# “Common Republican Processing Center” LLC and its subsidiaries

## Consolidated financial statements
## For the year ended 31 December 2023
## with independent auditor’s report

# Contents

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# Independent auditor's report

To the Shareholders, Supervisory Board and Management of "Common Republican Processing Center" Limited Liability Company

### *Opinion*

We have audited the consolidated financial statements of "Common Republican Processing Center" LLC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other matters*

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 were unaudited.

### *Responsibilities of management and the Supervisory Board for the consolidated financial statements*

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



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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

***Auditor's responsibilities for the audit of the consolidated financial statements***

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



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We communicate with the Supervisory Board 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.

Tashkent, Uzbekistan

24 May 2024

FE Audit Organization „Ernst & Young" LLC

FE Audit Organization "Ernst & Young" LLC
Certificate authorizing audit practice No. 66 registered with the Ministry of Finance of the Republic of Uzbekistan.

| | |
|---|---|
| Engagement partner/<br>Qualified auditor | Pavel Zholdaspayev<br>Auditor's qualification certificate authorizing audit practice No. 06151 dated 10.02.2023 issued by "Buxgalterlar va auditorlar imtihon markazi" |
| General director | Nataliya Kim<br>Auditor's qualification certificate authorizing audit practice No. 05555 dated 12.07.2018 issued by "Buxgalterlar va auditorlar imtihon markazi" |



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## *UZCARD Group*
## *Consolidated statement of financial position*

| *In thousands of US Dollars* | Note | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| | | **As at 31 December** | | |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | 12,778 | 8,608 | 9,431 |
| Intangible assets | 10 | 4,027 | 3,270 | 3,659 |
| Right-of-use assets | 9 | 1,553 | 2,027 | 1,895 |
| Investments in equity instruments | | 513 | 209 | 213 |
| Costs to fulfill the contracts | 13 | 1,993 | 2,704 | 2,198 |
| Advances for non-current assets | | 382 | 2,110 | 174 |
| Loans issued | 11 | 60 | 166 | 234 |
| Other non-current assets | | 58 | – | – |
| Deferred tax assets | 22 | – | 24 | 2 |
| **Total non-current assets** | | **21,364** | **19,118** | **17,806** |
| **Current assets** | | | | |
| Inventories | | 252 | 181 | 174 |
| Trade and other receivables | 12 | 8,886 | 6,064 | 4,517 |
| Income tax prepayment | | 324 | – | – |
| Loans issued | 11 | 11,505 | 7,614 | 5,061 |
| Deposits | | 40 | 467 | 1,467 |
| Cash and cash equivalents | 17 | 1,147 | 1,051 | 964 |
| **Total current assets** | | **22,154** | **15,377** | **12,183** |
| **Total assets** | | **43,518** | **34,495** | **29,989** |
| **Liabilities and equity** | | | | |
| **Equity** | | | | |
| Share capital | 15 | 5,732 | 5,056 | 5,056 |
| Other capital reserves | | 667 | 667 | 667 |
| Currency translation reserve | | (5,715) | (3,996) | (2,917) |
| Retained earnings | | 36,994 | 27,368 | 21,905 |
| **Equity attributable to the owners of the parent** | | **37,678** | **29,095** | **24,711** |
| Non-controlling interests | | (348) | 126 | 196 |
| **Total equity** | | **37,330** | **29,221** | **24,907** |
| **Non-current liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | 9 | 1,205 | 1,349 | 1,069 |
| Liabilities under contracts with customers | 13 | 1,162 | 1,654 | 1,091 |
| Deferred tax liabilities | 22 | 70 | – | – |
| **Total non-current liabilities** | | **2,437** | **3,003** | **2,160** |
| **Current liabilities** | | | | |
| Trade and other payables | 16 | 2,608 | 652 | 1,998 |
| Lease liabilities | 9 | 523 | 907 | 375 |
| Liabilities under contracts with customers | 13 | 620 | 712 | 549 |
| **Total current liabilities** | | **3,751** | **2,271** | **2,922** |
| **Total liabilities** | | **6,188** | **5,274** | **5,082** |
| **Total equity and liabilities** | | **43,518** | **34,495** | **29,989** |

These consolidated financial statements were approved by management on 24 May 2024 and were signed on its behalf by:

O. A. Zakirov
General Director

T. I. Timokhina
First Deputy of General Director

| *In thousands of US Dollars* | **Note** | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|---|
| | | **For the years ended 31 December** | | |
| Revenue from contracts with customers | 17 | 77,788 | 54,226 | 31,354 |
| Cost of sales | 18 | (9,771) | (11,056) | (11,928) |
| **Gross profit** | | **68,017** | **43,170** | **19,426** |
| General and administrative expenses | 19 | (11,790) | (8,162) | (5,654) |
| Net expected credit losses on financial assets | | (5,719) | (1,572) | (454) |
| Other operating gains/(losses), net | | 450 | 524 | (67) |
| **Operating profit** | | **50,958** | **33,960** | **13,251** |
| Gain from disposal of a subsidiary | 6 | 657 | - | - |
| Finance costs | 20 | (1,986) | (1,157) | (837) |
| Finance income | 21 | 2,336 | 2,467 | 800 |
| **Profit before tax** | | **51,965** | **35,270** | **13,214** |
| Income tax expense | 27 | (354) | (216) | (72) |
| **Profit for the year** | | **51,611** | **35,054** | **13,142** |
| **Profit/(loss) for the year attributable to:** | | | | |
| Owners of the parent | | 51,765 | 35,081 | 13,218 |
| Non-controlling interests | | (154) | (27) | (76) |
| **Profit for the year** | | **51,611** | **35,054** | **13,142** |
| **Other comprehensive loss** | | | | |
| *Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):* | | | | |
| Effect of translation to presentation currency | | (1,719) | (1,079) | (677) |
| **Total other comprehensive loss for the year** | | **(1,719)** | **(1,079)** | **(677)** |
| **Total comprehensive income** | | **49,892** | **33,975** | **12,465** |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the parent | | 50,046 | 34,002 | 12,541 |
| Non-controlling interests | | (154) | (27) | (76) |
| **Total comprehensive income for the year** | | **49,892** | **33,975** | **12,465** |

| | | For the years ended 31 December 2023, 2022 and 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to the owners of the parent | | | | | | |
| *in thousands of US Dollars* | **Note** | **Share capital** | **Other capital reserves** | **Foreign currency translation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance as at 31 December 2020 (unaudited)** | | **5,056** | **567** | **(2,240)** | **8,787** | **12,170** | **336** | **12,506** |
| | | | | | | – | | – |
| Profit for the year | | – | – | – | 13,218 | 13,218 | (76) | 13,142 |
| Other comprehensive loss | | – | – | (677) | – | (677) | – | (677) |
| **Total comprehensive income/(loss) for the year** | | **–** | **–** | **(677)** | **13,218** | **12,541** | **(76)** | **12,465** |
| | | | | | | – | | – |
| Contributions to additional capital | | – | 100 | | (100) | – | – | – |
| Acquisition of non-controlling interests | | – | – | – | – | – | (64) | (64) |
| **Balance as at 31 December 2021 (unaudited)** | | **5,056** | **667** | **(2,917)** | **21,905** | **24,711** | **196** | **24,907** |
| Profit for the year | | – | – | – | 35,081 | 35,081 | (27) | 35,054 |
| Other comprehensive loss | | – | – | (1,079) | – | (1,079) | – | (1,079) |
| **Total comprehensive income/(loss) for the year** | | **–** | **–** | **(1,079)** | **35,081** | **34,002** | **(27)** | **33,975** |
| | | | | | | – | | – |
| Dividends | 15 | – | – | – | (29,618) | (29,618) | – | (29,618) |
| Acquisition of non-controlling interests | | – | – | – | – | – | (43) | (43) |
| **Balance as at 31 December 2022 (unaudited)** | | **5,056** | **667** | **(3,996)** | **27,368** | **29,095** | **126** | **29,221** |
| Profit for the year | | – | – | – | 51,765 | 51,765 | (154) | 51,611 |
| Other comprehensive loss | | – | – | (1,719) | – | (1,719) | – | (1,719) |
| **Total comprehensive income/(loss) for the year** | | **–** | **–** | **(1,719)** | **51,765** | **50,046** | **(154)** | **49,892** |
| | | | | | | – | | – |
| Increase in share capital | 15 | 676 | – | – | (676) | – | – | – |
| Dividends | 15 | – | – | – | (40,914) | (40,914) | – | (40,914) |
| Other transactions with owners | | – | – | – | (549) | (549) | – | (549) |
| Disposal of non-controlling interests | | – | – | – | – | – | (320) | (320) |
| **Balance as at 31 December 2023** | | **5,732** | **667** | **(5,715)** | **36,994** | **37,678** | **(348)** | **37,330** |

| *In thousands of US Dollars* | **Note** | **For the years ended 31 December** **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit before tax | | 51,965 | 35,270 | 13,214 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 8 | 2,568 | 2,298 | 2,410 |
| Depreciation of intangible assets | 10 | 506 | 699 | 1,561 |
| Depreciation of rights-in-use assets | 9 | 857 | 708 | 533 |
| Amortization of costs to fulfill the contracts | 13 | 490 | 350 | 258 |
| Net expected credit loss on loans issued | 11 | 5,719 | 1,572 | 454 |
| Net gain on disposal of a subsidiary | 6 | (657) | | |
| Finance costs | 20 | 1,986 | 1,157 | 837 |
| Finance income | 21 | (2,336) | (2,467) | (800) |
| Other non-cash transactions | | (838) | 468 | (247) |
| **Cash flows from operating activities before changes in working capital** | | **60,260** | **40,055** | **18,220** |
| Increase in trade and other receivables | | (2,822) | (1,547) | (1,715) |
| Increase in costs to fulfill the contracts | | - | (506) | (1,579) |
| Increase in inventories | | (71) | (7) | (4) |
| Increase in trade and other payables | | 653 | 3 | 911 |
| **Changes in working capital** | | **(2,240)** | **(2,057)** | **(2,387)** |
| Income tax paid | | (678) | (216) | (72) |
| **Net cash flows from operating activities** | | **57,342** | **37,782** | **15,761** |
| **Investing activities** | | | | |
| Purchases of property, plant and equipment and intangible assets | 8,10 | (8,814) | (5,675) | (3,589) |
| Proceeds on disposal of property, plant and equipment | | 46 | 179 | 170 |
| Loans issued | 11 | (15,801) | (8,379) | (6,996) |
| Repayment of loans issued | 11 | 5,274 | 4,251 | 928 |
| Interest received on loans issued | | 856 | 145 | 32 |
| Placement of deposits | | (1,746) | (1,267) | (2,165) |
| Withdrawal of deposits | | 2,129 | 2,263 | 847 |
| Interest received on deposits | | 124 | 775 | 226 |
| **Net cash flows used in investing activities** | | **(17,932)** | **(7,708)** | **(10,547)** |
| **Financing activities** | | | | |
| Repayment of lease liabilities | 9 | (1,266) | (300) | (1,511) |
| Dividends paid | 15 | (38,048) | (29,618) | (4,067) |
| Acquisition of non-controlling interests | | - | (69) | (138) |
| **Net cash flows used in financing activities** | | **(39,314)** | **(29,987)** | **(5,716)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **96** | **87** | **(502)** |
| Cash and cash equivalents at beginning of the year | | 1,051 | 964 | 1,466 |
| **Cash and cash equivalents at end of the year** | | **1,147** | **1,051** | **964** |

## 1 General information

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) for the year ended 31 December 2023 for LLC "Common Republican Processing Center" (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as "Group" or "UZCARD Group").

The Company additionally prepared IFRS separate financial statements presented in Uzbek sums and in the Russian language in accordance with the Resolution of the President of the Republic of Uzbekistan dated 24 February 2020 No. PP-4611 "On additional measures for the transition to international financial reporting standards".

***Core business.***

The Company is a limited liability company and operates in the territory of the Republic of Uzbekistan. The Company provides acquiring activities, processing of electronic payments, and also acts as a provider, uniting banks, payment organizations and other market participants. The Company was created in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 24 September 2004 No. 445 "On measures for the further development of the payment system based on plastic cards"; the Resolution of the President of the Republic of Uzbekistan dated August 6, 2006 No. PP-433 "On additional measures for further development of the system of non-cash payments based on plastic cards" and functions in accordance with the Regulations of the Central Bank of Republic of Uzbekistan dated 18 April 2023 No. 3431 "On the procedure for licensing the activities of payment system operators and payment organizations"

Legal address of the Company: Republic of Uzbekistan, Tashkent, Shaykhontokhur district, Abdulla Kodiriy Street, 78. The Group carries out its core business in the territory of the Republic of Uzbekistan.

As at 31 December, the following shareholders owned the issued shares of the Company:

| | Equity interest, % | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022** | **2021** |
| "NB FEA RUz" JSC | – | – | 51% |
| "Sanoatqurilishbank" JSCB | – | – | 6% |
| "Asaka Bank" JSCB | – | – | 6% |
| "Ipoteka Bank" JSCB | – | – | 6% |
| "Alokabank" JSCB | – | – | 6% |
| Akbarov Kamron Anvarovich | 25% | 25% | 6.25% |
| Usmanov Mansur Pulatovich | – | 25% | 6.25% |
| Azadov Timur Makhmudzhanovich | – | 25% | 6.25% |
| Agzamkhodzhaev Obid Alimzhanovich | – | 25% | 6.25% |
| OOO "IMC-CAPITAL" | 75% | – | – |
| **Total issued capital** | **100%** | **100%** | **100%** |

Emerald Global Foundation and Mr. Akbarov Kamron Anvarovich exercise joint ultimate control of the Company.

***Economic environment in which the Group operates.***

The economy of the Republic of Uzbekistan exhibits some characteristic features inherent in developing markets. These features also include, but are not limited to, the existence of national currency that is not freely convertible outside the country and the low level of liquidity of the securities market.

The prospects for economic stability in the Republic of Uzbekistan largely depend on the effectiveness of economic measures taken by the Government, as well as on the development of the legal, control and political systems, that is, on circumstances that are beyond the control of the Group.

## 1 General information (continued)

The Group's financial position and results of operations will continue to be affected by potential political and economic developments in Uzbekistan, including the application of current and future legislation and tax regulations, which have a significant impact on the financial services industry in Uzbekistan and the economy as a whole. Management takes the necessary measures to ensure the sustainability of the Group's operations. However, the future effects of the current economic environment are difficult to predict and management's current expectations and estimates may differ from actual results.

***Russia-Ukraine War.***

On 21 February 2022, the Russian President announced the recognition of the Lugansk and Donetsk People's Republics, and on 24 February he sent mobilized military troops to the territory of Ukraine. In response to Russia's actions, the United States of America, the European Union and several other countries have imposed sanctions against Russia, including cutting off a number of Russian financial institutions from SWIFT. Russia is Uzbekistan's largest trading partner. The long-term effects of the current economic environment are difficult to predict, and management's current expectations and estimates may differ from actual results.

***Residency of the Technology Park of software products and information technologies.***

LLC “CRPC” since 3 March 2019 and LLC "AVTOMATLASHTIRILGAN TRANSPORT TO'LOV TIZIMI OPERATORI" since 28 February 2020 have been residents of the Technology Park of software products and information technologies. They receive tax and customs benefits intended for residents of the Technopark in accordance with Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 10 January 2019 No. 17 “On measures to create the Technological Park of software products and information technologies.” Namely, the residents are covered by the benefits provided by Presidential Decree No. 5099 dated 30 June 2017 “On measures to radically improve conditions for the development of the information technology industry in the republic”, in particular, there’s the exemption until 1 January 2028 from paying all types of taxes and mandatory contributions to state trust funds, as well as the single social payment.

## 2 Significant accounting policies

***Basis of preparation***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on the historical cost basis, except for the revaluation of property, plant and equipment measured at fair value as deemed cost in accordance with IFRS 1 “First-time Adoption of IFRS”. The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been applied consistently to all periods presented unless otherwise stated.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. In addition, management is required to rely on its judgment in applying the Group's accounting policies. Accounting areas that involve a greater degree of estimation or complexity, as well as areas in which assumptions and estimates are material to the consolidated financial statements, are disclosed in Note 3.

***Going concern principle.***

Management has prepared these consolidated financial statements on a going concern basis. See Note 2 for information about uncertainties relating to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.

## 2 Significant accounting policies (continued)

***Functional and reporting currency.***

Unless otherwise stated, these consolidated financial statements are expressed in the United States Dollar ("USD") and rounded to the nearest thousand.

The functional currency is the currency of the primary economic environment in which the Group operates. The functional currency of subsidiaries, associate and the parent company is the Uzbek Sum ("UZS").

***Basis for consolidation***

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power that gives it the ability to direct significant activities that have a significant effect on the investee's earnings, (ii) is exposed to risks associated with variable income from its involvement in the investee, or has the right to receive such income, and (iii) has the ability to use its power over the investee to influence the amount of the investor's return. When assessing whether the Group has power over another entity, the existence and effect of existing rights, including existing potential voting rights, must be considered. A right exists if the holder has a practical ability to exercise that right in making decisions about the management of the relevant activities of the investee. The group may have power over an investee even if it does not have most of the voting rights in the investee. In such cases, to determine whether it has existing power over an investee, the Group must assess the size of its voting rights in relation to the size and degree of dispersion of other voting rights holders. Rights of protection of other investors, such as those relating to fundamental changes in the activities of the investee or those applied in exceptional circumstances, do not interfere with the Group's ability to control the investee. Subsidiaries are included in the consolidated financial statements from the date control of their operations is transferred to the Group (acquisition date) and are removed from the consolidated financial statements from the date control is lost.

Subsidiaries, other than those acquired from parties under common control, are included in the consolidated financial statements using the acquisition method of accounting. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured at fair value at the acquisition date, regardless of the amount of non-controlling interest.

The Group measures non-controlling interest, which represents the direct interest and entitles the holder to its proportionate share of the net assets in the event of liquidation, on a transaction-by-transaction basis at either (a) fair value or (b) the non-controlling interest's proportionate share of the net assets of the acquiree. A non-controlling interest that is not an immediate interest is measured at fair value.

Transactions between Group entities, related account balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also canceled out unless the costs cannot be recovered. The Company and all its subsidiaries apply uniform accounting policies consistent with the Group's accounting policies.

Non-controlling interest is that portion of a subsidiary's net results of operations and equity that is attributable to an equity interest that the Group does not own, directly or indirectly. Non-controlling interest represents a separate component of the Group's equity.

***Acquisition and sale of non-controlling interests.***

The Group uses the economic unit model to account for transactions with non-controlling interests that do not result in a loss of control. If there is any difference between the consideration transferred and the carrying amount of the non-controlling interest acquired, it is recorded as an equity transaction directly in equity. The Group recognizes the difference between the consideration received for the sale of the non-controlling interest and its carrying amount as an equity transaction in the consolidated statement of changes in equity.

## 2 Significant accounting policies (continued)

***Disposal of subsidiaries, associates or joint ventures.***

When the Group loses control or significant influence, the retained interest in the entity is remeasured to its fair value at the date control is lost, with changes in the carrying amount recognized in profit or loss. Fair value is the initial carrying amount for the purposes of subsequent accounting for any retained interest in an associate, joint venture or financial asset.

***Conversion of foreign currencies.***

*Operations and balances in foreign currency.*

Foreign currency transactions are translated into the functional currency using the exchange rate of the Central Bank of the Republic of Uzbekistan (“CBRU”) prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the Central Bank of Uzbekistan are recognized in profit or loss for the year.

As at 31 December 2023, the official closing exchange rate used to revalue foreign currency account balances was UZS 12,338.77 per 1 US dollar (2022: UZS 11,225.46 per 1 US dollar; 2021: UZS 10,837.66 per 1 US dollar). There are foreign exchange restrictions and exchange controls regarding the conversion of UZS into other currencies. Currently, UZS are not freely convertible in most countries outside the Republic of Uzbekistan.

***Property, plant and equipment.***

Property, plant and equipment are accounted by initial value less accumulated depreciation and impairment losses, where applicable. Subsequent accounting is carried out at historical cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price, including import duties and non-refundable purchase taxes, less trade discounts and rebates, and any costs directly attributable to bringing the asset to site and bringing it into condition for its intended use.

The cost of property, plant and equipment built in-house includes the cost of materials, direct labor costs and a portion of manufacturing overhead. Individual significant parts of an item of property, plant and equipment (components) that have a useful life different from the useful life of the asset as a whole are depreciated individually using depreciation rates that reflect their expected useful lives.

Subsequent costs are reflected in the carrying amount of an asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The costs of minor repairs and daily maintenance are charged to current period expenses. The costs of replacing major items or components of property, plant and equipment are capitalized while the parts that need to be replaced are written off.

***Depreciation.***

There is no depreciation on land. Depreciation of other property, plant and equipment is calculated using the straight-line method by evenly writing off their original cost to their liquidation value over their useful life, namely:

| | **Useful life (years)** |
|---|---|
| Building | 40 – 50 years |
| Machinery and equipment | 5 – 20 years |
| Other | 5 – 10 years |

The residual value of an asset is the estimated amount that the Group would currently receive from disposal of the asset, after deducting the estimated costs of disposal, if the asset had already reached the end of its useful life and condition at the end of its useful life. The residual value of assets and their useful life are reviewed and, if necessary, adjusted at the end of each reporting period.

## 2 Significant accounting policies (continued)

***Right-of-use assets.***

The group rents various office premises. Contracts can include both components that are leases and components that are not leases. The Group allocates the contract consideration between the lease and non-lease components based on their relative stand-alone transaction prices. However, for real estate leases in which the Group is the lessee, it has elected not to separate the lease and non-lease components, but rather to record them as a single lease component.

Assets arising under lease agreements are initially measured at present value.

Right-of-use assets are measured at initial value, which includes the following:

- the initial measurement of the lease liability;
- lease payments on or before the lease start date, less any lease incentive payments received;
- any initial direct costs;
- the cost of restoring the asset to the condition required by the terms of the lease agreements.

Right-of-use assets are generally depreciated on a straight-line basis over the useful life of the asset or the lease term, whichever ends first. The Group calculates depreciation of right-of-use assets on a straight-line basis over their estimated useful lives, as follows:

| | **Useful life (years)** |
|---|---|
| Offices | 40 – 50 years |

***Intangible assets.***

The Group's intangible assets have finite useful lives and primarily include capitalized software.

Acquired computer software licenses, patents and trademarks are capitalized to the extent of the costs incurred to acquire and implement them.

Development costs directly attributable to identifiable and unique software controlled by the Group are recognized as intangible assets if the amount of additional economic benefits is expected to exceed the costs. Capitalized costs include employee benefits costs for the software development team and an appropriate share of overhead expenses. All other costs associated with the software (such as maintenance) are expensed as incurred.

Intangible assets are amortized using the straight-line method over their useful lives:

| | **Useful life (years)** |
|---|---|
| Software | 3-5 years |
| Licenses, franchise | 5-15 years |
| Other intangible assets | 3-15 years |

When impaired, the carrying amount of intangible assets is written down to the higher of their value in use or fair value less costs of disposal.

***Financial instruments – main approaches to evaluation.***

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 best evidence of fair value is a quoted market price in an active market. An active market is a market in which transactions in an asset or liability occur with sufficient frequency and volume to provide valuation information on an ongoing basis.

## 2 Significant accounting policies (continued)

Valuation models, such as the discounted cash flow model, as well as models based on similar market transactions or consideration of the investee's financial data, are used to determine the fair value of financial instruments for which market-based transaction pricing information is not available. The results of fair value measurements are analyzed and classified into levels of the fair value hierarchy as follows: (i) Level 1 refers to estimates based on quoted market prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 refers to estimates obtained using valuation models those in which all significant inputs used that are either directly (for example, price) or indirectly (for example, calculated on a price basis) observable for the asset or liability, and (iii) Level 3 estimates that are estimates not based solely on observable market data (i.e. the valuation requires a significant amount of unobservable inputs).

*Amortized cost* is the amount at which a financial instrument was measured at initial recognition less principal payments plus or minus accrued interest and, for financial assets – less any allowance for expected credit losses.

*The effective interest rate method* is a method of allocating interest income or interest expense over a relevant period to provide a constant interest rate in each period (the effective interest rate) on the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of the financial instrument.

***Initial recognition of financial instruments.***

Financial instruments are initially recognized at fair value. The best evidence of fair value at initial recognition is the transaction price. A gain or loss on initial recognition is recognized only if there is a difference between the fair price and the transaction price as evidenced by other observable current transactions in the market for the same instrument or by a valuation model that uses only observable market data as its basis. Subsequent to initial recognition, an allowance for expected credit losses is recognized for financial assets measured at amortized cost, resulting in the recognition of an accounting loss immediately upon initial recognition of the asset.

***Classification and subsequent valuation of financial assets: valuation categories.***

The Group classifies financial assets using the following measurement categories: those measured at fair value through profit or loss, those measured at fair value through other comprehensive income and those measured at amortized cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the underlying portfolio of assets and (ii) the cash flow characteristics of the asset.

***Classification and subsequent valuation of financial assets: business model.***

The business model reflects the way the Group manages assets to collect cash flows: whether the Group's objective is (i) to only collect contractual cash flows from assets (“holding assets to collect contractual cash flows”), or (ii) to collect both contractual cash flows and cash flows arising from the sale of assets (“holding assets to collect contractual cash flows and sale”), or, if neither (i) nor (ii) applies, financial assets are classified as classified as “other” business models and measured at fair value through profit or loss.

The business model is determined for a group of assets (at the portfolio level) based on all relevant evidence of the activities that the Group intends to undertake to achieve the objective established for the portfolio at the valuation date. Factors considered by the Group in determining its business model include the purpose and composition of the portfolio, the past cash flow experience of the underlying assets, approaches to valuation and risk management, methods for assessing asset returns and executive compensation arrangements.

## 2 Significant accounting policies (continued)

***Classification and subsequent valuation of financial assets: characteristics of cash flows.***

If the business model involves holding assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the “solely payments of principal and interest test” or "SPPI test"). Financial assets with embedded derivatives are considered in aggregate to determine whether their cash flows are payments solely of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with the terms of the underlying loan agreement, i.e. Interest includes only consideration for credit risk, time value of money, other risks of the underlying loan agreement and profit margin.

***Impairment of financial assets: allowance for expected credit losses.***

Based on forecasts, the Group estimates expected credit losses associated with debt instruments measured at amortized cost. The Group estimates expected credit losses and recognizes an allowance for credit losses at each reporting date. The estimate of expected credit losses reflects: (i) an unbiased and probability-weighted amount determined by assessing a range of possible outcomes, (ii) the time value of money, and (iii) all reasonable and supportable information about past events, current conditions and projected future economic conditions available at the reporting date without undue cost or effort.

Debt instruments measured at amortized cost, trade and other receivables, and loans given are presented in the consolidated statement of financial position less an allowance for expected credit losses.

The Group applies the simplified impairment model for trade receivables and lease receivables. For other financial assets, the Group applies a three-stage impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired at initial recognition is classified as being in Stage 1. For Stage 1 financial assets, expected credit losses are measured at an amount equal to the portion of lifetime expected credit losses that arise from defaults that are likely to occur within the next 12 months or until the contractual maturity date if it occurs before the end of 12 months (“12-month expected credit losses”). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and the expected credit losses for that asset are estimated based on lifetime expected credit losses, that is, until the contractual maturity date, but taking into account the expected prepayment, if provided (“lifetime expected credit losses”). A description of the Group's determination of a significant increase in credit risk is provided in Note 24. If the Group determines that a financial asset is impaired, the asset is transferred to Stage 3 and its expected credit losses are measured as lifetime expected credit losses. For an explanation of the Group's definition of impaired assets and default, see Note 24. For acquired or originated credit-impaired financial assets, expected credit losses are always measured as lifetime expected credit losses.

Note 24 provides information about the inputs, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Group incorporates forward-looking information into its expected credit loss models.

***Modification of financial assets.***

Occasionally, the Group revises or otherwise modifies the contractual terms of financial assets. The Group assesses whether a modification to contractual cash flows is material, taking into account, among other things, the following factors: the presence of new contractual terms that have a significant impact on the risk profile of the asset, a significant change in the interest rate, or a significant extension of the loan term in cases where the borrower does not is experiencing financial difficulties.

If the modified terms are materially different such that the rights to the cash flows of the original asset expire, the Group derecognizes the original financial asset and recognizes a new asset at fair value. The renegotiation date is the date of initial recognition for purposes of calculating subsequent impairment, including to determine whether there has been a significant increase in credit risk. The Group also evaluates whether the new loan or debt instrument meets the criterion of making payments solely of principal and interest. Any differences between the carrying amount of the original asset that is derecognized and the fair value of a new, significantly modified asset are recognized in profit or loss unless the difference relates to an equity transaction with owners.

## 2 Significant accounting policies (continued)

In a situation where the renegotiation was caused by the counterparty's financial difficulties and its inability to make the originally agreed upon payments, the Group compares the original and adjusted expected cash flows to assess whether the risks and rewards of the asset are significantly different as a result of the modification of the contractual terms. If the risks and rewards do not change, then the modified asset is not significantly different from the original asset and its modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contract cash flows at the original effective interest rate (or the credit risk-adjusted effective interest rate for acquired or originated credit-impaired financial assets) and recognizes the gain or loss on the modification in earnings or loss.

***Categories for measuring financial liabilities.***

Financial liabilities are classified as subsequently measured at amortized cost.

***Cash and cash equivalents.***

Cash and cash equivalents include cash on hand and balances in current bank accounts. Cash and cash equivalents are carried at amortized cost because (i) they are held to collect contractual cash flows and those cash flows represent solely payments of principal and interest and (ii) they are not classified as measured at fair value through profit or loss.

Restricted cash balances are excluded from cash and cash equivalents for purposes of preparing the consolidated statement of cash flows. Cash balances that are restricted from being exchanged or used to settle liabilities for at least twelve months after the reporting date are included in other non-current assets.

***Trade and other payables.***

Trade and other receivables are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Advances to suppliers are stated at cost less allowance for impairment. Advances are classified as non-current when the goods or services related to the advances are expected to be received within one year, or when the advances relate to an asset that would itself be classified as non-current on initial recognition. Advances for the acquisition of assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services related to the advances are received. If there is an indication that the assets, goods or services related to the advances will not be received, the carrying amount of the advances is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year. Prepayments of taxes are reflected at amounts actually paid less any allowance for impairment.

Trade payables are accrued when the counterparty has fulfilled its contractual obligations and are measured initially at fair value and subsequently at amortized cost using the effective interest method.

***Lease liabilities.***

Liabilities arising under lease agreements are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) less lease incentive payments receivable;
- a variable lease payment that depends on an index or rate, initially measured using the index or rate at the commencement date of the lease;
- amounts expected to be paid by the Group under liquidation value guarantees;
- the exercise price of a call option, provided that the Group has reasonable confidence that the option will be exercised;
- payment of penalties for termination of lease agreements if the lease term reflects the Group's exercise of this option.

## 2 Significant accounting policies (continued)

Options to extend and terminate leases are provided for in a number of lease agreements for the Group's office premises. These conditions are used to provide maximum operational flexibility in managing the assets that the Group uses in its activities. Most lease extension and termination options can only be exercised by the Group and not by the relevant lessor. Options to renew (or a period of time after the period specified in the terms of the lease termination options) are included in the lease term only if there is reasonable certainty that the contract will be renewed (or not terminated). The measurement of the liability also includes lease payments that will be made pursuant to the exercise of renewal options if it is reasonably certain that the lease will be renewed.

Lease payments are discounted using the interest rate specified in the lease agreement. If this rate is not readily determinable, which is typically the case for leases held by the Group, the Group uses the incremental borrowing rate, which is the rate at which the Group could borrow funds for a similar term and with similar collateral. necessary to obtain an asset with a value similar to that of a right-of-use asset under similar economic conditions.

To determine the rate for attracting additional borrowed funds, the Group:

- where possible, uses as an input information about the Group's recently received financing from a third party and adjusts it to take into account changes in financing conditions since the receipt of financing from the third party,
- uses a ramp-up approach where the calculation starts with a risk-free interest rate that is adjusted for credit risk, and
- makes adjustments taking into account the specifics of the lease agreement, such as lease term, country, currency and collateral.

Lease payments are divided into principal liabilities and finance charges. Finance charges are recognized in profit or loss over the entire lease period to provide a constant periodic interest rate on the outstanding balance of the obligation each period.

***Income tax.***

Income taxes are recognized in the consolidated financial statements in accordance with applicable laws enacted or substantively enacted at the end of the reporting period. Income tax expense includes current and deferred taxes and is recognized in profit or loss for the year.

Current tax is the amount that is expected to be paid to the tax authorities (recovered from the budget) in respect of taxable profit or loss for the current and previous periods. Taxable profits or losses are based on accounting estimates if the consolidated financial statements are authorized before the related tax returns are filed. Taxes other than income taxes are recognized as operating expenses.

Deferred income taxes are provided using the balance sheet liability method on tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In accordance with the initial recognition exception, deferred taxes are not recognized for temporary differences arising on the initial recognition of an asset or liability in transactions that do not involve business combinations that affect neither accounting nor taxable profit. The carrying amount of deferred tax is calculated using tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences reverse or the tax loss carry forward is utilized.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is probable that the temporary differences will reverse and sufficient future taxable profit will be available against which the deductible temporary differences can be utilized.

Offsetting deferred tax assets and liabilities is possible when the law provides for the right to offset current tax assets and liabilities, and when deferred tax assets and liabilities relate to income taxes assessed by the same tax authority to the same taxable person or to different taxable persons. persons, despite the fact that there is an intention to make settlements by means of offset. Deferred tax assets can only be offset against deferred tax liabilities within each individual Group entity.

## 2 Significant accounting policies (continued)

The Group controls the reversal of temporary differences relating to taxes on dividends of subsidiaries or profits from their sale. The Group does not record deferred tax liabilities on such temporary differences unless management expects the temporary differences to reverse in the foreseeable future.

***Uncertain tax positions.***

The Group's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for income tax positions when management believes that it is more probable than not that additional tax liabilities will arise if the Group's tax position is challenged by the tax authorities. This estimate is made based on the interpretation of tax laws enacted or substantively enacted at the end of the reporting period, as well as any known court rulings or other decisions on similar matters. Liabilities for fines, penalties and taxes, other than income taxes, are recorded based on management's best estimate of the costs required to settle the liability at the end of the reporting period. Adjustments for uncertain income tax positions, excluding penalties and interest, are recorded as income tax expense. Adjustments for uncertain income tax positions in terms of penalties and interest are reflected in finance costs and other income/(losses), net, respectively.

***Prepayment.***

Prepayment is reflected in the consolidated financial statements at actual costs less any allowance for impairment. A prepayment is classified as non-current if the expected period of receipt of the goods or services relating to it exceeds one year, or if the prepayment relates to an asset that will be accounted for as non-current on initial recognition. The prepayment for the acquisition of an asset is included in its carrying amount when the Group obtains control of the asset and it is probable that future economic benefits associated with it will flow to the Group. Other prepayments are written off to profit or loss when the goods or services related to them are received.

***Share Capital.***

The share of ownership of the founders of the Company is classified as capital since the Company has the unconditional right not to extinguish the share of ownership of the members in accordance with the charter and legislation.

The share capital is represented by monetary and non-monetary investments at fair value from the founders of the Company and is equal to the amount registered in the statutory documents of the Company. An increase or decrease in the share capital can be carried out based on a decision of the founders after making appropriate changes to the statutory documents of the Company.

***Dividends.***

Dividends are recognized as a liability and deducted from equity in the period in which they are declared and approved. Dividends declared after the reporting date but before the consolidated financial statements are authorized for issue are disclosed in the Note 27. The distribution of profit and its other expenses are carried out based on financial statements prepared in accordance with IFRS. Profit distribution is limited to the net profit of the current year.

***Revenue from contracts with customers.***

Revenue is income arising in the ordinary course of business of the Group. Revenue is recognized at the transaction price. The transaction price represents the consideration to which the Group expects to be entitled in exchange for the transfer of control of promised goods or services to the buyer, excluding amounts received on behalf of third parties. Revenue is recognized net of value added tax and discounts. Revenue from the sale of services is recognized over a period and at a specific point in time.

The Group's consolidated revenue is primarily related to the provision of processing services. The sale of each type of service is subject to a separate, identifiable contract with a separate buyer.

The Group does not expect to enter into contracts that provide for a period of more than one year between the transfer of promised services to the customer and payment by the customer. Accordingly, the Group does not adjust transaction prices to take into account the time value of money.

## 2 Significant accounting policies (continued)

***Sales of services.***

The Group provides processing and other related services under fixed and variable fee contracts. If the Group transfers control of a service during a period and therefore satisfies a performance obligation during the period, revenue from the provision of services is recognized in the reporting period in which the services are provided. Under fixed fee contracts, revenue is recognized based on the volume of services actually provided until the end of the reporting period, in proportion to the total volume of services provided, since the buyer simultaneously receives and consumes the benefits. If the Group does not transfer control of a service during the period, revenue from the provision of services is recognized at the point in time at which the Group satisfies the performance obligation.

If contracts include multiple performance obligations, the transaction price is allocated to each individual performance obligation based on the ratio of prices when they were sold separately. If such prices are not observable, they are calculated based on expected costs plus margin.

Customers are billed monthly and refunds are due upon invoice. If a contract includes variable consideration, revenue is recognized only to the extent that it is probable that there will be no significant decrease in such revenue in future periods.

*Transaction fees*. Payment processing revenues are primarily generated by payment transactions (from merchants and banks) and commission income from the range of services the Group provides to its customers. Revenues (commissions) from payment services represent a single performance obligation that is satisfied over time. The Group has determined that the transaction price at initiation is the fixed price according to officially published tariffs. The variable component depends on the volume of transactions. The Group recognizes a variable portion of revenue (from commissions) over time after the successful completion of the underlying transaction.

*"Payment History" service*. The Group provides a service to counterparties that allows the holder of a bank card (the person in whose name the bank card is issued and/or the user of services to the counterparty) to view information about transactions on a bank card and track the account balance through a mobile application, web interface or other technical means at a fixed price. Revenue is recognized during the service month, upon provision of the service.

*Transaction fees for acquiring cards of international payment systems*. The Group provides services to international payment systems for non-cash payment for goods and services using cards of other payment systems. The Group has determined that the transaction price at initiation is the reader's fixed price. The variable component depends on the volume of transactions. The Group recognizes a variable portion of revenue (from commissions) over time after the successful completion of the underlying transaction.

*Connection services*. The Group provides connection services to its core processing utilities, which is not a separate service, since it is necessary to ensure that customers have continuous access to the Group's network to receive the Group's main service – transaction processing services. Connection services are accounted for together with the related main services provided by the Group. Connection revenue is recognized over the period of 60 months using the straight-line method which is the management’s assessment of the customer’s hardware useful lives required to maintain its connection to the Group’s network.

*Costs to fulfill the contracts and liabilities under contracts with customers*. The Group acquires softwares that are intended to fulfill obligations under contracts with customers in the form of software.

Before incurring costs for the acquisition of assets that will be used in fulfilling the contracts with customers, the Group estimates the expected quantity of assets that will be requested by client banks. Procurement is carried out only under contracts already concluded or expected in the near future. Software licenses are purchased specifically to connect client banks to the Group’s network, that is, to fulfill obligations under connection agreements. Under IFRS 15, only those costs that generate resources that will be used to satisfy future performance obligations and are expected to be recovered are recognized as assets. The Group amortizes assets related to the costs of the acquired license over the period over which the related connection revenue is recognized which the management estimates as 60 months based on useful lives of the assets.

## 2 Significant accounting policies (continued)

***Remuneration of employees.***

The calculation of wages, contributions to the state pension fund of the Republic of Uzbekistan and the social insurance fund, paid annual leave and sick leave, bonuses, as well as non-monetary benefits (such as health care services and kindergartens) is carried out in the year in which the services defining these types of benefits were provided by the Group's employees. The Group does not have any legal or constructive obligation to pay pensions or similar benefits in excess of payments under the government's defined contribution plan.

## 3 Critical accounting estimates and judgements in applying accounting policy.

The Group makes accounting estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities in the next financial year. Accounting estimates and judgments are subject to ongoing review and are based on management's past experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. In the process of applying accounting policies, management also uses professional judgment other than those associated with accounting estimates. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and accounting estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

**Deferred income tax.**

As set out in the Note 2, the Company is a resident of the Technology Park of software products and information technologies and is exempt from paying income tax on activities carried out within the Republic of Uzbekistan until 1 January 2028. As at 31 December 2023, the Company has taxable and deductible differences in relation to the accounting and tax basis of assets and liabilities. Management estimates that a portion of these differences will be reversed during the income tax exemption period and, accordingly, the Group does not recognize deferred income tax liabilities and assets in respect of such amounts as at 31 December 2023.

***Initial recognition of transactions with related parties.***

In the normal course of business, the Group enters into transactions with related parties. IFRS 9 “Financial Instruments” requires financial instruments to be initially recognized at fair value. In the absence of an active market for such transactions, judgment is used to determine whether transactions were conducted at market or non-market interest rates. The basis for judgment is the pricing of similar types of transactions with unrelated parties and effective interest rate analysis. Conditions regarding transactions with related parties are reflected in Note 7.

***Evaluation of expected credit losses.***

An estimate of expected credit losses is a significant estimate that uses estimation methodology, models and input data to arrive at it. Details of the methodology for estimating expected credit losses are disclosed in Note 24. The following components have a significant impact on the allowance for credit losses: definition of default, significant increase in credit risk, probability of default, exposure to default and loss in case of default, and macroeconomic scenario models. The Group regularly reviews and validates models and data inputs to reduce differences between estimated expected credit losses and actual loan losses.

***Significant increase of credit risk.***

To determine whether there has been a significant increase in credit risk, the Group compares the risk of default over the life of the financial instrument at the reporting date with the risk of default at the date of initial recognition. The assessment process considers the relative increase in credit risk rather than the specific level of credit risk at the reporting date. The Group considers all reasonable and supportable forward-looking information that is available without undue cost or effort, including a number of factors, including the behavioral aspects of specific client portfolios. The Group determines behavioral indicators of increasing credit risk prior to default and includes relevant forward-looking information in assessing credit risk at the individual instrument or portfolio level. See Note 24.

## 3 Critical accounting estimates and judgements in applying accounting policy (continued)

***Modification of financial assets.***

When financial assets are modified by contract (for example, as a result of a renegotiation), the Group assesses whether the modification is material and should result in the derecognition of the original asset and recognition of a new asset at fair value. This estimate is based primarily on qualitative factors described in the relevant accounting policies and requires significant judgment. In particular, the Group applies judgment in deciding whether to derecognize impaired renegotiated loan agreements and whether newly recognized loans should be treated as impaired at initial recognition. The decision whether to derecognize depends on whether the risks and rewards, that is, the expected cash flows (rather than the contractual cash flows), will change as a result of the modification. Management determined that as a result of the modification of such loans, the risks and rewards did not change and, therefore, all such modifications and loans were not substantially derecognized or reclassified out of impairment.

***Useful lives of property, plant and equipment.***

The useful lives of property, plant and equipment were estimated using professional judgment based on existing experience with similar assets. Future economic benefits associated with these assets will primarily arise from their use. However, other factors, such as technological or commercial obsolescence and depreciation of property, plant and equipment, often reduce the economic benefits associated with those assets. Management estimates the remaining useful life of property, plant and equipment based on the current technical condition of the assets and taking into account the estimated period during which these assets will bring economic benefits to the Group. The following main factors are taken into account: (a) the expected life of the assets; (b) expected physical wear and tear of property, plant and equipment, which depends on operational characteristics and maintenance schedules; and (c) obsolescence of property, plant and equipment from a technological and commercial point of view as a result of changes in market conditions.

***Depreciation of right-of-use assets.***

Options for extension and termination of contracts are provided for in a number of lease agreements for the Group’s office premises. They are used to maximize operational flexibility in terms of managing assets used in the Group's activities. Most of the conditions regarding the possibility of renewal and termination of contracts can only be used by the Group and not by the relevant lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the option to renew the lease or to forego the option to terminate the lease. Options to renew contracts (or periods of time after the period specified in the terms of the options to terminate contracts) are included in the lease term only if there is reasonable certainty that the contract will be renewed (or not terminated).

For renting office space, as a rule, the most significant factors are:

- The Group generally has reasonable confidence that it will renew (or not terminate) a lease if there are significant penalties for terminating (or not renewing) a lease.
- The Group generally has reasonable assurance that it will renew (or not terminate) a lease if any capitalized costs to improve the leased asset are expected to have a significant residual value. In other cases, the Group considers other factors, including the historical length of the lease and the costs and disruption to the normal course of business that would be required to replace the leased asset. The majority of renewal options for office leases were not reflected in lease assets and liabilities because the Group had the ability to replace the assets without significant cost or disruption to the normal course of business.

The majority of renewal options for leases of office premises and vehicles were not reflected in lease assets and liabilities as the Group had the ability to replace the assets without significant cost or disruption to the normal course of business.

***Discount rates used in determining lease liabilities.***

If the interest rate implicit in the lease cannot be determined reliably, the Group uses the incremental borrowing rate as the basis for calculating the discount rate.

## 3 Critical accounting estimates and judgements in applying accounting policy (continued)

The application of the rate for attracting additional borrowed funds is determined by the following factors: market bank rates in the Republic of Uzbekistan were used as the discount rate, since the lessors are local organizations.

## 4 Adoption of new or revised standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group’s consolidated financial statements.

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group’s consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

## 4 Adoption of new or revised standards and interpretations (continued)

### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. 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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a 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

The new standard had no impact on the Group's consolidated financial statements.

## 5 Standards and interpretations 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 Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Group's financial statements.

### Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance

## 5 Standards and interpretations issued but not yet effective (continued)

arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

**Lack of exchangeability – Amendments to IAS 21**

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's financial statements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgmental and entities need to consider the definition carefully in such transactions.

The amendments are not expected to have a material impact on the Group's financial statements.

## 6 Subsidiaries

The consolidated financial statements include the following major subsidiaries:

| | | Interest and voting rights As at 31 December | | | |
|---|---|---|---|---|---|
| **Subsidiary** | **Nature of activities** | **2023** | **2022** | **2021** | **Country of incorporation** |
| "AVTOMATLASHTIRILGAN TRANSPORT TO'LOV TIZIMI OPERATORI" LLC | Services of an automated system for passengers' payments of public transport | 0% | 87.23% | 85.07% | Uzbekistan |
| "PROJECT MANAGERS" LLC | Computer programming services | 96.3% | 51% | 51% | Uzbekistan |
| "FISCAL INFORMATION AUTOMATION SYSTEM" LLC | Data hosting and processing services | 51% | 51% | 51% | Uzbekistan |
| "SILK ROAD CARDS» LLC | Development of magnetic and optical means of information transmission | 0% | 100% | 100% | Uzbekistan |
| "UNIVERSAL PLATFORMS" LLC | Services in the field of information technology and computer systems | 100% | 100% | 100% | Uzbekistan |
| "UC VENTURE FUND» LLC | Financial services (excluding insurance and pension funds) | 100% | 100% | 100% | Uzbekistan |
| "FINTECH ACCELERATOR" LLC | Financial services (excluding insurance and pension funds) | 0% | 100% | 100% | Uzbekistan |

**Disposal of OOO «AVTOMATLASHTIRILGAN TRANSPORT TO'LOV TIZIMI OPERATORI»**

In July 2023, the Group lost control over «AVTOMATLASHTIRILGAN TRANSPORT TO'LOV TIZIMI OPERATORI» as a result of sale of 87,06% of its voting shares to one of the stakeholders of the Company for a total consideration of USD 2,906 thousand, which was settled against dividends payable to the shareholder of the Company. The Group has recognized a gain on disposal of USD 721 thousand on this disposal in its consolidated financial statements.

A summary of assets and liabilities in «AVTOMATLASHTIRILGAN TRANSPORT TO'LOV TIZIMI OPERATORI» LLC as at the date of disposal were as follows:

| *in thousands of USD* | |
|---|---|
| Property, plant and equipment | 1,476 |
| Intangible assets | 886 |
| Investments | 136 |
| Inventories | 86 |
| Other assets | 50 |
| Total assets | 2,634 |
| Accounts payable to employees | (65) |
| Other liabilities | (64) |
| Total liabilities | (129) |
| **Net identifiable assets** | **2,505** |
| Non-controlling interests | (320) |
| **Total consideration** | **2,906** |
| incl. dividend payable settlement | 2,906 |
| **Net gain on disposal** | **721** |

## 7 Related parties

Until October 2022, the Group applied the exemption permitted by IAS 24 Related Party Disclosures from disclosing all government-related transactions as it is ultimately controlled by the Government of the Republic of Uzbekistan. In the normal course of business, the Group enters transactions with government-related entities. Transactions with the government also include taxes.

In 2021-2022 more than a half of the Group's revenue and accounts receivable consisted of transactions with state-owned commercial banks.

A portion of the Group's cash as at 31 December 2022 and 2021 was placed in current accounts with state-owned banks (Note 14). Expenses include purchases of inventory and services from state-owned enterprises.

Starting from October 2022, the Group discloses information on related parties in connection with a change in business ownership. Parties are generally considered related if they are under common control, or one party could control the other party or can exercise significant influence or joint control over the other party's financial and operating decisions. When considering relationships with each of the possible related parties, the economic content of such relationships is considered, and not just their legal form.

The balances with related parties are presented below:

| | **As at 31 December** | | | |
|---|---|---|---|---|
| | **2023** | | **2022 (unaudited)** | |
| *In thousands of USD* | **Shareholders** | **Other related parties** | **Shareholders** | **Other related parties** |
| Trade and other receivables | - | 3 | - | 23 |
| Loans issued | 76 | 5,978 | 111 | 4,910 |
| Allowance for expected credit losses | | (1,427) | | (970) |
| Liabilities under contracts with customers | - | 18 | - | 20 |
| Lease liabilities | - | 1,721 | - | 2,550 |
| Trade and other payables | - | 2 | - | 21 |

The transactions with related parties are presented below:

| *In thousands of USD* | **2023** | **2022 (unaudited)** |
|---|---|---|
| **Other related parties** | | |
| Revenue from contracts with customers | 37 | 12 |
| General and administrative expenses | 683 | 324 |

*Terms and conditions of transactions with related parties*

Loans to related parties were issued at non-market interest rates. For the year ended 31 December 2023, the Group recognized a loss on initial recognition on loans issued to related parties in the amounts of USD 442 thousand (2022: USD 407 thousand, 2021: USD 112 thousand).

*Remuneration of key management personnel*

Key management personnel consist of Chief Executive Officer, Deputy Chief Executive Officers, and Members of Supervisory Board of the Company.

In 2023, remuneration of key management personnel included only short-term benefits to 9 employees and amounted to USD 2,531 thousand (2022: USD 960 thousand; 2021: USD 442 thousand).

## 8 Property, plant and equipment

Changes in the carrying amount of property, plant and equipment are presented below:

| *In thousands of USD* | **Buildings and constructions** | **Machinery and equipment** | **Office and computer equipment** | **Other property, plant and equipment** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|---|
| **Net book value as at 31 December 2020, incl. (unaudited):** | **–** | **3,313** | **3,187** | **2,043** | **102** | **8,645** |
| Initial cost as at 31 December 2020 | – | 3,835 | 4,763 | 2,317 | 102 | 11,017 |
| Accumulated depreciation as at 31 December 2020 | – | (522) | (1,576) | (274) | – | (2,372) |
| Additions | 13 | 1 | 15 | 650 | 2,997 | 3,676 |
| Transfers to property, plant and equipment | – | 99 | 231 | 2,667 | (2,997) | – |
| Disposals | – | (77) | (87) | (6) | – | (170) |
| Depreciation | – | (606) | (1,203) | (601) | – | (2,410) |
| Translation to presentation currency | (1) | (30) | (180) | (95) | (4) | (310) |
| **Net book value as at 31 December 2021, incl. (unaudited):** | **12** | **2,700** | **1,963** | **4,658** | **98** | **9,431** |
| Initial cost as at 31 December 2021 | 12 | 3,798 | 4,666 | 5,512 | 98 | 14,086 |
| Accumulated depreciation as at 31 December 2021 | – | (1,098) | (2,703) | (854) | – | (4,655) |
| Additions | – | – | – | – | 1,958 | 1,958 |
| Transfers to property, plant and equipment | – | 5,102 | 176 | (3,308) | (1,970) | – |
| Disposals | – | – | (17) | (162) | – | (179) |
| Depreciation | (1) | (1,633) | (647) | (17) | – | (2,298) |
| Translation to presentation currency | – | (215) | 31 | (118) | (2) | (304) |
| **Net book value as at 31 December 2022, incl. (unaudited):** | **11** | **5,954** | **1,506** | **1,053** | **84** | **8,608** |
| Initial cost as at 31 December 2022 | 12 | 8,621 | 4,751 | 1,895 | 84 | 15,363 |
| Accumulated depreciation as at December 2022 | (1) | (2,667) | (3,245) | (842) | – | (6,755) |
| Additions | – | – | 403 | 211 | 8,652 | 9,266 |
| Transfers to property, plant and equipment | – | 6,547 | 528 | 234 | (7,309) | – |
| Disposals | – | – | (36) | (10) | – | (46) |
| Disposal of the subsidiary (Note 6) | – | – | (190) | (1,286) | – | (1,476) |
| Depreciation | (1) | (1,814) | (658) | (95) | – | (2,568) |
| Translation to presentation currency | (1) | (766) | (136) | (31) | (72) | (1,006) |
| **Net book value as at 31 December 2023, incl.:** | **9** | **9,921** | **1,417** | **76** | **1,355** | **12,778** |
| Initial cost as at 31 December 2023 | 11 | 14,073 | 4,917 | 206 | 1,355 | 20,562 |
| Accumulated depreciation as at 31 December 2023 | (2) | (4,152) | (3,500) | (130) | – | (7,784) |

## 9 Leases

The Group has entered into commercial leases for premises. Leases are typically for fixed periods ranging from 6 months to 5 years but may include options to extend the lease.

Options for extension and termination of lease agreements are provided for in several lease agreements for the Group's office premises. They are used to maximize operational flexibility in terms of managing assets used in the Group's activities.

Lease agreements do not contain any covenants other than ensuring the performance of obligations on leased assets owned by the lessor. Leased assets cannot be used as collateral for loans and credits.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| **Net book value as at 1 January** | **2,027** | **1,895** | **1,807** |
| Additions | 811 | 966 | 684 |
| Disposals | (272) | (57) | |
| Depreciation | (857) | (708) | (533) |
| Translation to presentation currency | (156) | (69) | (63) |
| **Net book value as at 31 December** | **1,553** | **2,027** | **1,895** |

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| **As at 1 January** | **2,256** | **1,444** | **1,807** |
| Additions | 539 | 839 | 779 |
| Accretion of interest | 392 | 287 | 395 |
| Payments | (1,266) | (300) | (1,511) |
| Translation to presentation currency | (193) | (14) | (26) |
| **As at 31 December** | **1,728** | **2,256** | **1,444** |
| Short-term | 523 | 907 | 375 |
| Long-term | 1,205 | 1,349 | 1,069 |

## 10 Intangible assets

| *In thousands of USD* | **Software** | **Trademarks** | **Patents, licenses and know-how** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|
| **Net book value as at 31 December 2020, incl. (unaudited):** | **3,093** | **–** | **1,057** | **–** | **4,150** |
| Initial cost as at 31 December 2020 | 4,666 | – | 1,362 | – | 6,028 |
| Accumulated depreciation as at 31 December 2020 | (1,573) | – | (305) | – | (1,878) |
| Additions | 100 | – | 618 | 487 | 1,205 |
| Transfers to/(from) intangible assets | 360 | 4 | 123 | (487) | – |
| Disposals | (4) | – | – | – | (4) |
| Depreciation | (1,457) | – | (104) | – | (1,561) |
| Translation to presentation currency | (83) | – | (48) | – | (131) |
| **Net book value as at 31 December 2021, incl. (unaudited):** | **2,009** | **4** | **1,646** | **–** | **3,659** |
| Initial cost as at 31 December 2021 | 4,957 | 4 | 2,043 | – | 7,004 |
| Accumulated depreciation as at 31 December 2021 | (2,948) | – | (397) | – | (3,345) |
| Additions | 177 | – | 210 | 45 | 432 |
| Transfers to/(from) intangible assets | 31 | – | 12 | (43) | – |
| Disposals | – | – | – | – | – |
| Depreciation | (376) | (1) | (322) | – | (699) |
| Translation to presentation currency | (67) | – | (55) | – | (122) |
| **Net book value as at 31 December 2022, incl. (unaudited):** | **1,774** | **3** | **1,491** | **2** | **3,270** |
| Initial cost as at 31 December 2022 | 2,345 | 4 | 1,959 | 2 | 4,310 |
| Accumulated depreciation as at 31 December 2022 | (571) | (1) | (468) | – | (1,040) |
| Additions | – | – | 61 | 2,426 | 2,487 |
| Transfers to/(from) intangible assets | 844 | 2 | 931 | (1,777) | – |
| Disposals | – | – | – | (2) | (2) |
| Disposal of the subsidiary (Note 6) | (778) | – | (108) | – | (886) |
| Depreciation | (278) | (1) | (227) | – | (506) |
| Translation to presentation currency | (138) | – | (166) | (32) | (336) |
| **Net book value as at 31 December 2023, incl.:** | **1,424** | **4** | **1,982** | **617** | **4,027** |
| Initial cost as at 31 December 2023 | 2,019 | 6 | 2,612 | 616 | 5,254 |
| Accumulated depreciation as at 31 December 2023 | (595) | (2) | (630) | – | (1,227) |

## 11 Loans issued

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| | **As at 31 December** | | |
| Loans given to legal entities | 18,555 | 9,218 | 5,072 |
| Loans given to employees | 252 | 540 | 670 |
| Less: allowance for expected credit losses | (7,242) | (1,978) | (447) |
| **Total loans issued** | **11,565** | **7,780** | **5,295** |

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| | **As at 31 December** | | |
| Current portion of loans issued | 60 | 166 | 234 |
| Non-current portion of loans issued | 18,747 | 9,592 | 5,508 |
| Less: allowance for expected credit losses | (7,242) | (1,978) | (447) |
| **Total loans issued** | **11,565** | **7,780** | **5,295** |

During 2023, a loss on initial recognition of loans at below market rates in the amount of USD 1,235 thousand was recognized in profit or loss for the year (2022: USD 856 thousand; 2021: USD 418 thousand).

Below are the changes in loans issued by the Group:

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| **As at 1 January** | **7,780** | **5,295** | **225** |
| New loans issued | 15,801 | 8,379 | 6,996 |
| Loans returned | (5,274) | (4,251) | (928) |
| Loss on initial recognition | (1,235) | (856) | (418) |
| Interest accrued | 2,182 | 1,654 | 558 |
| Interest paid | (856) | (145) | (32) |
| Allowance for expected credit losses | (5,719) | (1,572) | (454) |
| Withheld from employees | (404) | (526) | (283) |
| Translation to presentation currency | (710) | (198) | (369) |
| **As at 31 December** | **11,565** | **7,780** | **5,295** |

Movements in the provision for expected credit losses of loans issued were as follows:

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| **As at 1 January** | **1,978** | **447** | **2** |
| Charge for the year | 4,632 | 1,572 | 454 |
| Recovery | 1,087 | – | – |
| Translation to presentation currency | (455) | (41) | (9) |
| **As at 31 December** | **7,242** | **1,978** | **447** |

## 11 Loans issued (continued)

Set out below is the information about the credit risk exposure on loans issued to legal entities by the Group:

| *In thousands of USD* | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| *Expected credit loss rate* | *22.2%* | *100%* | | |
| Gross carrying amount | 14,542 | 4,013 | – | **18,555** |
| Expected credit loss | (3,229) | (4,013) | – | **(7,242)** |
| **31 December 2022 (unaudited)** | | | | |
| *Expected credit loss rate* | *21.4%* | | | |
| Gross book value | 9,218 | – | – | **9,218** |
| Expected credit loss | (1,978) | – | – | **(1,978)** |
| **31 December 2021 (unaudited)** | | | | |
| *Expected credit loss rate* | *9%* | | | |
| Gross book value | 5,072 | – | – | **(5,072)** |
| Expected credit loss | (447) | – | – | **(447)** |

## 12 Trade and other receivables

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
| **Financial assets** | | | |
| *Trade receivables from:* | | | |
| - Banks rated from B- to B+ | 4,811 | 3,286 | 2,643 |
| - Banks rated from BB- to BB+ | 1,407 | 961 | 965 |
| - Banks unrated and companies | 1,011 | 1,198 | 141 |
| | **7,229** | **5,445** | **3,749** |
| **Non-financial assets** | | | |
| Prepayments | 871 | 588 | 728 |
| Tax prepayments other than income tax | 16 | 13 | 32 |
| Other receivables | 770 | 18 | 8 |
| | **1,657** | **619** | **768** |
| **Trade and other receivables** | **8,886** | **6,064** | **4,517** |

Trade receivables are mainly represented by fee and commission receivables from local banks. All amounts outstanding as at 31 December 2023, 2022 and 2021 are short-term, not past due and are generally recoverable. Expected credit losses are immaterial as at 31 December 2023, 2022 and 2021. Trade receivables are not secured, and no interest is charged on the trade receivables. The Group uses credit ratings per Fitch rating agency in disclosing credit quality.

## 13 Costs to fulfill the contracts and liabilities under contracts with customers

As at 31 December 2023, the Group has costs to fulfill the contracts with customers in the amount of USD 1,993 thousand (2022: USD 2,704 thousand; 2021: USD 2,198 thousand).

The Group recognized the following liabilities under contracts with customers:

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| **As at 1 January** | 2,366 | 1,640 | 1,379 |
| Deferred during the year | 360 | 1,200 | 652 |
| Recognized as revenue during the year | (749) | (405) | (386) |
| Translation to presentation currency | (195) | (69) | (5) |
| **As at 31 December** | **1,782** | **2,366** | **1,640** |
| Short-term | 620 | 712 | 549 |
| Long-term | 1,162 | 1,654 | 1,091 |

## 13 Costs to fulfill the contracts and liabilities under contracts with customers (continued)

Management expects that 20% (USD 664 thousand) of the transaction price related to contracts outstanding as at 31 December 2023 will be recognized as revenue during the next reporting period.

All other contracts are concluded for periods of no more than one year or provide for invoicing based on time spent. In accordance with IFRS 15, the transaction price allocated to these pending contracts is not disclosed.

## 14 Cash and cash equivalents

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| Current accounts with banks − UZS | 1,139 | 1,043 | 943 |
| Current accounts with banks − US dollars | 8 | 8 | 21 |
| **Total cash and cash equivalents** | **1,147** | **1,051** | **964** |

## 15 Equity

As at 31 December 2023 share capital of the Company comprised USD 5,732 thousand (2022: USD 5,056 thousand; 2021: USD 5,056 thousand).

In July 2023, the owners of the Company distributed part of retained earnings of the Company to increase its share capital in the amount of USD 676 thousand in accordance with the Resolution of the Board of the Central Bank of the Republic of Uzbekistan №3431 dated 5 May 2023 “On the procedure for licensing the activities of operations of payment systems and payment organizations”.

At the Shareholders’ Meetings during 2023, the Group declared dividends in respect of the year ended 31 December 2022, totalling USD 40,914.

At the Shareholders’ Meetings in during 2022, the Group declared dividends in respect of the year ended 31 December 2021, totalling USD 29,617 thousands on ordinary shares.

All dividends are declared and paid in Uzbek sums. Distribution and other use of profits is restricted to the total accumulated retained earnings of the Company and is made based on data from separate financial statements prepared in accordance with international accounting standards.

In July 2023, one of the owners of the Company decided to use their share of dividends declared in the amount of USD 2,906 thousand to offset his obligations related to purchase of a share in «AVTOMATLASHTIRILGAN TRANSPORT TO’LOV TIZIMI OPERATORI» (Note 6).

## 16 Trade and other payables

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| *Financial liabilities* | | | |
| Payables for property, plant and equipment | 512 | 212 | 1,561 |
| Payables for intangible assets | 911 | - | - |
| Payables for services | 190 | 48 | 146 |
| Payables to employees | 20 | 31 | 3 |
| Other payables | 263 | 161 | 132 |
| **Total financial liabilities** | **1,896** | **452** | **1,842** |
| *Non-financial liabilities* | | | |
| Tax payables | 29 | 4 | 24 |
| Other liabilities | 683 | 196 | 132 |
| **Total non-financial liabilities** | **712** | **200** | **156** |
| **Total trade and other payables** | **2,608** | **652** | **1,998** |

As at 31 December 2023, 2022 and 2021 trade and other payables were not interest bearing.

## 17 Revenue from contracts with customers

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| Transaction fees | 72,522 | 50,538 | 29,092 |
| “Payment History” service | 1,628 | 1,308 | 790 |
| Automated fare payment system services | 1,605 | 746 | 246 |
| Transaction fees for acquiring of cards issued by international payment systems | 1,040 | 597 | 212 |
| Connection services | 993 | 1,037 | 1,014 |
| **Total revenue from contracts with customers** | **77,788** | **54,226** | **31,354** |

## 18 Cost of sales

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| Staff costs | 4,011 | 5,795 | 4,654 |
| Depreciation of property, plant and equipment | 2,662 | 2,309 | 2,450 |
| Licenses | 806 | 93 | 528 |
| Amortization of costs to fulfill the contracts | 490 | 350 | 258 |
| Depreciation of right-of-use assets | 432 | 226 | 363 |
| Accrual for unused vacations | 334 | 33 | 27 |
| Depreciation of intangible assets | 286 | 486 | 1,353 |
| Material expenses | 288 | 1,748 | 2,270 |
| Other expenses | 462 | 16 | 25 |
| **otal cost of sales** | **9,771** | **11,056** | **11,928** |

## 19 General and administrative expenses

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| Staff costs | 6,541 | 4,872 | 2,900 |
| Taxes other than income tax | 1,052 | 492 | 566 |
| IT park | 691 | 534 | 316 |
| Customer and merchant incentives | 617 | – | – |
| Advertising services | 541 | 173 | 194 |
| Consulting services | 438 | 31 | 23 |
| Depreciation of right-of-use assets | 425 | 482 | 170 |
| Accrual for unused vacations | 276 | 37 | 18 |
| Material expenses | 190 | 172 | 70 |
| Charity | 159 | 120 | 38 |
| Depreciation and amortization | 126 | 202 | 166 |
| Life insurance expenses | 11 | 382 | 379 |
| Cleaning service | 76 | 113 | 104 |
| Travel expenses | 56 | 110 | 131 |
| Other expenses | 591 | 442 | 577 |
| **Total general and administrative expenses** | **11,790** | **8,162** | **5,654** |

## 20 Finance expenses

| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| Losses on initial recognition of loans issued | 1,235 | 856 | 418 |
| Interest expenses - leases | 392 | 287 | 395 |
| Interest expenses | 327 | 14 | 4 |
| Other finance expenses | 31 | – | 19 |
| **Total finance expenses** | **1,986** | **1,157** | **837** |

## 21 Finance income

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| Interest income on loans | 2,182 | 1,654 | 558 |
| Interest income on deposits | 124 | 775 | 226 |
| Dividend income | 30 | – | – |
| Other finance income | – | 38 | 15 |
| **Total finance income recognized in profit or loss** | **2,336** | **2,467** | **800** |

## 22 Income tax

Income tax expense/(income) reported in profit or loss for the year includes the following components:

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| Current income tax | 260 | 238 | 64 |
| Deferred income tax | 94 | (22) | 8 |
| **Income tax expense for the year** | **354** | **216** | **72** |

The current income tax rate applicable to the Group's profits for 2021-2023 is 15%. Meanwhile, the Company is registered as a member of IT-park and, therefore, uses the system of tax benefits as per Resolution of the Ministry Cabinet of the Republic of Uzbekistan №589 dated July 15, 2019, 'On measures to organize the activities of the Technological Park of software products and information technologies.

Below is a reconciliation of estimated and actual income tax expenses.

| *In thousands of USD* | 2023 | 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|
| **Profit before tax** | **51,965** | **35,270** | **13,214** |
| Estimated amount of income tax expense at the statutory rate of 15% | 7,795 | 5,291 | 1,982 |
| Tax effect of expenses that do not reduce the tax base and income not included in the tax base: | | | |
| - Non-taxable income | (11,668) | (8,134) | (4,703) |
| - Expenses that do not reduce the tax base | 4,228 | 3,059 | 2,793 |
| **Income tax expense for the year** | **354** | **216** | **72** |

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their basis for calculating income tax. The tax consequences of the reversal of these temporary differences are detailed below.

The tax effects of the changes in temporary differences for the years ended 31 December are as follows:

| *In thousands of USD* | 31 December 2022 (unaudited) | Recognized in profit and loss | 31 December 2023 |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | |
| Property, plant and equipment | 40 | 35 | 75 |
| Intangible assets | (59) | (130) | (189) |
| Non-current assets | (18) | 14 | (4) |
| Allowance for expected credit losses for financial assets | - | 1 | 1 |
| Accounts receivable | 26 | (16) | 10 |
| Liabilities under contracts with customers | 13 | (8) | 5 |
| Loans issued | 13 | (8) | 5 |
| Lease liabilities | 18 | 10 | 28 |
| Right-of-use assets | (11) | 8 | (3) |
| Other | 1 | - | 1 |
| Translation to presentation currency | 1 | - | 1 |
| **Net deferred tax assets/(liabilities)** | **24** | **(94)** | **(70)** |
| | | | |
| Recognized deferred tax asset | 112 | | 126 |
| Recognized deferred tax liability | (88) | | (196) |
| **Net deferred tax assets/(liabilities)** | **24** | | **(70)** |

## 22 Income tax (continued)

| *In thousands of USD* | 31 December 2021 (unaudited) | Recognized in profit and loss | 31 December 2022 (unaudited) |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | |
| Property, plant and equipment | 7 | 33 | 40 |
| Intangible assets | (21) | (38) | (59) |
| Non-current assets | (6) | (12) | (18) |
| Accounts receivable | 14 | 12 | 26 |
| Liabilities under contracts with customers | 6 | 7 | 13 |
| Loans issued | 5 | 8 | 13 |
| Lease liabilities | 3 | 15 | 18 |
| Right-of-use assets | (6) | (5) | (11) |
| Other | - | 1 | 1 |
| Translation to presentation currency | - | 1 | 1 |
| **Net deferred tax assets/(liabilities)** | **2** | **22** | **24** |
| Recognized deferred tax asset | 35 | | 112 |
| Recognized deferred tax liability | (33) | | (88) |
| **Net deferred tax assets/(liabilities)** | **2** | | **24** |

| *In thousands of USD* | 31 December 2020 (unaudited) | Recognized in profit and loss | 31 December 2021 (unaudited) |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary differences** | | | |
| Property, plant and equipment | (5) | 12 | 7 |
| Intangible assets | (9) | (12) | (21) |
| Non-current assets | (3) | (3) | (6) |
| Accounts receivable | 14 | - | 14 |
| Liabilities under contracts with customers | 13 | (7) | 6 |
| Loans issued | 16 | (11) | 5 |
| Lease liabilities | 1 | 2 | 3 |
| Right-of-use assets | (16) | 10 | (6) |
| Other | (1) | 1 | - |
| **Net deferred tax assets** | **10** | **(8)** | **2** |
| Recognized deferred tax asset | 44 | | 35 |
| Recognized deferred tax liability | (34) | | (33) |
| **Net deferred tax assets** | **10** | | **2** |

## 23 Commitments and contingencies

**Commitments.** As at 31 December 2023, 2022 and 2021 the Group have contractual commitments in respect of acquisition of property, plant and equipment and intangible assets in the amount of USD 3,381 thousand (31 December 2022: USD 1,428 thousand, 31 December 2021: USD 198 thousand).

**Litigation.** The Group may be subject to claims from time to time in the normal course of business. Based on its own assessment, management believes that the Group does not have litigations that have a material effect on the Group's results of operations or financial position.

***Contingent tax liabilities.*** The tax and customs legislation of the Republic of Uzbekistan, which was in force or substantively entered into force at the end of the reporting period, allows for the possibility of different interpretations in relation to the Group's transactions and operations. In this regard, management's position regarding taxes and documents substantiating this position may be challenged by the tax authorities. Tax control in Uzbekistan is gradually strengthening, including the increasing risk of audits of the impact on the taxable base of transactions that do not have a clear financial and economic purpose or transactions with counterparties that do not comply with the requirements of tax legislation. Tax audits may cover five calendar years preceding the year in which the decision to conduct the audit was made. Under certain circumstances, earlier periods may also be tested.

The Group's management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax, currency and customs positions are reasonable. Accordingly, no provision for potential tax liabilities has been recorded as at 31 December 2023, 2022 and 2021. In addition, the Group is assessed to have no potential liability for exposure to other tax risks other than remote ones.

## 24 Financial risk management

The Group's risk management is carried out in relation to financial, operational and legal risks. Financial risks include market risk (consisting of currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The main purpose of financial risk management is to determine risk limits and further ensure compliance with the established limits. Operational and legal risk management must ensure that internal policies and procedures are in place to minimize these risks.

**Market risk.**

The Group is exposed to market risk associated with open positions in (a) foreign exchange, (b) interest rate and (c) equity instruments, which are subject to the risk of general and specific changes in the market. Management sets limits on the level of risk accepted and monitors compliance with them on a daily basis. However, this approach may not prevent losses in excess of these limits in the event of more significant changes in the market.

***Currency risk.***

Management sets limits on the level of risk accepted by currency and in general, both at the end of each day and within one day and monitors compliance with them on a monthly basis.

The table below provides a general analysis of the Group's currency risk as at 31 December 2023:

| | As at 31 December 2023 | | |
|---|---|---|---|
| *In thousands of USD* | **Monetary financial assets** | **Monetary financial obligations** | **Net position** |
| US Dollar | 8 | (544) | (536) |
| **Total** | **8** | **(544)** | **(536)** |

The table below provides a general analysis of the Group’s currency risk as at 31 December 2022:

| | As at 31 December 2022 (unaudited) | | |
|---|---|---|---|
| *In thousands of USD* | **Monetary financial assets** | **Monetary financial obligations** | **Net position** |
| US Dollar | 8 | (212) | (204) |
| **Total** | **8** | **(212)** | **(204)** |

The table below provides a general analysis of the Group's currency risk as at 31 December 31 2021:

| | As at 31 December 2021 (unaudited) | | |
|---|---|---|---|
| *In thousands of USD* | **Monetary financial assets** | **Monetary financial obligations** | **Net position** |
| US Dollar | 21 | (1,561) | (1,540) |
| **Total** | **21** | **(1,561)** | **(1,540)** |

The above analysis includes only monetary assets and liabilities. The management of the Group believes that non-monetary assets will not give rise to significant currency risk.

## 24 Financial risk management (continued)

The table below presents the change in financial result and equity because of possible changes in the exchange rates used at the end of the reporting period for the functional currency of the Group entities, with all other variables remaining constant.

| *In thousands of USD* | **As at 31 December 2023** Impact on profit and loss | **As at 31 December 2023** Impact on equity | **As at 31 December 2022 (unaudited)** Impact on profit and loss | **As at 31 December 2022 (unaudited)** Impact on equity | **As at December 2021 (unaudited)** Impact on profit and loss | **As at December 2021 (unaudited)** Impact on equity |
|---|---|---|---|---|---|---|
| US dollar strengthens by 20% | (107) | (107) | (42) | (41) | (308) | (308) |
| US dollar weakens by 20% | 107 | 107 | 42 | 41 | 308 | 308 |

The risk was calculated only for monetary balances in currencies other than the functional currency of the relevant Group entity.

***Interest rate risk.***

The Group issues and receives loans at a fixed interest rate, and therefore does not have significant risks associated with the impact of fluctuations in market interest rates on its financial position and cash flows.

***Credit risk.***

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause the other party to incur a financial loss due to failure to fulfill an obligation under the contract.

Credit risk arises as a result of credit and other transactions of the Group with counterparties, as a result of which financial assets and off-balance sheet liabilities of a credit nature arise. The Group's maximum level of credit risk is reflected in the carrying amount of financial assets in the statement of financial position. For loan commitments, the maximum credit risk is the amount of the commitment.

*Credit risk management.* Credit risk is the single most significant risk to the Group's business. Consequently, management pays special attention to credit risk management.

Assessing credit risk for risk management purposes is complex and requires the use of models as risk changes with market conditions, expected cash flows and over time. Assessing the credit risk of a portfolio of assets requires additional assessments regarding the probability of default, associated loss ratios and the correlation of defaults between counterparties.

Net book value of financial assets represents the maximum credit risk. The maximum exposure to credit risk at the reporting date was:

| *In thousands of USD* | **As at 31 December** 2023 | **2022 (unaudited)** | **2021 (unaudited)** |
|---|---|---|---|
| Cash and cash equivalents | 1,147 | 1,051 | 964 |
| Trade and other receivables | 7,229 | 5,445 | 3,749 |
| Loans given | 11,565 | 7,780 | 5,295 |
| Other financial assets | 40 | 467 | 1,467 |
| **Total financial assets** | **19,981** | **14,743** | **11,475** |

## 24 Financial risk management (continued)

The credit quality of cash and cash equivalents at 31 December 2023, 2022 and 2021 is as follows:

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| B | – | – | 758 |
| B1 | 18 | 196 | 138 |
| B2 | 1,129 | 855 | – |
| B- | – | – | 53 |
| BB- | – | – | 16 |
| **Total cash and cash equivalents** | **1,147** | **1,051** | **964** |

The credit quality of trade and other receivables as at 31 December 2023, 2022 and 2021 is as follows:

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| - rating B- to B+ | 4,811 | 3,286 | 2,643 |
| - rating BB- to BB+ | 1,407 | 961 | 965 |
| - not rated | 1,011 | 1,198 | 141 |
| **Total trade and other receivables** | **7,229** | **5,445** | **3,749** |

The credit quality of loans issued as at 31 December 2023, 2022 and 2021 is as follows:

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| Not rated | 11,565 | 7,780 | 5,295 |
| **Total loans issued** | **11,565** | **7,780** | **5,295** |

The credit quality of other financial assets as at 31 December 2023, 2022 and 2021 is as follows:

| | As at 31 December | | |
|---|---|---|---|
| *In thousands of USD* | **2023** | **2022 (unaudited)** | **2021 (unaudited)** |
| B2 | 40 | – | – |
| B1 | – | 467 | 459 |
| B | – | – | 1,009 |
| **Total other financial assets (current)** | **40** | **467** | **1,467** |

### *Estimation of expected credit losses*

Expected credit losses are a probability-weighted estimate of the present value of future cash shortfalls (i.e., a weighted average of credit losses using the relevant risks of default over a specified time period as weights). The estimate of expected credit losses is objective and is determined by calculating a range of possible outcomes. The estimate of expected credit losses is based on four components used by the Group: probability of default, exposure at risk of default, loss given default and discount rate IAS (International Accounting Standards).

**24 Financial risk management (continued)**

Debt at Default - An assessment of risk at a future default date, taking into account expected changes in the amount at risk after the end of the reporting period, including repayment of principal and interest, and the expected drawdown of loan obligations. The debt at the time of default on credit related obligations is measured using the credit conversion factor (CCF). The credit conversion ratio is a ratio that reflects the likelihood of converting contractual liability amounts into a balance sheet liability within a certain period of time. Probability of default (PD) is an estimate of the likelihood of default occurring over a specified period of time. Loss in case of default is an estimate of the loss arising upon default. It is based on the difference between the contractual cash flows to be paid and those flows that the lender expects to receive, including from the sale of collateral. This ratio is usually expressed as a percentage of the debt at default (EAD). Expected losses are discounted to present value at the end of the reporting period. The discount rate IAS (International Accounting Standards) is the effective interest rate (EIR) on a financial instrument or an approximate amount thereof.

Expected credit losses are modeled over the entire life of the instrument. The entire term of the instrument is equal to the remaining contractual term of the debt instruments, taking into account any unexpected prepayment, if any. For loan commitments, this is the contractual period during which the Group has an ongoing contractual obligation to provide the loan.

“The Lifetime Expected Credit Losses” management model estimates the losses that arise from the occurrence of all possible default events over the remaining life of the financial instrument.

The Group uses three approaches to estimate expected credit losses: (i) assessment on an individual basis; (ii) assessment based on external ratings. The Group evaluates on an individual basis for the following types of financial assets: financial assets with unique credit risk characteristics, individually significant customers. The Group makes assessments based on external ratings for cash and cash equivalents from financial institutions.

Assessment of expected credit losses on an individual basis is done by weighing the estimated credit losses for possible different outcomes against the likelihood of each outcome. The Group identifies at least two possible outcomes for each financial asset included in the measurement perimeter, one of which results in a credit loss despite the low probability of such a scenario. Individual assessment is primarily based on the expert judgment of experienced employees. Expert judgment is regularly tested to reduce the difference between estimates and actual losses. In general, expected credit losses are equal to the product of the following credit risk parameters: debt at default, probability of default and loss given default, as defined above, discounted to present value using the instrument's effective interest rate. Expected credit losses are determined by projecting credit risk parameters (debt at default, probability of default and loss given default) for each future year over the life of each individual financial asset or aggregate segment. These three components are multiplied and adjusted for the probability of "survival" (i.e., whether the financial asset was repaid during the previous month or defaulted). This effectively provides a calculation of expected credit losses for each future period, which are then discounted back to the reporting date and added together. The discount rate IAS (International Accounting Standards) used to calculate expected credit losses is the original effective interest rate or an approximation thereof.

The Group regularly reviews its methodology and assumptions to reduce differences between estimates and actual losses on financial assets. Such back testing is carried out at least once a year.

The results of back testing of the methodology for assessing expected credit losses are brought to the attention of the Group's management, and after discussion with authorized persons, further steps to refine the models and assumptions are determined.

***Liquidity risk.***

Liquidity risk is the risk that an organization will encounter difficulties in meeting its financial obligations. The Group is exposed to risk due to the daily need to use available cash. Liquidity risk is managed by the Group's management. Management monitors the Group's cash flow forecasts on a monthly basis.

## 24 Financial risk management (continued)

The Group strives to maintain a stable funding base, consisting primarily of lease liabilities, trade and other payables. The Group invests in diversified portfolios of liquid assets to enable it to respond quickly and appropriately to unexpected liquidity requirements. The Group's liquidity portfolio includes cash and cash equivalents. Management estimates that cash and bank deposits in the liquidity portfolio can be converted into cash within one day to meet unexpected liquidity needs.

The table below shows the distribution of liabilities as at 31 December 2023, 2022 and 2021, by contractual maturity remaining to maturity. The amounts in the table represent contractual cash flows, including gross loan commitments. These undiscounted cash flows differ from the amounts reported in the consolidated statement of financial position because the amounts in the statement of financial position are based on discounted cash flows.

The table below provides an analysis of financial liabilities by maturity as at 31 December:

| *In thousands of USD* | **On demand and less than 1 month** | **1 to 6 months** | **6 to 12 months** | **More than 1 year** | **Total** |
|---|---|---|---|---|---|
| Trade and other payables | 1,383 | 513 | – | – | **1,896** |
| Lease liabilities | 82 | 428 | 420 | 1,337 | **2,267** |
| **Total future payments, including principal and interest as at 31 December 2023** | **1,465** | **941** | **420** | **1,337** | **4,163** |
| Trade and other payables | 237 | 213 | – | – | **450** |
| Lease liabilities | 117 | 590 | 620 | 1,533 | **2,860** |
| **Total future payments, including principal and interest as at 31 December 2022 (unaudited)** | **354** | **803** | **620** | **1,533** | **3,310** |
| Trade and other payables | 281 | 1,561 | – | – | **1,842** |
| Lease liabilities | 68 | 355 | 362 | 1,432 | **2,217** |
| **Total future payments, including principal and interest as at 31 December 2021 (unaudited)** | **349** | **1,916** | **362** | **1,432** | **4,059** |

## 25 Capital management

The Group's objective in capital management is to ensure the Group's ability to continue as a going concern, providing shareholders with an acceptable level of return, respecting the interests of other partners and maintaining an optimal capital structure that minimizes the cost of capital. To maintain and adjust the level of capital, the Group may adjust the amount of dividends paid to owners of the Group, increase the share capital through additional contributions, or sell assets to reduce debt. The amount of capital that the Group managed as at 31 December 2023 was USD 3,381 thousand (2022: USD 198 thousand; 2021: USD 1,428 thousand).

Like other organizations in the industry, the Group exercises capital control based on the ratio of its own and borrowed funds. This indicator is calculated by dividing the total amount of liabilities by the total amount of capital under management of the Group. The Group believes that the total amount of capital under management is the amount of capital recorded in the consolidated statement of financial position. During 2023, the Group’s strategy, unchanged from 2021, was to maintain a gearing ratio of between 20% and 80%.

## 26 Fair value measurement

The results of fair value measurements are analyzed and allocated to levels of the fair value hierarchy as follows:

(i) Level 1 includes estimates based on market quotations (unadjusted) in active markets for identical assets or liabilities,
(ii) Level 2 includes estimates obtained using valuation models in which all significant inputs used are observable for the asset or liability, directly (i.e., for example, price) or indirectly (i.e., for example, derived from price), And
(iii) Level 3 includes estimates which are estimates that are not based on observable market data (ie, are based on unobservable inputs).

Management uses judgment in assigning financial instruments to a particular category within the fair value hierarchy. If a fair value measurement uses observable data that requires a significant adjustment, it is classified as Level 3. The significance of the data used is assessed for the entire fair value measurement universe.

***Assets and liabilities that are not measured at fair value, but for which fair value disclosure is made.***

The following is an analysis of fair value by level of the fair value hierarchy and the book value of assets and liabilities not measured at fair value as at 31 December 2023:

| | **As at 31 December 2023** | | | | |
|---|---|---|---|---|---|
| *In thousands of USD* | **Level 1 Fair value** | **Level 2 Fair value** | **Level 3 Fair value** | **Total fair values** | **Total carrying amount** |
| Cash and cash equivalents | – | 1,147 | – | 1,147 | 1,147 |
| Loans given | – | – | 11,565 | 11,565 | 11,565 |
| Trade and other receivables | – | – | 7,229 | 7,229 | 7,229 |
| Other financial assets | – | 40 | – | 40 | 40 |
| **Total financial assets** | **–** | **1,187** | **18,794** | **19,981** | **19,981** |
| Trade and other payables | – | – | 1,896 | 1,896 | 1,896 |
| Lease liabilities | | | 1,728 | 1,728 | 1,728 |
| **Total financial liabilities** | **–** | **–** | **3,624** | **3,624** | **3,624** |

The following is an analysis of fair value by level of the fair value hierarchy and the book value of assets and liabilities not measured at fair value as at 31 December 2022:

| | **As at 31 December 2022 (unaudited)** | | | | |
|---|---|---|---|---|---|
| *In thousands of USD* | **Level 1 Fair value** | **Level 2 Fair value** | **Level 3 Fair value** | **Total fair values** | **Total carrying amount** |
| Cash and cash equivalents | – | 1,051 | – | 1,051 | 1,051 |
| Loans issued | – | – | 7,780 | 7,780 | 7,780 |
| Trade and other receivables | – | – | 5,445 | 5,445 | 5,445 |
| Other financial assets | – | 467 | – | 467 | 467 |
| **Total financial assets** | **–** | **1,518** | **13,225** | **14,743** | **14,743** |
| Trade and other payables | – | – | 452 | 452 | 452 |
| Lease liabilities | | | 2,256 | 2,256 | 2,256 |
| **Total financial liabilities** | **–** | | **2,708** | **2,708** | **2,708** |

## 26 Fair value measurement (continued)

The following is an analysis of fair value by level of the fair value hierarchy and the book value of assets and liabilities not measured at fair value as at 31 December 2021:

| | As at 31 December 2021 (unaudited) | | | | |
|---|---|---|---|---|---|
| *In thousands of USD* | **Level 1 Fair value** | **Level 2 Fair value** | **Level 3 Fair value** | **Total fair values** | **Total carrying amount** |
| Cash and cash equivalents | – | 964 | – | 964 | 964 |
| Loans given | – | – | 5,295 | 5,295 | 5,295 |
| Trade and other receivables | – | – | 3,749 | 3,749 | 3,749 |
| Other financial assets | – | 1,467 | – | 1,467 | 1,467 |
| **Total financial assets** | **–** | **2,431** | **9,044** | **11,475** | **11,475** |
| Trade and other payables | – | – | 1,842 | 1,842 | 1,842 |
| Lease liabilities | | | 1,444 | 1,444 | 1,444 |
| **Total financial liabilities** | **–** | **–** | **3,286** | **3,286** | **3,286** |

Fair values at Level 2 and Level 3 of the fair value hierarchy were estimated using a discounted cash flow model. The fair value of fixed interest rate instruments that are not quoted in an active market is based on a discounted cash flow model using prevailing market interest rates for new instruments with similar credit risk and maturity.

***Financial assets carried at amortized cost.***

The estimated fair value of fixed interest rate instruments is based on a model that discounts the amount of expected future cash flows using prevailing interest rates for new instruments that have similar credit risk and maturity. The discount rates IAS (International Accounting Standards) used depend on the credit risk of the counterparty.

***Liabilities carried at amortized cost.***

The fair value of other liabilities is determined using valuation models. The estimated fair value of fixed interest rate instruments with fixed maturities is based on the discounted expected cash flows using interest rates for new instruments with similar credit risk and maturity.

## 27 Events after the reporting date

***Dividends***

In February 2024, based on the decisions of the shareholders, the Group declared dividends in the amount of USD 17,679 thousand for the year ended 31 December 2023.

***Reorganization into Joint Stock Company***

On April 9, 2024, the Company was reorganized into a joint-stock company in accordance with the requirements of the Presidential Decree №381 dated November 30, 2023 “On measures to strengthen the protection of the rights of consumers of digital products (services) and combating offenses committed through digital technologies”. The initial issue of shares at the time of the signing off these consolidated financial statements was in the process of registering the prospect of share issue.