venture Funds"

We conducted audit for compliance with the requirements of the legislation of the Republic of Kazakhstan related to accounting treatment and preparation of the statements of investment fund assets transferred (accepted) under the Company's investment management, the list of which is provided in the Supplementary Information to the Financial Statements section (the "Funds").

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

As a result of our audit the following has been found out:

1) in accordance with the requirements set by the legislation on the mutual investment funds, assets which make up each Fund were accounted for using an independent off-balance sheet accounting;
2) during 2022 the Company reconciles, at least once a month, the data of its internal accounting system for each Fund for compliance thereof with the custodians' data;
3) during 2022 the Company kept the track of all documents related to operations of each Fund by maintaining the logs, which comprise 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" (as amended);
4) the Company have signed the custodian contracts to account for and keep assets making up each of the Funds;
5) during 2022 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:

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

KPMG Audit LLC
State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

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

28 March 2023

KZT'000	**Note**	**2022**	**2021**
Interest income calculated using the effective interest method	4	91,066	24,497
Other interest income	4	731,497	706,617
Total interest income		**822,563**	**731,114**
Fee and commission income	5	76	198
Fee and commission expense	5	(45,852)	(41,875)
Net fee and commission expense		**(45,776)**	**(41,677)**
Net loss on financial instruments measured at fair value through profit or loss	6	(5,717,178)	(105,797)
Net foreign exchange gain on revaluation of financial assets and liabilities denominated in foreign currency	7	2,432,671	626,704
Other income		158	807
(Credit losses)/reversal of credit losses		(489)	451
Personnel expenses	8	(274,111)	(371,783)
General and administrative expenses	9	(72,646)	(103,584)
(Loss)/profit before income tax		**(2,854,808)**	**736,235**
Income tax expense	10	(528,366)	(118,355)
(Loss) /profit and total comprehensive income for the year		**(3,383,174)**	**617,880**

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

Vladimir Kim, Chairman of the Management Board

Karlygash Kassymkhanova, Chief Accountant

28 March 2023

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Note	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	11	375,007	2,059,426
Financial instruments measured at fair value through profit or loss	12	27,609,397	29,545,698
Other receivables		1,186	1,257
Corporate income tax		122,445	-
Property, plant and equipment and intangible assets		10,704	9,312
Other assets		4,034	5,833
Total assets		**28,122,773**	**31,621,526**
Liabilities			
Corporate income tax		-	116,300
Other payables		6,081	9,735
Other liabilities		9,211	4,836
Total liabilities		**15,292**	**130,871**
Equity			
Share capital	13	29,976,087	29,976,087
(Accumulated losses)/retained earnings		(1,868,606)	1,514,568
Total equity		**28,107,481**	**31,490,655**
Total equity and liabilities		**28,122,773**	**31,621,526**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Note	2022	2021
Cash flows from operating activities			
Interest receipts		818,139	685,722
Fee and commission receipts		76	230
Fee and commission payments		(46,982)	(50,292)
Net receipts from financial instruments measured at fair value through profit or loss		394,359	491,334
Net payments from foreign exchange		(7)	(12,829)
Personnel expenses payments		(269,736)	(522,100)
Other operating expenses payments		(71,894)	(95,984)
Net (increase)/decrease in operating assets			
Financial instruments measured at fair value through profit or loss		(661,747)	831,619
Other receivables		(127,481)	(1,215)
Other assets		1,799	(2,570)
Net cash provided from operating activities before corporate income tax paid		**36,526**	**1,323,915**
Corporate income tax paid		(767,111)	(173,365)
Net cash (used in)/from operating activities		**(730,585)**	**1,150,550**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(4,472)	(4,300)
Net cash used in investing activities		**(4,472)**	**(4,300)**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Note	2022	2021
Net (decrease)/ increase in cash and cash equivalents		**(735,057)**	**1,146,250**
Effect of exchange rate fluctuations on cash and cash equivalents		(949,204)	71,095
Effect of movements in ECL on cash and cash equivalents		(158)	451
Cash and cash equivalents at the beginning of the year		2,059,426	841,630
Cash and cash equivalents at the end of the reporting year	11	**375,007**	**2,059,426**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Share capital	Retained earnings	Total equity
Balance at 1 January 2021	29,976,087	896,688	30,872,775
Total comprehensive income for the year			
Profit for the year	–	617,880	617,880
Balance at 31 December 2021	**29,976,087**	**1,514,568**	**31,490,655**
Balance at 1 January 2022	29,976,087	1,514,568	31,490,655
Total comprehensive income for the year			
Loss for the year	–	(3,383,174)	(3,383,174)
Balance at 31 December 2022	**29,976,087**	**(1,868,606)**	**28,107,481**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

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 licence 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 Khadzhi-Mukan Street, Almaty, 050059, Republic of Kazakhstan.

The Company's activity is closely associated with the requirements of the parent organisation First Heartland Jusan Bank JSC (hereinafter, the "Shareholder"). Information about the Shareholder and ultimate controlling party and related party transactions are disclosed in Note 18.

(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 the Republic 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. Depreciation of the Kazakhstani tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment.

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The above events caused the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan to have raised the base rate from 9.75% p.a. as at 31 December 2021 to 16.75% p.a. as at 31 December 2022.

The 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 ("IFRSs").

(b) Basis of measurement

The financial statements have been 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 of the Company is the Kazakhstani tenge (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 is rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 judgements made 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 19.

(e) Measurement of fair values

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 19 – 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 currency 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 translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the 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 that are measured in terms of historical cost in a foreign currency 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 the year end:

	31 December 2022	31 December 2021
USD	462.65	431.8

(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.

The calculation of the effective interest rate includes transaction costs and fees and amounts 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.

(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 interest rates.

(iv) **Presentation**

Interest expense, which was calculated by applying the effective interest rate, presented in the statement of profit or loss and other comprehensive income includes interest income 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 financial assets measured at FVTPL.

Other interest income is calculated on an effective interest rate basis, excluding the transaction costs. As transaction costs directly related to the acquisition of a non-derivative financial asset measured at fair value through profit or loss are not included in initial measurement and expensed as incurred, they are not included in the effective interest rate on the asset.

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 transaction and service fees, which are expensed as the services are received.

(d) Cash and cash equivalents

Cash and cash equivalents include unrestricted balances held in the brokers' accounts with First Heartland Securities JSC and First Heartland Jusan Invest JSC, and in current accounts with 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 recognised 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:

- 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 or 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 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;
- 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; and
- 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.

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.

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.

(f) Investment securities

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.

Reverse repurchase agreements

Securities purchased under agreements to resell (reverse repo) are recorded as cash and cash equivalents in the statement of financial position of the Company. 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.

(g) 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.

(h) 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.

(i) 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.

(j) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 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.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

4 Interest income

KZT'000	2022	2021
Net interest income calculated using the effective interest method		
Cash and cash equivalents	91,066	24,497
Total interest income calculated using the effective interest method	**91,066**	**24,497**
Other interest income		
Financial instruments at fair value through profit or loss	731,497	706,617
Total other interest income	**731,497**	**706,617**
	822,563	**731,114**

5 Net fee and commission expense

KZT'000	2022	2021
Fee and commission income		
Fee and commission income from asset management	**76**	**198**
Fee and commission expense		
Fee and commission for brokerage services	(45,687)	(41,722)
Other	(165)	(153)
Fee and commission expense	**(45,852)**	**(41,875)**
Net fee and commission expense	**(45,776)**	**(41,677)**

6 Net loss on financial instruments at fair value through profit or loss

KZT'000	2022	2021
Corporate shares	10,332	51,659
Structured notes	-	(1,405)
ETF	(4,399)	7,594
US Treasury bills	(8,779)	-
State debt securities	(47,228)	(7,859)
Units	(71,546)	122,796
Corporate bonds	(5,595,558)	(278,582)
	(5,717,178)	**(105,797)**

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

KZT'000	2022	2021
Translation differences, net	2,432,678	639,533
Foreign exchange losses	(7)	(12,829)
	2,432,671	**626,704**

8 Personnel expenses

KZT'000	2022	2021
Employee benefits	249,765	326,780
Payroll related taxes and contributions	24,346	45,003
	274,111	**371,783**

9 General administrative expenses

KZT'000	2022	2021
Professional services	23,385	20,353
Information and technical expenses	23,066	20,646
Operating lease expenses	9,631	26,012
Hardware and software maintenance	4,583	11,529
Depreciation and amortisation	3,080	4,971
Taxes other than corporate income tax	793	151
Materials	571	2,097
Representation expenses	360	2,159
Repair and maintenance	112	4,821
Business trip expenses	-	3,054
Other	7,065	7,791
	72,646	**103,584**

10 Income tax expense

KZT'000	2022	2021
Current corporate income tax expense	(528,366)	(133,994)
Origination and reversal of temporary differences	31,078	29,844
Unrecognised deferred tax assets	(31,078)	(14,205)
Corporate income tax expense	**(528,366)**	**(118,355)**

In 2022, the applicable tax rate for current and deferred income tax is 20% (2021: 20%).

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

KZT'000	2022	%	2021	%
(Loss)/profit before corporate income tax	**(2,854,808)**	**100.0**	**736,235**	**100.0**
Income tax (income)/expense at applicable tax rate	**(570,962)**	**20.0**	**147,247**	**20.0**
Non-taxable interest income	(52,868)	1.9	(54,972)	(7.5)
Non-deductible expenses on credit losses	98	(0.02)	(83)	(0.01)
Unrecognised deferred tax assets	45,283	(1.6)	14,205	1.9
Non-deductible expenses on revaluation loss on financial instruments at fair value through profit and loss	1,112,243	(38.96)	-	-
Other (non-taxable income)/non-deductible expenses	(5,428)	0.2	11,958	1.6
Corporate income tax expense	**528,366**	**(18.5)**	**118,355**	**16.1**

As at 31 December 2022, non-deductible expenses on revaluation loss on financial instruments at fair value through profit or loss represent the tax effect of revaluation loss on securities, represented mostly by bonds of Russian issuers, on which it is impossible to deduct losses from the issuer's failure to repay debts nor sell such securities in the foreseeable future due to sanctions imposed on issuers of these securities (31 December 2021: none).

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 2022 and 31 December 2021.

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 2022 as well as their movement during the year are as follows:

KZT'000	1 January 2022	Recognised in profit or loss	31 December 2022
Financial instruments at fair value through profit or loss	14,568	29,332	43,900
Property, plant and equipment and intangible assets	(363)	(96)	(459)
Other liabilities	-	1,842	1,842
Net tax asset/(liability)	**14,205**	**31,078**	**45,283**
Unrecognised tax asset	(14,205)	(31,078)	(45,283)
Net tax asset/(liability) after deduction of unrecognised tax asset	-	-	-

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

KZT'000	1 January 2021	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)	–
Net tax asset/(liability)	**(15,639)**	**29,844**	**14,205**
Unrecognised tax asset	–	(14,205)	(14,205)
Net tax asset/(liability) after deduction of unrecognised tax asset	**(15,639)**	**15,639**	–

11 Cash and cash equivalents

	31 December 2022	31 December 2021
Reverse repurchase agreements	130,185	1,722,281
Cash on broker accounts	225,590	327,368
Current accounts with commercial banks	20,088	10,475
	375,863	**2,060,124**
Less impairment loss allowance	(856)	(698)
Cash and cash equivalents	**375,007**	**2,059,426**

KZT'000	31 December 2022 Stage 1 12-month ECL	31 December 2022 Total	31 December 2021 Stage 1 12-month ECL	31 December 2021 Total
Cash and cash equivalents				
- rated from BBB- to BBB+	130,185	130,185	1,722,344	1,722,344
- rated from BB- to BB+	153	153	10,412	10,412
- rated from B- to B+	19,922	19,922	-	-
- not rated	225,603	225,603	327,368	327,368
	375,863	**375,863**	**2,060,124**	**2,060,124**
Loss allowance	(856)	(856)	(698)	(698)
Total	**375,007**	**375,007**	**2,059,426**	**2,059,426**

Cash and cash equivalents that are not rated represent balances on broker accounts with related parties, First Heartland Securities JSC and First Heartland Jusan Invest JSC.

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

At 31 December 2022 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 130,618 thousand (31 December 2021: KZT 1,722,554 thousand).

12 Financial instruments at fair value through profit or loss

As at 31 December 2022 and 31 December 2021 financial instruments at fair value through profit or loss comprise of the following debt financial instruments:

	31 December 2022	31 December 2021
State debt instruments		
Discount notes of the National Bank of the Republic of Kazakhstan	2,009,947	1,147,078
Bonds of the Ministry of Finance of the Republic of Kazakhstan	1,148,159	1,142,207
Total state debt instruments	**3,158,106**	**2,289,285**
International debt instruments		
US treasury bonds	13,143,713	-
Total international debt instruments	**13,143,713**	**-**
Corporate bonds		
- rated from A+ to A-	1,356,290	5,981,787
- rated from BBB to BBB+	5,290,063	18,057,185
- rated from BB- to BB+	-	911,758
- not rated	2,750,962	-
Total corporate bonds	**9,397,315**	**24,950,730**
Total debt instruments	**25,699,134**	**27,240,015**
Equity instruments		
Units	1,043,359	1,540,932
Corporate shares	685,554	640,690
Exchange traded funds (ETF)	181,350	124,061
Total equity instruments	**1,910,263**	**2,305,683**
	27,609,397	**29,545,698**

As at 31 December 2022 unrated corporate bonds comprise Eurobonds of sanctioned Russian issuers for a total amount of KZT 2,750,962 thousand (31 December 2021: KZT 0).

As at 31 December 2022 financial instruments measured at fair value through profit or loss with carrying amount of KZT 381,463 thousand are past due 63-290 days (31 December 2021: not past due).

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

13 Share capital

(a) Issued share capital

The authorised, issued and outstanding share capital comprises 29,038,253 ordinary shares (31 December 2021: 29,038,253 ordinary shares).

(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 2022 and 31 December 2021, no dividends were declared and paid.

14 Risk management

Management of risk is fundamental to the Company's business and is 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.

(a) 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. The 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. The 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.

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2022 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Average interest rates, %			
	2022		2021	
	KZT	US Dollar	KZT	US Dollar
Interest bearing assets				
Cash and cash equivalents	16.50	-	9.9	-
Debt financial instruments at fair value through profit or loss	16.30	3.42	8.98	1.77

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 2022 and 31 December 2021 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

Cash flow sensitivity analysis

	2022		2021	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	104,712	104,712	50,184	50,184
100 bp parallel fall	(104,712)	(104,712)	(50,184)	(50,184)

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 though profit or loss due to changes in the interest rates, based on positions existing as at 31 December 2022 and 31 December 2021 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2022		2021	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	(132,469)	(132,469)	(355,314)	(355,314)
100 bp parallel fall	114,733	114,733	344,558	344,558

(c) Currency risk

The Company has assets denominated in several foreign currencies.

Currency risk is the risk that the fair value or the 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:

	2022	2021
US Dollar	**KZT'000**	**KZT'000**
ASSETS		
Cash and cash equivalents	232,894	308,614
Debt financial instruments at fair value through profit or loss	23,689,187	26,092,937
Other receivables	1,070	1,215
Total assets	**23,923,151**	**26,402,766**
Net position	**23,923,151**	**26,402,766**

A weakening of KZT, as indicated below, against the following currencies at 31 December 2022 and 31 December 2021 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.

	2022		2021	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	3,827,704	3,827,704	4,224,443	4,224,443
5% depreciation of USD against KZT	(956,926)	(956,926)	(1,056,111)	(1,056,111)

(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 Company 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 2022 and 31 December 2021 and a simplified scenario of a 10% change in all securities prices is as follows:

	2022		2021	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
10% increase in securities prices	191,026	191,026	230,568	230,568
10% decrease in securities prices	(191,026)	(191,026)	(230,568)	(230,568)

(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 on the statement of financial position. The impact of 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	**2022**	**2021**
ASSETS		
Cash and cash equivalents	375,007	2,059,426
Other receivables	1,186	1,257
Total maximum exposure to credit risk	**376,193**	**2,060,683**

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 agreements.

These 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 2022:

KZT'000				Related amounts not offset in the statement of financial position		
Types of financial assets	**Gross amount of recognised financial assets**	**Gross amount of recognised financial liabilities 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	130,185	-	130,185	(130,185)	-	-

The table below shows financial assets and financial liabilities subject to an enforceable master netting arrangement or similar agreement as at 31 December 2021:

KZT'000				Related amounts not offset in the statement of financial position		
Types of financial assets	**Gross amount of recognised financial assets**	**Gross amount of recognised financial liabilities 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 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.

(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 2022 and 31 December 2021 the Company's assets considerably 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 2022:

KZT'000	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Total
ASSETS						
Cash and cash equivalents	375,007	-	-	-	-	**375,007**
Financial instruments measured at fair value through profit or loss	5,991,156	10,319,777	5,131,675	4,256,526	1,910,263	**27,609,397**
Other receivables	1,186	-	-	-	-	**1,186**
Corporate income tax	-	-	122,445	-	-	**122,445**
Property, plant and equipment and intangible assets	-	-	-	-	10,704	**10,704**
Other assets	-	-	4,034	-	-	**4,034**
Total assets	**6,367,349**	**10,319,777**	**5,258,154**	**4,256,526**	**1,920,967**	**28,122,773**
LIABILITIES						
Other payables	6,081	-	-	-	-	**6,081**
Other liabilities	-	-	9,211	-	-	**9,211**
Total liabilities	**6,081**	-	**9,211**	-	-	**15,292**
Net position	**6,361,268**	**10,319,777**	**5,248,943**	**4,256,526**	**1,920,967**	**28,107,481**

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
ASSETS						
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**
Total assets	**2,060,683**	**3,123,982**	**11,259,805**	**12,862,061**	**2,314,995**	**31,621,526**
LIABILITIES						
Corporate income tax	–	–	116,300	–	–	**116,300**
Other payables	9,735	–	–	–	–	**9,735**
Other liabilities	–	–	4,836	–	–	**4,836**
Total liabilities	**9,735**	–	**121,136**	–	–	**130,871**
Net position	**2,050,948**	**3,123,982**	**11,138,669**	**12,862,061**	**2,314,995**	**31,490,655**

15 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. 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 2022, this minimum level is 1 (2021: 1). The Company is in compliance with the statutory capital ratio as at 31 December 2022 and 31 December 2021. As at 31 December 2022 the ratio of liquid assets less liabilities to statutory minimum capital is 103.18 (31 December 2021: 132.78).

16 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 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) Litigations

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 the Republic of 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 Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

17 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 funds of risky investment (the "CMIFRI"), and its unit shares 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 "J1Capital" CMIFRI represents the assets under the management of the Company as at 31 December 2022 and amounted to KZT 5,160 thousand (31 December 2021: KZT 5,076 thousand). 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 2022 and 31 December 2021.

18 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.

(a) Ultimate controlling party

As at 31 December 2022 and 31 December 2021, the Company's sole shareholder is First Heartland Jusan Bank JSC (the "Shareholder").

As at 31 December 2022 and 31 December 2021 the large shareholders of First Heartland Jusan Bank JSC are Kazakhstan broker company First Heartland Securities JSC that owns 78.73% of outstanding ordinary shares, and Mr. Galimzhan Shakhmardanovich Yessenov who owns 20.11% of outstanding ordinary shares.

As at 31 December 2022 and 31 December 2021 the Company's ultimate controlling party is New Generation Foundation, Inc. (31 December 2021: NU Generation Foundation, Inc.), a non-commercial organisation incorporated under the laws of the state of Nevada, the United Stated of America.

On 10 October 2022 the Company's ultimate controlling party NU Generation Foundation, Inc. changed its brand name to New Generation Foundation, Inc.

Impact on the Company's Shareholder and intermediate and ultimate controlling parties, and litigations

On 1 January 2023, amendments to Article 17-1 of the Law of the Republic of Kazakhstan "On banks and banking activities in the Republic of Kazakhstan" dated 31 August 1995 entered into force; according to these amendments, the benefits under which the requirements to obtain a status of a bank holding company or major participant of a bank did not extend to an entity, which is recognised as directly owning (having ability to vote, determine decisions and (or) influence the decisions taken in virtue of a contract or otherwise) the bank shares through ownership (ability to vote, determine decisions and (or) influence the decisions taken in virtue of a contract or otherwise) of shares of another financial organisation having a status of a major participant (bank holding company) of said bank, were excluded from clause 2-1 of this Article.

According to sub-paragraph 2) of Article 3 of the Law "On making amendments and additions to certain legislative acts of the Republic of Kazakhstan concerning implementation of certain orders of the Head of State", these entities are obliged, within 30 calendar days from the date of enforcement of sub-clause 2) of clause 14 of Article 1 of the Law (effective from 1 January 2023), to bring their activities in line with the requirements established by Article 17-1 of the Law of the Republic of Kazakhstan "On banks and banking activities in the Republic of Kazakhstan", by submitting relevant applications and documents to acquire a status of a major participant (bank holding company), or reduce the number shares of the bank that they own directly or indirectly to the level below the one established by Article 17-1 of the Law of the Republic of Kazakhstan "On banks and banking activities in the Republic of Kazakhstan".

As at the date of issue of these financial statements, the ultimate controlling parties of the Shareholder have not filed the required applications and documents to acquire a status of a major participant of the banking holding company First Heartland Securities JSC to the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market.

On 15 February 2023, ordinary shares of the Company and ordinary and preference shares of First Heartland Jusan Bank were seized by the Bostandyksky District Court of Almaty. On 16 February 2023, the Bostandyksky District Court of Almaty instituted civil proceedings upon request of the Almaty public procurator to invalidate the deal between Pioneer Capital Invest LLP and intermediate parent company - Jusan Technologies Ltd, intended to transfer control and withdraw assets of First Heartland Jusan Bank JSC, as well as its related organisations, to foreign jurisdictions.

On 16 February 2023, Nevada-based corporation Jysan Holding LLC (hereinafter, "Jysan Holding") and its English subsidiary Jusan Technologies Ltd. filed a suit to the Federal District Court of the state of Nevada against Government of the Republic of Kazakhstan. The civil lawsuit concerns exclusively foreign shareholders of the foreign intermediate parent companies and foreign ultimate controlling party of the Company and does not affect the operations of the Company and its Shareholder, nor does it affect any relations of the Company with its partners and counterparties.

The Company and its Shareholder do not act, directly or indirectly, as defendant or participant of the claim, therefore may not be subject to any sanctions.

(b) Related party transactions

The outstanding balances as of 31 December 2022 and related profit or loss amounts of transactions for the year then ended with related parties are as follows:

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
Assets				
Cash and cash equivalents	19,897	6,535	-	218,223
Other receivables	-	-	-	46
Liabilities			-	
Other payables	42	23	-	2,581

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	-	-	-	76
Fee and commission expense	-	351	-	45,347
Net foreign exchange (loss)/gain on financial assets and liabilities denominated in foreign currency	(658,012)	18,624	-	(309,836)
General and administrative expenses	141	-	-	8,213
Personnel expenses	-	-	156,295	-

* Other related party balances include those of First Heartland Securities JSC, the Shareholder's parent company and "J1 Capital" SMIFRI.

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

KZT'000	Shareholder	Companies under common control	Key management personnel	Other related parties*
Assets				
Cash and cash equivalents	10,404	113,584	-	213,093
Other receivables	-	-	-	43
Liabilities				
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	-

Key management remuneration comprises the following:

KZT'000	2020	2021
Salaries and other payments	142,016	121,204
Social tax and other social contributions	13,539	22,618
Employee benefit obligations	740	-
Total key management remuneration	**156,295**	**143,822**

19 Financial assets and liabilities: fair values and accounting classification

(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 2022.

KZT'000	Measured at FVTPL	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	375,007	375,007	375,007
Financial instruments measured at fair value through profit or loss	27,609,397	-	27,609,397	27,609,397
Other receivables	-	1,186	1,186	1,186
Total financial assets	**27,609,397**	**376,193**	**27,985,590**	**27,985,590**
Other payables	-	6,081	6,081	6,081
Total financial liabilities	**-**	**6,081**	**6,081**	**6,081**

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

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

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 measurement 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.

(b) Fair value hierarchy

The Company measures fair values of financial instruments using the following fair value hierarchy, which 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. Special 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, are 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.

Management believes that the fair value of the Company's financial assets and liabilities not measured at fair value approximates their carrying amounts.

The table below analyses financial instruments measured at fair value at 31 December 2022, 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:

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments measured at fair value through profit or loss	15,366,907	9,491,528	2,750,962	27,609,397

The table below analyses financial instruments measured at fair value 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:

KZT'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments measured at fair value through profit or loss	25,715,481	3,830,217	-	29,545,698

The following table shows a reconciliation for the year ended 31 December 2022 for fair value measurements in Level 3 of the fair value hierarchy.

KZT'000	**Financial instruments measured at fair value through profit or loss**
Balance at 1 January 2022	-
Transfer from Stage 1	7,263,571
Net loss on financial instruments at fair value through profit or loss	(4,512,609)
Balance at 31 December 2022	**2,750,962**

During the year ended 31 December 2022, securities of Russian issuers were transferred to Level 3 of the fair value hierarchy, when previously observable significant inputs used to make these estimates became unobservable: these securities were quoted at the stock exchange and there were observable transactions with these securities between independent parties. As at 31 December 2021 the Company has no financial instruments categorised as Level 3 as the securities of the Russian issuers were categorised into Level 1.

The table below sets out information about significant unobservable inputs used at year end in the measuring of fair value of net assets categorised as Level 3 in the fair value hierarchy as at 31 December 2022, together with a sensitivity analysis for shifts in these inputs which the Company considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

	Fair value of financial assets	**Valuation technique**	**Significant unobservable inputs**	**Reasonable shift**	**Sensitivity analysis of fair value to unobservable inputs**
31 December 2022	2,750,962	Cash price method of securities database	Bid-ask spreads	+/-0.34%	18,322

First Heartland Capital JSC

Supplementary information to the financial statements
for the year ended 31 December 2022

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 2022 unaudited	31 December 2021 unaudited
Assets		
Units of mutual investment funds	-	-
Cash and cash equivalents	5,160	5,076
Total assets	**5,160**	**5,076**
Liabilities		
Accounts payable	39	9
Total liabilities	**39**	**9**
Net assets of "J1 Capital" SMIFRI	**5,121**	**5,067**

Statement of changes in net assets of "J1 Capital" SMIFRI

KZT'000	2020 unaudited	2021 unaudited
Net assets at the beginning of the period	**5,067**	**30,297**
Income under reverse repurchase agreements	519	-
Proceeds from placement of securities (units) of a mutual investment fund	-	(25,159)
Dividend income on shares	-	73
Net loss on securities revaluation	-	(174)
Net foreign exchange gain	-	404
Commission expense on asset management	77	(203)
Fee and commission expenses on custodian and registrar services	334	(4)
Other commission expenses	(54)	(156)
Other expenses	-	(11)
Change in net assets for the year	**54**	**(25,230)**
Net assets at the end of the year	**5,121**	**5,067**

As at 31 December 2022, the value of unit was KZT 1,024 (unaudited) (31 December 2021: KZT 1,013, unaudited). Nominal value of the unit amounted to KZT 1,000.

During 2022 and 2021 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 maintains accounting for its assets under trust management in accordance with IFRS and the requirements of 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 the close-end mutual investment funds of risky investment "J1 Capital", transferred (accepted) under the Company's investment management, are carried out in compliance with the legislation of the Republic of Kazakhstan.