

Kazakhstan Ijara Company JSC

Financial statements

Year ended 31 December 2019
together with independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the Shareholders and Board of Directors of
Kazakhstan Ijara Company JSC

Opinion

We have audited the financial statements of Kazakhstan Ijara Company JSC (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 skepticism 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

Ernst & Young LLP


Olga Khegay
Auditor



Gulmira Turmagambetova
General Director
Ernst & Young LLP

Auditor qualification certificate
No. МФ - 0000286 dated 25 September 2015

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003, issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005.

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17 April 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(In thousands of tenge)

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Revenue from finance lease receivables		1,114,649	953,146
Revenue from Murabaha receivables		38,811	–
Financial expenses	14	(67,267)	(47,536)
Net finance income		1,086,193	905,610
Net (losses)/gains from foreign currencies		(13,088)	128,463
Gains from investment in joint venture	11	2,262	1,748
Income on Murabaha receivables		–	13,256
Other income		62,586	70,166
Operating income		1,137,953	1,119,243
Credit loss (expense)/income	5	(138,513)	7,339
General administrative expenses	6	(399,150)	(416,123)
Profit before corporate income tax expense		600,290	710,459
Corporate income tax expense	7	–	–
Profit for the year		600,290	710,459
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Foreign currency translation differences	11	(3,558)	58,149
Other comprehensive income for the year, net of corporate income tax		(3,558)	58,149
Total comprehensive income for the year		596,732	768,608


Signed and authorised for issue on behalf of the Management of the Company



 Yusuf Karsiyev
 General Director



 Sholpan Maltobarova
 Chief Financial Officer



 Janat Aubakirova
 Chief Accountant

17 April 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(In thousands of tenge)

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Assets			
Cash and cash equivalents	8	1,097,908	230,853
Finance lease receivables	9	6,763,917	6,765,401
Murabaha receivables	10	136,133	65,008
Advances paid to suppliers		102,312	130,357
Investment in joint venture	11	489,075	490,371
Property and equipment	12	4,737	7,057
Intangible assets	13	3,016	15,558
Right-of-use assets	3	26,566	–
Current corporate income tax assets		38,941	40,373
Other assets		60,099	33,105
Total assets		8,722,704	7,778,083
Liabilities			
Advances received for finance leases		319,076	91,781
Accounts payable to suppliers		11,788	9,000
Financial arrangements	14	950,597	805,924
Lease liabilities	3	28,929	–
Other liabilities		141,924	197,720
Total liabilities		1,452,314	1,104,425
Equity			
Share capital	15	4,224,362	4,224,362
Foreign currency translation reserve		202,821	206,379
Reserve for pre-operational expenses	16	(110,670)	(110,670)
Retained earnings		2,953,877	2,353,587
Total equity		7,270,390	6,673,658
Total liabilities and equity		8,722,704	7,778,083

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(In thousands of tenge)

	<i>Share capital</i>	<i>Foreign currency translation reserve</i>	<i>Reserve for pre- operational expenses</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at 31 December 2017	4,224,362	148,230	(110,670)	1,624,349	5,886,271
Impact of adopting IFRS 9	–	–	–	18,779	18,779
Restated opening balance under IFRS 9	4,224,362	148,230	(110,670)	1,643,128	5,905,050
Profit for the year	–	–	–	710,459	710,459
Other comprehensive income					
Foreign currency translation differences	–	58,149	–	–	58,149
Total comprehensive income for the year	–	58,149	–	710,459	768,608
As at 31 December 2018	4,224,362	206,379	(110,670)	2,353,587	6,673,658
Profit for the year	–	–	–	600,290	600,290
Other comprehensive income					
Foreign currency translation differences	–	(3,558)	–	–	(3,558)
Total comprehensive income for the year	–	(3,558)	–	600,290	596,732
As at 31 December 2019	4,224,362	202,821	(110,670)	2,953,877	7,270,390

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(In thousands of tenge)

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Cash flows from operating activities			
Profit for the year		600,290	710,459
Adjustments for:			
Revenue from finance lease receivables		(1,114,649)	(953,146)
Credit loss expense/(income)		138,513	(7,339)
Depreciation and amortisation expense	6	31,393	29,895
Gain from investment in joint venture		(2,262)	(1,748)
Financial expenses		67,267	47,536
Net loss/(gain) from foreign currencies		13,088	(128,463)
Corporate income tax expense		-	-
Cash flows used in operating activities before changes in operating assets and liabilities		(266,360)	(302,806)
(Increase)/decrease in operating assets			
Finance lease receivables		(105,762)	(896,094)
Murabaha receivables		(71,125)	(65,008)
Advances paid to suppliers		(36,134)	(18,031)
Other assets		(24,130)	(63)
(Decrease)/increase in operating liabilities			
Advances received for finance leases		227,295	(9,894)
Accounts payable to suppliers		2,788	1,700
Other liabilities		26,943	149,969
Net cash flows used in operating activities before corporate income tax		(246,485)	(1,140,227)
Revenue from finance lease receivables received		1,143,442	966,598
Mark-up paid		(58,745)	(45,658)
Corporate income tax paid		-	-
Net cash flows from/(used in) operating activities		838,212	(219,287)
Cash flows from investing activities			
Proceeds from sale of property and equipment and intangible assets		95	13
Purchase of property and equipment	12	(935)	(2,065)
Purchase of intangible assets	13	(2,906)	(766)
Net cash flows used in investing activities		(3,746)	(2,818)
Cash flows from financing activities			
Proceeds from financial arrangements	24	473,763	301,462
Repayment of financial arrangements	24	(385,560)	(221,008)
Repayment of lease liabilities	3	(14,644)	-
Net cash flows from financing activities		73,559	80,454
Net increase/(decrease) in cash and cash equivalents		908,025	(141,651)
Cash and cash equivalents, as at 1 January		230,853	315,673
Effect of exchange rates changes on cash and cash equivalents		(40,970)	56,831
Cash and cash equivalents, as at 31 December	8	1,097,908	230,853
Non-cash transactions			
Offsetting of current corporate income tax assets against other tax liabilities		-	3,129
Transfer of assets to be transferred under finance lease arrangement to clients		-	41,054

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

(In thousands of tenge)

1. Principal activities

Kazakhstan Ijara Company JSC (hereinafter – the “Company”) was registered in the Republic of Kazakhstan as a joint stock company on 5 April 2013 (registration number 4291-1910-01-AO). On 24 September 2013, the Company was re-registered in connection with the approval of the adoption of a new shareholder, Al Hilal Leasing LLP, acceptance of the rights and powers under the New Memorandum and the statement of refusal to participate in the Company shareholders Murad-Mi Holding and Zerde, termination of their rights and authority on the Initial Memorandum.

The principal activities of the Company are:

- Financial leasing operations; and
- Professional activities on the Shariah complaint securities market, as well as other activities on financial market allowed by Kazakhstan law and Shariah principles and rules.

The Company performs lease financing of mid-term (from 3 to 5 years) leasing projects. The Company primarily leases machinery, equipment and transport vehicles.

The registered and actual address of the Company's head office is: 51/78 Kabanbay batyr street, Almaty, 050010, Republic of Kazakhstan. The majority of the Company's assets and liabilities are located in the Republic of Kazakhstan.

Shareholders

As at 31 December 2019 and 2018, the following legal entities were shareholders of the Company:

<i>Shareholders</i>	<i>2019</i> <i>(%)</i>	<i>2018</i> <i>(%)</i>
Islamic Corporation for the Development of the Private Sector	35.77	35.77
Zaman Leasing LLP	17.85	17.85
Aktif Yatirim Bankasi AS	14.32	14.32
Al Hilal Leasing Company LLP	14.18	14.18
Kolon World Investment Co., Limited	10.73	10.73
Eurasia Group AG	7.15	7.15
	100.00	100.00

Related party transactions are disclosed in Note 20.

Kazakhstan business environment

The Company's operations are located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan that 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.

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

2. Basis of preparation

General

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

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Functional and presentation currency

The functional currency of the Company is tenge (“tenge” or “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 the Company.

(In thousands of tenge)

2. Basis of preparation (continued)

Functional and presentation currency (continued)

These financial statements are presented in thousands of tenge unless otherwise is stated.

As at 31 December 2019 and 2018, market exchange rates were as follows:

	<u>2019</u>	<u>2018</u>
US Dollar (USD)	381.18	384.2
Kyrgyz som (KGS)	5.47	5.51

The Company uses foreign currency exchange rates from official source – the National Bank of the Republic of Kazakhstan.

3. Summary of accounting policies

Changes in accounting policies

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below.

IFRS 16 Leases

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

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

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

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

	<u>1 January 2019</u>
Assets	
Right-of-use assets	39,317
Total assets	<u>39,317</u>
Liabilities	
Lease liabilities	39,317
Total liabilities	<u>39,317</u>

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

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

(In thousands of tenge)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

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

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

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of KZT 39,317 were recognised;
- Lease liabilities of KZT 39,317 thousand were recognised;

(b) Summary of new accounting policies

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

i. Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

(In thousands of tenge)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

(b) Summary of new accounting policies (continued)

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KZT 1,900 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

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

Amounts recognised in the statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows

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

	<i>Right-of-use assets</i>		<i>Lease liabilities</i>
	<i>Buildings</i>	<i>Total</i>	
As at 1 January 2019	39,317	39,317	39,317
Depreciation expense	(12,751)	(12,751)	–
Financial expenses	–	–	4,256
Payments	–	–	(14,644)
As at 31 December 2019	26,566	26,566	28,929

Finance – Company as a lessor

The Company recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and profit on the principal amount outstanding' (the SPPP criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPP criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net profit for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

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

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

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

(In thousands of tenge)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

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

IFRS 11 Joint Arrangements

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

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

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

IAS 12 Income Taxes

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

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

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

IAS 23 Borrowing Costs

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

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

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

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities 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 profit 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 retranslated to the functional currency at the exchange rate at the date that the fair value is 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.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Foreign currency (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Cash and cash equivalents

Cash and cash equivalents consist of unrestricted current bank accounts and short-term deposits in banks that mature within ninety days of the date of origination.

Financial assets and liabilities

Initial recognition

Date of recognition

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

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial recognition (continued)

Business model assessment

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

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

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

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

The SPPP test

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

In assessing whether the contractual cash flows are SPPP, the Company considers 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 contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are SPPP on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Company measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPP test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Profit revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit and loss upon derecognition of the asset.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial recognition (continued)

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Reclassification of financial assets and liabilities

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

Fair value measurement

The Company measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 21.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Finance leases

The Company as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently, the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

Leasing of identified assets ending with ownership transfer (also known as Ijara Muntahia Bitamleek) is an agreement whereby the Company buys an asset according to the customer's intention, presented in intent notice and then leases it, in its capacity as a lessor, to the customer as lessee for a specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in the lease agreement. The Company possesses ownership of the asset throughout the lease term. The arrangement could end by transferring the ownership of the asset to the lessee upon completion by the lessee of its obligation during or at the end of lease term.

The Company recognises Ijara assets at a value equal to the net investment in the lease, starting from the date of commencement of the lease term. Rental income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the financing under Ijara agreements.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Renegotiated financing instruments

Where possible, the Company seeks to restructure financing instruments rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions.

The Company derecognises a financial asset, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financing instruments are classified as Stage 1 for ECL measurement purposes, unless the new financing is deemed to be purchased or originated credit impaired (POCI). When assessing whether or not to derecognise a financing to a customer, amongst others, the Company considers the following factors:

- Change in currency of the financing;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPP criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective profit rate, the Company records a modification gain or loss, presented within profit revenue calculated using effective profit rate in the statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Company also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain under monitoring until payment discipline is proven.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

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

Financial liabilities

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

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

Property and equipment

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

Carrying amount of property and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying amount may not be recoverable.

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

	<u>Years</u>
Computers	3
Office furniture	5 to 7
Motor vehicles	5

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

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

(In thousands of tenge)

3. Summary of accounting policies (continued)

Intangible assets

Intangible assets include computer software and licenses. Intangible assets are carried at cost less any accumulated amortisation. Intangible assets are amortised on a straight-line basis over the useful economic lives of 5 years and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Share capital

Common shares with discretionary dividends are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in the equity.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Taxation

Income tax comprises of current corporate income tax for the year 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 corporate income tax

Current corporate income 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 corporate income tax payable also includes any tax liability arising from dividends.

Deferred corporate income tax

Deferred corporate income 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 corporate income 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 corporate income 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 corporate income 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.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Taxation (continued)

Deferred corporate income tax (continued)

Deferred corporate income 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 corporate income 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 corporate income tax assets and liabilities are offset if there is a legally enforceable right to offset current corporate income tax asset 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 corporate income tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Income and expense recognition

Finance lease origination fees, lease servicing fees and other fees that are considered to be integral to the overall profitability of a finance lease, together with the related transaction costs, are deferred and amortised to profit income over the estimated life of the financial instrument.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Investment in joint venture

Joint ventures are arrangements over which the Company together with one or more other parties has joint control over the financial and operating policies. The financial statements include the Company's share of the total recognised gains and losses of joint ventures on an equity-accounted basis, from the date that significant influence and joint control effectively commences until the date that significant influence and joint control effectively ceases. When the Company's share of losses exceeds the Company's interest (including long-term financial arrangement) in the joint venture, that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred obligations in respect of the joint venture.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard is not expected to have a significant impact on the Company's financial statements.

(In thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

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

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

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

4. Significant accounting judgments and estimates

The preparation of financial statements requires from management to make estimates and assumptions that have an influence on reported amounts of assets and liabilities of the Company, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company's management conducts evaluations and judgments on an ongoing basis, based on previous experience and a number of other factors that are considered reasonable in the current environment. Actual results could differ from those estimates. The following estimates and assumptions are important to present financial position of the Company.

Impairment losses on net investment in finance leases and accounts receivable

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal financing grading model, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs.

(In thousands of tenge)

4. Significant accounting judgments and estimates (continued)

Leases – estimating the incremental borrowing rate

The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

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

5. Credit loss (expense)/income

The table below shows the ECL charges on financial instruments recognised in the statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018:

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Finance lease receivables	9	(137,522)	(4,874)
Murabaha receivables	10	(956)	(404)
Other financial assets		(35)	12,617
		<u>(138,513)</u>	<u>7,339</u>

6. General administrative expenses

General administrative expenses comprise:

	<i>2019</i>	<i>2018</i>
Personnel expenses	286,754	267,715
Depreciation and amortisation	31,393	29,895
Professional services	22,327	19,367
Business trip and representative expenses	20,062	19,904
Insurance	9,738	7,568
Office expenses	4,683	5,932
Bank charges	3,593	2,884
Charity	3,552	13,597
Management services fees	3,310	6,147
Information technology services	3,113	5,931
Taxes other than income tax	2,572	6,904
Transportation	2,172	2,271
Communication	1,971	2,087
Marketing and advertising	1,170	1,956
Rent	–	16,618
Other	2,740	7,347
	<u>399,150</u>	<u>416,123</u>

7. Taxation

The corporate income tax expense comprises:

	<i>2019</i>	<i>2018</i>
Current corporate income tax charge	–	–
Deferred corporate income tax expense – origination and reversal of temporary differences	–	–
Corporate income tax expense	<u>–</u>	<u>–</u>

The Republic of Kazakhstan is the only tax jurisdiction in which the Company's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2019 and 2018. There was no current corporate income tax charge in 2019 and 2018 due to tax benefits for finance lease revenue.

(In thousands of tenge)

7. Taxation (continued)

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

	<i>2019</i>	<i>2018</i>
Profit before corporate income tax expense	600,290	710,459
Statutory tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	120,058	142,092
Non-taxable income from finance lease receivables	(177,323)	(116,222)
Non-taxable gain from investment in joint venture	(452)	(350)
Non-deductible credit loss expense	27,703	–
Non-taxable reversal of credit loss expense	–	(1,468)
Non-deductible loss from foreign currencies	23,704	–
Non-taxable gain from foreign currencies	–	(33,691)
Non-deductible operating expenses	519	1,813
Change in unrecognised deferred corporate income tax assets	5,791	7,826
Corporate income tax expense	–	–

Deferred corporate income tax asset and liability

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 corporate income tax assets and liabilities as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018 deferred corporate income tax assets are not recognised as it is not probable that future taxable profits will be available against which the temporary differences can be used.

Deferred corporate income tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	<i>Origination and reversal of temporary differences in profit or loss</i>		<i>Origination and reversal of temporary differences in profit or loss</i>		
	<i>2017</i>	<i>2018</i>	<i>2018</i>	<i>2019</i>	<i>2019</i>
Tax effect of deductible temporary differences					
Accrued expenses on unused vacations	2,504	589	3,093	3,577	6,670
Accrued administrative expenses	2,212	3,413	5,625	(273)	5,352
Lease liabilities	–	–	–	473	473
Other liabilities	3,589	637	4,226	390	4,616
	8,305	4,639	12,944	4,167	17,111
Tax effects of taxable temporary differences					
Property and equipment and intangible assets	(4,383)	3,187	(1,196)	1,624	428
Deferred corporate income tax assets	3,922	7,826	11,748	5,791	17,539
Unrecognised deferred income tax assets	(3,922)	(7,826)	(11,748)	(5,791)	(17,539)
Net deferred corporate income tax assets	–	–	–	–	–

(In thousands of tenge)

8. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	<i>2019</i>	<i>2018</i>
Current accounts and demand deposits in banks		
Al Hilal Islamic Bank JSC	771,059	167,402
KZI Bank JSC	326,845	63,447
Islamic bank Zaman Bank JSC	4	4
Cash and cash equivalents	<u>1,097,908</u>	<u>230,853</u>

Concentration of cash and cash equivalents

As at 31 December 2019, the Company has accounts with one bank (as at 31 December 2018: nil) which balances exceed 10% of its equity. As at 31 December 2019, the total value of these balances is equal to KZT 771,059 thousand.

9. Finance lease receivables

As at 31 December, net investment in finance lease comprise the following:

	<i>2019</i>	<i>2018</i>
Up to one year	4,080,511	3,600,023
From one to five years	4,519,218	4,874,688
Minimum finance lease payments receivables	<u>8,599,729</u>	<u>8,474,711</u>
Less: unearned finance income		
Up to one year	(592,894)	(503,890)
From one to five years	(914,790)	(1,014,815)
	<u>(1,507,684)</u>	<u>(1,518,705)</u>
	7,092,045	6,956,006
Less: allowance for ECL	(328,128)	(190,605)
Net investment in finance lease	<u>6,763,917</u>	<u>6,765,401</u>

	<i>2019</i>	<i>2018</i>
Leases to small and medium size companies	6,793,613	5,968,078
Leases to large corporates	298,432	987,928
Less: allowance for ECL	(328,128)	(190,605)
Net investment in finance lease	<u>6,763,917</u>	<u>6,765,401</u>

Allowance for impairment

The Company applies simplified approach to the measurement of ECL for finance lease receivables. The simplified approach does not require monitoring of changes in credit risk and ECL are modeled for the expected life of the financial asset.

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2019 is as follows:

	<i>Finance lease receivables</i>
Gross carrying value as at 1 January 2019	<u>6,956,006</u>
New assets originated	3,109,565
Assets repaid	(2,855,004)
Foreign exchange adjustments	(118,522)
As at 31 December 2019	<u>7,092,045</u>

(In thousands of tenge)

9. Finance lease receivables (continued)

Allowance for impairment (continued)

	<i>Finance lease receivables</i>
ECL as at 1 January 2019	190,606
New assets originated	220,555
Assets repaid	(135,023)
Changes in inputs used for ECL calculation	51,990
Foreign exchange adjustments	–
As at 31 December 2019	<u>328,128</u>

An analysis of changes in the gross carrying value and corresponding ECL in relation to finance lease receivables during the year ended 31 December 2018 is as follows:

	<i>Finance lease receivables</i>
Gross carrying value as at 1 January 2018	5,850,404
New assets originated	3,271,155
Assets repaid	(2,334,007)
Foreign exchange adjustments	168,454
As at 31 December 2018	<u>6,956,006</u>

	<i>Finance lease receivables</i>
ECL as at 1 January 2018	185,731
New assets originated	60,791
Assets repaid	(58,244)
Changes in inputs used for ECL calculation	2,327
Foreign exchange adjustments	–
As at 31 December 2018	<u>190,605</u>

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2019:

	<i>Gross investment in finance lease</i>	<i>Allowance for ECL</i>	<i>Net investment in finance lease</i>	<i>Allowance as a percentage of gross finance lease %</i>
Leases to large corporates				
- not overdue	298,432	(3,331)	295,101	1.12
Total leases to large corporates	<u>298,432</u>	<u>(3,331)</u>	<u>295,101</u>	<u>1.12</u>
Leases to small and medium size companies				
- not overdue	5,046,511	(78,104)	4,968,407	1.55
- overdue for less than 30 days	826,776	(13,667)	813,109	1.65
- overdue for 30-89 days	202,845	(4,555)	198,290	2.25
- overdue for 90-179 days	462,137	(31,381)	430,756	6.79
- overdue for over 180 days	255,344	(197,090)	58,254	77.19
Total leases to small and medium size companies	<u>6,793,613</u>	<u>(324,797)</u>	<u>6,468,816</u>	<u>4.78</u>
Total finance lease receivables	<u>7,092,045</u>	<u>(328,128)</u>	<u>6,763,917</u>	<u>4.63</u>

(In thousands of tenge)

9. Finance lease receivables (continued)

Credit quality of finance lease portfolio (continued)

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2018:

	<i>Gross investment in finance lease</i>	<i>Allowance for ECL</i>	<i>Net investment in finance lease</i>	<i>Allowance as a percentage of gross finance lease %</i>
Leases to large corporates				
- not overdue	987,928	(11,413)	976,515	1.16
Total leases to large corporates	987,928	(11,413)	976,515	1.16
Leases to small and medium size companies				
- not overdue	4,975,680	(79,887)	4,895,793	1.61
- overdue for less than 30 days	150,884	(2,145)	148,739	1.42
- overdue for 30-89 days	298,715	(16,754)	281,961	5.61
- overdue for 90-179 days	520,807	(69,410)	451,397	13.33
- overdue for over 180 days	21,992	(10,996)	10,996	50.00
Total leases to small and medium size companies	5,968,078	(179,192)	5,788,886	3.00
Total finance lease receivables	6,956,006	(190,605)	6,765,401	2.74

Analysis of collateral and other credit enhancements

The information on collateral and other credit enhancements securing finance lease receivables net of ECL allowance, by types of collateral as at 31 December 2019 comprise the following:

	<i>Finance lease receivables, carrying amount</i>	<i>Fair value of collateral assessed at the reporting date</i>	<i>Fair value of collateral assessed at the inception date</i>
Total lease receivables not overdue	5,263,508	-	5,263,508
Overdue lease receivables			
Plant and machinery	730,306	730,306	-
Motor vehicles	647,096	647,096	-
Equipment	81,124	81,124	-
Medical equipment	41,883	41,883	-
Total overdue lease receivables	1,500,409	1,500,409	-
Total finance lease receivables	6,763,917	1,500,409	5,263,508

The information on collateral and other credit enhancements securing finance lease receivables, net of ECL allowance, by types of collateral as at 31 December 2018 comprise the following:

	<i>Finance lease receivables, carrying amount</i>	<i>Fair value of collateral assessed at the reporting date</i>	<i>Fair value of collateral assessed at the inception date</i>
Total lease receivables not overdue	5,872,308	-	5,872,308
Overdue lease receivables			
Plant and machinery	127,003	127,003	-
Equipment	200,637	200,637	-
Motor vehicles	494,597	494,597	-
Medical equipment	63,914	63,914	-
Real estate	6,942	6,942	-
Total overdue lease receivables	893,093	893,093	-
Total finance lease receivables	6,765,401	893,093	5,872,308

(In thousands of tenge)

9. Finance lease receivables (continued)

Analysis of collateral and other credit enhancements (continued)

The tables above exclude the effect of overcollateralisation, which means that the collateral values may exceed the carrying amounts of finance lease receivables. The collateral values include tangible assets only.

Based on risk exposure evaluation, the Company practices obtaining additional collateral. The table above excludes the effect of this additional collateral.

In accordance with Company's classification of collateral, motor vehicles and plant and machinery groups include the following types of property: automobiles, buses, motorcycles, off highway vehicles, light trucks or light duty trucks, and trucks or lorries, combines, dumpers, tractors, diggers, auto-loaders, rollers, pavers and cranes.

The recoverability of leases which are not past due is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Company does not necessarily update the valuation of collateral at each reporting date.

The Company has leases secured by collateral, which fair values were assessed at the lease inception dates and were not updated for further changes. Information on values of collateral is based on when this estimate was made.

For leases secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

Collateral obtained

During 2019 and 2018, the Company has not obtained assets by taking control of collateral securing leases.

10. Murabaha receivables

Murabaha receivables represents purchase and sale of assets with mark up (i.e. the difference between purchase price and sales price of the asset) repaid by instalments. Maximum term for Murabaha agreements is 18 months. Assets in Murabaha instalment sale transactions are similar to leased assets (vehicles, machinery and equipment). During 2019, the Company issued Murabaha to new 5 small and medium size companies denominated in tenge maturing in 2020-2021.

	<i>2019</i>	<i>2018</i>
Gross Murabaha receivables	137,493	65,412
Less: allowance for ECL	(1,360)	(404)
Net Murabaha receivables	<u>136,133</u>	<u>65,008</u>

Allowance for expected credit losses

An analysis of changes in the gross carrying value and corresponding ECL in relation to Murabaha receivables during the year ended 31 December 2019 is as follows:

	<i>Murabaha receivables</i>
Gross carrying value as at 1 January 2019	<u>65,412</u>
New assets originated	232,733
Assets repaid	(160,652)
As at 31 December 2019	<u>137,493</u>
	<i>Murabaha receivables</i>
ECL as at 1 January 2019	<u>404</u>
New assets originated	1,395
Assets repaid	(439)
As at 31 December 2019	<u>1,360</u>

(In thousands of tenge)

10. Murabaha receivables (continued)

Allowance for expected credit losses (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to Murabaha receivables during the year ended 31 December 2018 is as follows:

	<i>Murabaha receivables</i>
Gross carrying value as at 1 January 2018	–
New assets originated	196,569
Assets repaid	(131,157)
As at 31 December 2018	<u>65,412</u>
	<i>Murabaha receivables</i>
ECL as at 1 January 2018	–
New assets originated	2,272
Assets repaid	(1,868)
As at 31 December 2018	<u>404</u>

11. Investment in joint venture

In 2014, the Company invested KZT 273,123 thousand in a newly established company, Ijara Company Kyrgyzstan CJSC which was incorporated in the Kyrgyz Republic on 29 September 2014. As at 31 December 2019 and 2018, the Company controlled 36.6% of the total shares of the joint venture. During 2019 the Company recognised gain from investment in joint venture in the amount of KZT 2,262 thousand (in 2018: gain of KZT 1,748 thousand) representing share in profit of this joint venture. The main activity of the joint venture is finance lease operations. When assessing the existence of the joint control the Company used the following key judgment:

- The decisions about the relevant activities which significantly affect the returns of the arrangement require the unanimous consent of two third (66.7%) of the parties sharing the control of the arrangement.

The other three investors hold 36.6%, 14.6% and 12.2% of the total shares of the joint venture, respectively.

The movements of investment in joint venture comprise:

	<i>2019</i>	<i>2018</i>
Investment in joint venture, as at 1 January	490,371	430,474
Share in profit of the joint venture	2,262	1,748
Currency translation of foreign operations financial statements	(3,558)	58,149
Investment in joint venture, as at 31 December	<u>489,075</u>	<u>490,371</u>

The following table summarises the financial information of Ijara Company Kyrgyzstan CJSC as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Ijara Company Kyrgyzstan CJSC.

	<i>2019</i>	<i>2018</i>
Percentage of ownership interest	36.6%	36.6%
Non-current assets (including net investment in finance lease 2019: KZT 1,734,689 thousand, 2018: KZT 1,581,464 thousand)	1,785,418	1,659,303
Current assets (including cash and cash equivalents 2019: KZT 34,310 thousand, 2018: KZT 220,857 thousand)	248,887	414,435
Non-current liabilities (including financial arrangements 2019: KZT 524,540 thousand, 2018: KZT 594,452 thousand)	(547,722)	(594,452)
Current liabilities (including advances received 2019: KZT 134,463 thousand, 2018: KZT 127,479 thousand)	(150,312)	(139,474)
Net assets	<u>1,336,271</u>	<u>1,339,812</u>
Carrying amount of profit in joint venture	<u>489,075</u>	<u>490,371</u>

(In thousands of tenge)

11. Investment in joint venture (continued)

	<i>2019</i>	<i>2018</i>
Net finance income	168,759	144,004
Net (loss)/gain from foreign currencies	(4,728)	17,461
Other operating expenses	(157,430)	(156,357)
Corporate income tax expense	(420)	(331)
Profit for the year	6,181	4,777
Company's share in profit for the year	2,262	1,748

12. Property and equipment

Movements in property and equipment were as follows:

	<i>Computers</i>	<i>Office furniture</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost				
At 31 December 2017	8,211	21,680	11,663	41,554
Additions	1,267	798	–	2,065
Disposals	–	(140)	–	(140)
Transfers	(330)	330	–	–
At 31 December 2018	9,148	22,668	11,663	43,479
Additions	843	92	–	935
Disposals	–	(119)	–	(119)
At 31 December 2019	9,991	22,641	11,663	44,295
Accumulated depreciation				
At 31 December 2017	(7,847)	(12,688)	(9,087)	(29,622)
Charge for the year	(479)	(3,943)	(2,518)	(6,940)
Disposals	–	140	–	140
Transfers	330	(330)	–	–
At 31 December 2018	(7,996)	(16,821)	(11,605)	(36,422)
Charge for the year	(621)	(2,516)	(57)	(3,194)
Disposals	–	58	–	58
At 31 December 2019	(8,617)	(19,279)	(11,662)	(39,558)
Net book value				
At 31 December 2017	364	8,992	2,576	11,932
At 31 December 2018	1,152	5,847	58	7,057
At 31 December 2019	1,374	3,362	1	4,737

(In thousands of tenge)

13. Intangible assets

Movements in intangible assets were as follows:

	<i>Computer software</i>
Cost	
At 31 December 2017	113,936
Additions	766
At 31 December 2018	<u>114,702</u>
Additions	2,906
At 31 December 2019	<u>117,608</u>
Accumulated amortisation	
At 31 December 2017	(76,189)
Charge for the year	(22,955)
At 31 December 2018	<u>(99,144)</u>
Charge for the year	(15,448)
At 31 December 2019	<u>(114,592)</u>
Net book value	
At 31 December 2017	<u>37,747</u>
At 31 December 2018	<u>15,558</u>
At 31 December 2019	<u><u>3,016</u></u>

14. Financial arrangements

Financial arrangements comprise the following:

	<i>2019</i>	<i>2018</i>
Islamic Corporation for Development of the Private Sector	<u>950,597</u>	<u>805,924</u>
	<u>950,597</u>	<u>805,924</u>

As at 31 December 2019, financial arrangements include a long-term Commodity Murabaha financing facility from Islamic Corporation for Development of the Private Sector (ICD) in the total amount of USD 4,000 thousand. The first tranche of USD 2,000 thousand was received on 18 September 2017 at 5.67% per annum maturing in 2021. The second tranche of USD 750 thousand was received on 29 May 2018 at 6.67% per annum maturing in 2022. The third tranche of USD 1,250 thousand was received on 23 May 2019 at 6.07% per annum maturing in 2022.

The Company is obliged to comply with financial covenants in relation to funds received from ICD. These covenants include debt to equity ratios and other financial performance ratios.

During 2019 accrued mark-up expense on facilities received from ICD recognised in finance expenses in the statement of profit or loss and other comprehensive income was KZT 63,011 thousand (as at 31 December 2018: KZT 47,536 thousand). Financial expenses in the statement of profit or loss and other comprehensive income for 2019 also include expenses on lease liabilities of KZT 4,256 thousand (in 2018: nil) (Note 3).

15. Share capital

As at 31 December 2019, 2018 and 2017, authorised share capital of the Company comprised 6,040,000 common shares. Issued and fully paid share capital comprised 4,224,362 common shares at placement value of KZT 1 thousand per common share.

The holders of common shares are entitled to receive dividends on the basis of equal distribution and on the basis of the financial results reported in accordance with IFRS. No dividends were declared or paid during 2019 and 2018.

(In thousands of tenge)

16. Reserve for pre-operational expenses

In 2013, the Company has recognised the amount of KZT 120,345 thousand subject to reimbursement to the shareholders by the Company, based on the estimate of the pre-operational expenses incurred by the shareholders and amounts paid to an individual that was elected as a responsible person for the implementation of the financial and economic activities and responsible for the representation of shareholders before third parties prior to establishment of the Company. This decision was agreed at the shareholders meeting. As at 31 December 2014, the amount was recognised as a reserve for pre-operational expenses in equity in the amount of KZT 110,670 thousand and as equipment for the total amount of KZT 9,675 thousand that was transferred to the Company.

As at 31 December 2019 and 2018, the amount of reserve for pre-operational expenses was KZT 110,670 thousand.

17. Risk management

Introduction

Management of risks is fundamental to the business of leasing and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk. It is also subject to operating risks.

Risk management policies and procedures

The Company's risk management internal documents aim to identify, analyse and manage the risks faced by the Company. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, leasing products and services offered and emerging best practice.

The risk management strategy is reflected in the Company's internal documents.

The objectives of the risk management policy are:

- Timely risk identification within internal business processes;
- Appropriate performance of leasing transactions;
- Control over compliance with legislation, regulations as well as ethical and professional standards;
- Minimisation of current and possible losses from leasing operations.

The Board of Directors of the Company has overall responsibility for the oversight of the risk management framework with usage of risk management limits and key indicators, overseeing the management of key risks and approving its risk management documents and procedures as well as approving significant large exposures.

The Executive Committee, as a sub-committee of the Board of Directors, has a duty to assess and control credit risks and oversees the optimal structure for assets and liabilities and risk management measures relating to assets placement.

The Board of Directors determines sectors for finance lease operations and monitors the quality of the finance lease portfolio.

The General Director is responsible for monitoring, management and implementation of risk mitigation measures.

The optimal structure of the Company's assets and liabilities is approved within the limits set in the budgets and business plan of the Company which are approved by the Board of Directors. The risk management system is set under the supervision of the Board of Directors and includes internal policies, procedures, risk limits and key risk indicators, which are regularly reported to the Board of Directors by the management and/or Board of Directors' Committees. The market risk, liquidity risk as well as balance sheet management is performed by the Assets and Liabilities Committee on a monthly basis.

Market risk

Market risk is the risk that movements in market variables, including foreign exchange rates, profit rates, credit spreads and equity prices will affect the Company's income or the value of its portfolios. Market risks comprise currency risk, profit rate risk and other price risk.

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

The market risk is managed by the Assets and Liabilities Committee.

(In thousands of tenge)

17. Risk management (continued)

Market risk (continued)

The Company manages its market risk through the limits and key risk indicators, which are set and approved by the Board of Directors, and include currency position limits, limits for the repricing risk based on the defined time buckets. These are monitored on a regular basis by the management and the Assets and Liabilities Committee and reported to the Board of Directors.

Profit rate risk

Profit rate risk is the risk that movements in profit rates will affect the Company's income or the value of its portfolios of financial instruments.

The Company is exposed to the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. Net income may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Profit rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Profit rate gap analysis

Profit rate risk is managed principally through monitoring profit rate gaps. A summary of the profit gap position for major financial instruments as at 31 December 2019 and 2018 is as follows:

<i>As at 31 December 2019</i>	<i>Less than 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Non-profit rate bearing</i>	<i>Carrying amount</i>
Assets						
Cash and cash equivalents	–	–	–	–	1,097,908	1,097,908
Finance lease receivables	689,621	1,162,330	1,459,669	3,452,297	–	6,763,917
	<u>689,621</u>	<u>1,162,330</u>	<u>1,459,669</u>	<u>3,452,297</u>	<u>1,097,908</u>	<u>7,861,825</u>

<i>As at 31 December 2018</i>	<i>Less than 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Non-profit rate bearing</i>	<i>Carrying amount</i>
Assets						
Cash and cash equivalents	–	–	–	–	230,853	230,853
Finance lease receivables	681,152	777,239	1,508,018	3,798,992	–	6,765,401
	<u>681,152</u>	<u>777,239</u>	<u>1,508,018</u>	<u>3,798,992</u>	<u>230,853</u>	<u>6,996,254</u>

Currency risk

The Company has assets and liabilities denominated in several foreign currencies or in tenge adjusted for changes in foreign exchange rates. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The management and the Assets and Liabilities Committee manage currency risk by monitoring the open currency position based on assumed tenge devaluation and other macroeconomic indicators and approving mechanism of protection against the currency risks that enables the Company to minimise losses from significant foreign currency exchange rates fluctuations.

(In thousands of tenge)

17. Risk management (continued)

Market risk (continued)

Currency risk (continued)

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

	<u>2019</u>	<u>2018</u>
	<u>USD</u>	<u>USD</u>
Assets		
Cash and cash equivalents	742,494	–
Finance lease receivables	712,123	1,462,881
Total assets	<u>1,454,617</u>	<u>1,462,881</u>
Liabilities		
Financial arrangements	950,597	805,923
Other liabilities	4,175	8,645
Total liabilities	<u>954,772</u>	<u>814,568</u>
Net position	<u>499,845</u>	<u>648,313</u>

During 2019 and 2018, the Company has entered into finance lease receivables agreements that are indexed to changes in US dollar exchange rate and are denominated in tenge.

The table below indicates the currencies to which the Company had significant exposure at 31 December on certain monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on the profit or loss (due to the fair value of certain currency sensitive certain monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

<i>Currency</i>	<u>2019</u>		<u>2018</u>	
	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>
USD	+12%	59,981	+14%	90,764

<i>Currency</i>	<u>2019</u>		<u>2018</u>	
	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, in %</i>	<i>Effect on profit before tax</i>
USD	-10%	(49,985)	-10%	(64,831)

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

The basis for the credit risk management system is the organisation of the Company's leasing operations in accordance with the Company's internal documents.

To minimise credit risk while carrying out leasing operations the Company performs the following:

- Monitors lessees' financial position and safety of leased equipment and collateral to identify on a timely basis conditions or events that could negatively affect financial solvency of lessees;
- Monitors the proper use of leased equipment;
- Ensures the finance lease portfolio is diversified by distribution of investments among lessees from different geographical regions, business sectors and types of entities.

The credit risk management and control are performed by the General Director and the Executive Committee set by the Board of Directors.

(In thousands of tenge)

17. Risk management (continued)

Credit risk (continued)

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial and other information submitted by the customer, or otherwise obtained by the Company. Apart from individual customer analysis, the whole credit portfolio is assessed by the Board of Directors with regard to credit quality, credit concentration and market risks.

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 possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	<i>2019</i>	<i>2018</i>
Assets		
Cash and cash equivalents	1,097,908	230,853
Finance lease receivables	6,763,917	6,765,401
Murabaha receivables	136,133	65,008
Total maximum exposure to credit risk on balance sheet	<u>7,997,958</u>	<u>7,061,262</u>

Impairment assessment

The Company uses the ECL model when determining the impairment allowance on financial assets.

The ECL amount is determined as the difference between the cash flows that are due to the Company in accordance with the contractual terms of an asset and the cash flows that the Company expects to receive, using the probability of default rate of an asset.

In determining the cash flows that the Company expects to receive, it adopts a sum of marginal losses approach whereby ECLs are calculated as the sum of the marginal losses that result from all possible default events over the lifetime of an asset. The marginal losses are derived from individual parameters that estimate exposures and losses in case of default and the marginal probability of default during a given period of time conditional upon an exposure having survived during this period.

ECLs are a probability-weighted estimate of the present value of cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of a default occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

Generally, ECL calculations are based on four components:

- Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon, which the Company management sets based on the historical default rates over the expected life of the asset, adjusted for forward-looking estimates, like key macro- and micro-economic factors and management's assumptions about the relationship between these forecasts and the amounts and timing of recoveries from the clients.
- Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profits, and expected drawdowns on committed facilities.
- Loss Given Default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including expected proceeds from collateral, if any. It is usually expressed as a percentage of the EAD.
- Discount Rate is the incremental lease rate at initial recognition used to discount an expected loss to a present value at the reporting date.

(In thousands of tenge)

17. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Company, considering the nature of the business in which it operates, recognizes and measures the impairment in assets, applying simplified approach. This approach does not require monitoring for significant increases in credit risk and the Company measures lifetime ECL at initial recognition for the maximum contractual period, including the extension options, and allocate the impairment allowance on a monthly basis until full repayment/collection of the asset. After initial recognition, the impairment allowance is adjusted, up or down, through profit and loss at each balance sheet date as the probabilities of collection and recoveries may change. Default is defined as 90 days overdue or in case one of the following reasons/cases are in place:

- Irregular payments;
- Business failure;
- Weak financials/cash flows based on financial monitoring results;
- Closure of business;
- Bankruptcy;
- Dispute among partners;
- Litigation by third parties;
- Loss of collaterals;
- Key decision maker of the customer is dead, left the country or imprisoned, and such circumstances lead to business stuck;
- Fraudulent activities;
- Frequent (over two times in a calendar year) restructuring;
- No identified source of payment;
- Non co-operation of a customer with the Company.

The Company allocates ECL allowances for the performing assets and the ones, which are past due for up to 89 days, are calculated at the end of each month over the outstanding balance of the assets using the impairment matrix below:

<i>Tenure*</i>	<i>Impairment rate</i>
> 30 months	2.0%
25-30 months	1.5%
13-24 months	1.0%
up to 12 months	0.5%

* The tenure left till the contractual maturity date of a financial asset

Each non-performing asset is assessed individually based on the assessment forecasts the expected recoveries from the asset in the form of collections, proceeds from the sale of the leased assets or collateral. The assessment results are calculated using the future cash flow and include the following:

- The net present value of the future cash flows from expected recoveries, sale proceeds from the leased assets and collateral, if any;
- The net outstanding balance of the asset;
- The positive difference between the net outstanding balance of the asset and the net present value of the cash flows is the amount of impairment allowances required to be recognised for the assessed non-performing asset;
- The negative difference between the net outstanding balance of the asset and the net present value of the cash flows is the amount of impairment allowances to be reversed on the assessed non-performing asset.

The Company allocates ECL allowances for the non-performing asset using the impairment matrix below:

<i>Number of overdue days</i>	<i>Impairment rate</i>
90-179 days	5.0%
180-269 days	25.0%
270-364 days	50.0%
365 or > days	100.0%

(In thousands of tenge)

17. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and profit rates of assets and liabilities is fundamental to the management of financial institutions, including the Company. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Assets and Liabilities Committee monitors and controls liquidity risk on a regular basis by analysis of liquidity risk level and takes measures to reduce the risk. Current liquidity management is performed by the Finance Department, which is responsible for operations in the financial markets with the purpose of maintaining current liquidity and optimising cash flows.

The liquidity management policy of the Company requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans; and
- Maintaining liquidity and funding contingency plans.

The weekly liquidity position is monitored by the Assets and Liabilities Committee and decisions are taken on the Company's liquidity management in line with the Company's business strategy needs, market conditions and internal policies the Company.

As at 31 December 2019 and 2018, the Company was not exposed to significant liquidity risk. Please refer to Note 23.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

<i>As at 31 December 2019</i>	<i>Less than 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Non-profit rate bearing</i>	<i>Carrying amount</i>
Financial liabilities						
Financial Arrangements	117,830	117,830	235,660	546,195	–	1,017,515
Lease liabilities	2,512	3,981	7,962	18,577	–	33,032
	<u>120,342</u>	<u>121,811</u>	<u>243,622</u>	<u>564,772</u>	<u>–</u>	<u>1,050,547</u>

<i>As at 31 December 2018</i>	<i>Less than 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Non-profit rate bearing</i>	<i>Carrying amount</i>
Financial liabilities						
Financial Arrangements	74,099	74,099	148,199	580,207	–	876,604
	<u>74,099</u>	<u>74,099</u>	<u>148,199</u>	<u>580,207</u>	<u>–</u>	<u>876,604</u>

18. Capital management

The Company's objective when managing capital is to maintain the financial stability of the Company for further development of its activities by optimisation of share capital. The Company is not exposed to any external capital requirements.

(In thousands of tenge)

19. Commitments and contingencies

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 has a full coverage of a mandatory insurance as declared by the Kazakhstan Law as well as voluntary insurance for property and leased assets covering risks of damage, loss and third party liability. The Company does not have full coverage for business interruption.

Until the Company obtains adequate insurance coverage when become available in the Republic of Kazakhstan, there is a risk that the loss or destruction of certain assets resulting from business interruption could have a material adverse effect on the Company's operations and financial position.

Legal

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 position or future performance of the Company. As at 31 December 2019 and 2018, no provision has been recognised in these financial statements for any of such action or complaints.

Taxation

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and republican tax authorities are not unusual. The current regime of penalties and fines related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of 50% of the taxes unpaid or more.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially 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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

20. Related party disclosures

Control relationships

The Company is owned by the shareholders presented in Note 1. There is no ultimate controlling party.

Management remuneration

Remuneration of the three (in 2018: three) members of key management personnel comprise:

	<i>2019</i>	<i>2018</i>
Key management personnel compensation	<u>95,391</u>	<u>87,695</u>
	<u>95,391</u>	<u>87,695</u>

(In thousands of tenge)

20. Related party disclosures (continued)

Transactions and balances with other related parties

Other related parties include shareholders, other entities under control of the shareholders and joint venture. As at 31 December 2019, carrying amount and the related average effective profit rates and related profit or loss amounts of transactions other related parties are as follows:

	<i>Shareholders</i>		<i>Other entities under control of the shareholders</i>		<i>Joint venture</i>		<i>Total</i>
	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	
Statement of financial position							
Assets							
Finance lease receivables	-	-	10,875	9.15	-	-	10,875
Investment in joint venture	-	-	-	-	489,075	-	489,075
Advances paid to suppliers	-	-	11	-	-	-	11
Liabilities							
Financial arrangements	950,597	6.14	-	-	-	-	950,597
Other liabilities	-	-	3,310	-	-	-	3,310
Profit or loss							
Revenue from finance lease receivables	-	-	18,481	-	-	-	18,481
Financial expenses	(63,011)	-	-	-	-	-	(63,011)
Net losses from foreign currencies	-	-	(11,169)	-	-	-	(11,169)
Gain from investment in joint venture	-	-	-	-	2,262	-	2,262
Other income	-	-	24,063	-	-	-	24,063
Credit loss expense	-	-	(18)	-	-	-	(18)
General administrative expenses	-	-	(17,914)	-	-	-	(17,914)
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	(3,558)	-	(3,558)

(In thousands of tenge)

20. Related party disclosures (continued)

Transactions and balances with other related parties (continued)

Other related parties include shareholders, other entities under control of the shareholders and joint venture. As at 31 December 2018, carrying amount and the related average effective profit rates and related profit or loss amounts of transactions other related parties are as follows:

	<i>Shareholders</i>		<i>Other entities under control of the shareholders</i>		<i>Joint venture</i>		<i>Total</i>
	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	<i>Carrying amount</i>	<i>Average effective profit rate, %</i>	
Statement of financial position							
Assets							
Finance lease receivables	-	-	429,874	9.16	-	-	429,874
Investment in joint venture	-	-	-	-	490,371	-	490,371
Liabilities							
Financial arrangements	805,924	5.95	-	-	-	-	805,924
Other liabilities	-	-	7,732	-	-	-	7,732
Profit or loss							
Revenue from finance lease receivables	-	-	48,728	-	-	-	48,728
Financial expenses	(47,536)	-	-	-	-	-	(47,536)
Net gains from foreign currencies	-	-	72,603	-	-	-	72,603
Gain from investment in joint venture	-	-	-	-	1,748	-	1,748
Other income	-	-	14,998	-	-	-	14,998
Credit loss expense	-	-	8,387	-	-	-	8,387
General administrative expenses	-	-	(26,268)	-	-	-	(26,268)
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	58,149	-	58,149

21. Fair values of financial instruments

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.

The Company uses widely recognised valuation models for determining the fair values of financial instruments. 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. 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.

(In thousands of tenge)

21. Fair values of financial instruments (continued)

For the purpose of disclosing those fair values, the Company determined classes of assets and liabilities based on the nature, characteristics and risks of those assets and liabilities as well as the hierarchy of fair value sources.

<i>As at 31 December 2019</i>	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2019	–	1,097,908	–	1,097,908
Finance lease receivables	31 December 2019	–	–	6,856,162	6,856,162
Murabaha receivables	31 December 2019	–	–	127,658	127,658
Liabilities for which fair values are disclosed					
Accounts payable to suppliers	31 December 2019	–	11,788	–	11,788
Financial arrangements	31 December 2019	–	923,289	–	923,289
Lease liabilities	31 December 2019	–	28,929	–	28,929

<i>As at 31 December 2018</i>	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2018	–	230,853	–	230,853
Finance lease receivables	31 December 2018	–	–	6,280,100	6,280,100
Murabaha receivables	31 December 2018	–	–	65,008	65,008
Liabilities for which fair values are disclosed					
Accounts payable to suppliers	31 December 2018	–	9,000	–	9,000
Financial arrangements	31 December 2018	–	785,494	–	785,494

During 2019 and 2018, there were no transfers between levels of fair value hierarchy.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

<i>As at 31 December 2019</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets			
Cash and cash equivalents	1,097,908	1,097,908	–
Finance lease receivables	6,763,917	6,856,162	92,245
Murabaha receivables	136,133	127,658	(8,475)
Financial liabilities			
Accounts payable to suppliers	11,788	11,788	–
Financial arrangements	950,597	923,289	27,308
Lease liabilities	28,929	28,929	–
Total unrecognised change in unrealised fair value			111,078

(In thousands of tenge)

21. Fair values of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

<i>As at 31 December 2018</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets			
Cash and cash equivalents	230,853	230,853	–
Finance lease receivables	6,765,401	6,280,100	(485,301)
Murabaha receivables	65,008	65,008	–
Financial liabilities			
Accounts payable to suppliers	9,000	9,000	–
Financial arrangements	805,924	785,494	20,430
Total unrecognised change in unrealised fair value			<u>(464,871)</u>

22. Average effective profit rates

As at 31 December 2019 and 2018, the table below sets out the Company's profit bearing assets and liabilities and their corresponding average effective profit rates as at that date. These profit rates are an approximation of the yields to maturity of these assets and liabilities.

	<i>2019</i>		<i>2018</i>	
	<i>KZT</i>	<i>USD</i>	<i>KZT</i>	<i>USD</i>
Profit bearing assets				
Finance lease receivables	18.03%	10.46%	17.92%	10.22%
Profit bearing liabilities				
Financial arrangements	–	6.14%	–	5.95%

23. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	<i>2019</i>		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Cash and cash equivalents	1,097,908	–	1,097,908
Finance lease receivables	3,311,620	3,452,297	6,763,917
Murabaha receivables	106,526	29,607	136,133
Advances paid to suppliers	102,312	–	102,312
Investment in joint venture	–	489,075	489,075
Property and equipment	–	4,737	4,737
Intangible assets	–	3,016	3,016
Right-of-use assets	–	26,566	26,566
Current corporate income tax assets	38,941	–	38,941
Other assets	51,703	8,396	60,099
Total	4,709,010	4,013,694	8,722,704
Advances received for finance leases	319,076	–	319,076
Accounts payable to suppliers	11,788	–	11,788
Financial arrangements	429,119	521,478	950,597
Lease liabilities	18,692	10,237	28,929
Other liabilities	141,924	–	141,924
Total	920,599	531,715	1,452,314
Net assets	3,788,411	3,481,979	7,270,390

(In thousands of tenge)

23. Maturity analysis of assets and liabilities (continued)

	<i>2018</i>		<i>Total</i>
	<i>Within one year</i>	<i>More than one year</i>	
Cash and cash equivalents	230,853	–	230,853
Finance lease receivables	2,966,409	3,798,992	6,765,401
Murabaha receivables	61,944	3,064	65,008
Advances paid to suppliers	130,357	–	130,357
Investment in joint venture	–	490,371	490,371
Property and equipment	–	7,057	7,057
Intangible assets	–	15,558	15,558
Current corporate income tax assets	40,373	–	40,373
Other assets	21,585	11,520	33,105
Total	3,451,521	4,326,562	7,778,083
Advances received for finance leases	91,781	–	91,781
Accounts payable to suppliers	9,000	–	9,000
Financial arrangements	259,446	546,478	805,924
Other liabilities	197,720	–	197,720
Total	557,947	546,478	1,104,425
Net assets	2,893,574	3,780,084	6,673,658

Due to the fact that substantially all the financial instruments of the Company are fixed rated contracts, these remaining contractual maturity dates also represent the contractual profit rate repricing dates.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future profit payments.

24. Changes in liabilities arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2019 and 2018:

	<i>Liabilities Financial arrangements</i>
As at 1 January 2019	805,924
Proceeds from financial arrangements	473,763
Repayment	(385,560)
Foreign currency translation	(2,274)
Other	58,744
As at 31 December 2019	950,597
	<i>Liabilities Financial arrangements</i>
As at 1 January 2018	628,648
Proceeds from financial arrangements	254,625
Repayment	(221,008)
Foreign currency translation	96,822
Other	46,837
As at 31 December 2018	805,924

The "Other" line includes the effect of accrued but not yet paid financial expenses on financial arrangements. The Company classifies such expenses as cash flows from operating activities.

(In thousands of tenge)

25. Subsequent events

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices for more than 40% and a depreciation of Tenge against major currencies. Currently, the Company's management is analyzing the possible impact of changing micro- and macroeconomic economic conditions on the financial position and performance of the Company.

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