PKF MAK ALYANS LLC

PKF
Accountants &
business advisors

LIMITED LIABILITY COMPANY

"DELTA MIKROMOLIYA TASHKILOTI"

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

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The information contained in the audit report is confidential and, according to clause 3.1.8 of the contract for the provision of audit services, is not subject to disclosure in whole or in part without prior agreement with the Management of the Audit Company.

Management's Statement of Responsibility for Preparing and Approving the Financial Statements as at 31 December 2023

Management is responsible for the preparation of financial statements that present fairly, in all material respects, the financial position of the Limited Liability Company "DELTA MIKROMOLIYA TASHKILOTI" (hereinafter referred to as the "Company") as at 31 December 2023, as well as its results of operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing financial statements, management is responsible for:

⇒ ensuring the correct selection and application of accounting policy principles;

⇒ presentation of information, including accounting policies, in a form that ensures that such information is relevant, reliable, comparable and understandable;

⇒ compliance with IFRS requirements, as well as disclosure of additional information in cases where compliance with IFRS requirements is insufficient for users of financial statements to understand the impact that certain transactions, as well as other events or conditions have on the financial position and financial results of the Company's activities;

⇒ assessment of the Company's ability to continue its activities in the foreseeable future.

Management is also responsible for:

⇒ development, implementation and maintenance of an effective and reliable internal control system in the Company;

⇒ accounting in a form that allows disclosing and explaining the Company's transactions, as well as providing information of sufficient accuracy on the Company's financial position as of any date and ensuring compliance of the Company's financial statements with the requirements of IFRS;

⇒ accounting in accordance with the legislation and accounting standards of the Republic of Uzbekistan;

⇒ taking all reasonable possible measures to ensure the safety of the Company's assets;

⇒ identification and prevention of financial and other abuses.

These financial statements of the Company as of 31 December 2023 were approved for issue by the management on 03 June 2024.

Abdumuminov Sherzod Abduvalievich
Executive Director
Tashkent, Uzbekistan

DELTA MIKROMOLIYA TASHKILOTI

Khashimov Bakhtiyor Gayratovich
Chief Accountant
Tashkent, Uzbekistan

Independent Auditor's Report

To the owners and management of the Limited Liability Company "DELTA MIKROMOLIYA TASHKILOTI"

Auditor's opinion

We have audited the financial statements of the Limited Liability Company "DELTA MIKROMOLIYA TASHKILOTI" (hereinafter referred to as the "Company"), consisting of the statement of financial position as of 31 December 2023 and the income statement and other comprehensive income, the statement of cash flows and the statement of changes in equity (hereinafter referred to as the "financial statements") for the year, as of that date, as well as notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted the audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under these standards are described further in the "Auditor's Responsibility for the Audit of Financial Statements" section of our Report.

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

Independence and quality control

We are independent of the audited entity and comply with the ethical requirements of the International Code of Ethics for Professional Accountants of the International Ethics Standards Council for Accountants (including the International Independence Standards) (IESBA Code) and the independence requirements in Part 4A of the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of the Republic of Uzbekistan regarding our audit of financial statements in Uzbekistan. We have also fulfilled other obligations in accordance with these requirements of professional ethics.

Our organization applies the International Standard on Quality Management (ISQM) 1 "Quality Management in Audit Organizations Conducting Audits or Reviews of Financial Statements, as well as Performing Other Assurance Engagements or Related Service Engagements" and therefore maintains a comprehensive quality control system, including those supported by documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PKF MAK ALYANS LLC is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

ISO 9001:2015
Cert. No: QMS-0185/C

Key audit issues

Key audit matters are those that, in our professional judgment, would be of the greatest importance for the audit of the financial statements for the reporting period. These matters have been considered in the context of our audit of the financial statements as a whole and in forming our opinion on those statements, and we do not express a separate opinion on these matters.

Key audit issues	What audit procedures were performed
Impairment of microcredits and microloans to customers in accordance with IFRS 9 Financial Instruments We considered the impairment of microcredits and microloans to customers as a key audit issue due to the materiality of their balances and because IFRS 9 is a new and comprehensive financial reporting standard that requires significant judgement to determine the provision for expected credit losses (ECLs). The collective assessment of ECLs is based on models that use risk indicators developed within the Company and assigned to balances. The individual valuation of ECLs is based on models that use the expected cash flows associated with individual balances under different scenarios. Key areas of judgment relate to the identification of loans with a significant increase in credit risk or impaired/defaulted loans for allocation to the appropriate impairment stage. Note 3 "Basis of Reporting", Note 4 "Significant Accounting Policies" and Note 6 "Microcredits and Microloans to Customers" to the financial statements contain detailed information on provisions for impairment.	We have gained an understanding of the process of creating reserves for microcredit and microloans, in particular in terms of loan staging, valuation and measurement of ECL provisions. In assessing the ECL's reserves, we performed the following audit procedures: - Assessment of methodologies and models for assessing ECL reserves to assess its compliance with the requirements of IFRS 9; - Assessment of the development and implementation of appropriate ECL model controls, including model management, inputs, determination of reasonable assumptions and mathematical accuracy of calculations; - To verify the quality of the data, we have selectively aligned the key input data used in the ECL calculation with the input data of the systems and supporting documents. - We have verified that the provisions for ECLs are assessed in accordance with the Company's methodologies and models and comply with the requirements of IFRS 9. - We assessed the adequacy and completeness of the Company's disclosure of information on credit risk, the structure and quality of the loan portfolio and the provision for expected credit losses in accordance with IFRS 9. We found no material discrepancies in the audit procedures performed.

Other information

The Company's management is responsible for other information. Other information is information in the Annual Report but does not include the financial statements and our auditor's report thereon. We anticipate that the Annual Report will be submitted to us after the date of this auditor's report.

Our opinion on the financial statements does not apply to other information, and we do not provide a conclusion with assurance of any form of such information.

In connection with our audit of the financial statements, it is our responsibility to review the above other information when it becomes available, and to consider whether there are material inconsistencies between the other information and the financial statements or our knowledge obtained in the course of the audit, or whether the other information contains other material misstatements.

If, based on our work, we conclude that other information contains material misstatement, we are required to inform those charged with governance.

Responsibilities of Management and those charged with governance with respect to financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for the internal control system that management considers necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing going concern, as appropriate, and for preparing financial statements on a going concern basis, unless management intends to liquidate the Company, cease to operate or otherwise have any real alternative other than liquidation or termination of activities.

Persons responsible for corporate governance of the Company are responsible for supervising the preparation of the financial statements of the audited entity.

Auditor's responsibility for the audit of financial statements

Our goal is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to prepare an auditor's report that contains our opinion. Reasonable assurance is a high degree of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect material misstatement, if any. Misstatements may result from fraud or error and are considered material if it can reasonably be assumed that, individually or in the aggregate, they may affect the economic decisions made by users on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

⇒ we gain an understanding of the internal control system that is relevant to the audit in order to develop audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;

⇒ we identify and assess the risks of material misstatement of financial statements due to fraud or errors; develop and conduct audit procedures in response to these risks; obtain audit evidence sufficient and appropriate to express our opinion. The risk of failure to detect material misstatement due to fraud is higher than the risk of failure to detect material misstatement due to error, as fraud may include collusion, forgery, fraudulent omission, misrepresentation or circumvention of existing internal control;

⇒ we conclude on the appropriateness of management's application of the going concern assumption and, based on the audit evidence obtained, whether there is material uncertainty due to events or conditions that may raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we shall draw attention in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our auditor's report. However, future events or conditions may cause the Company to lose its ability to continue its activities uninterruptedly;

⇒ we evaluate the appropriateness of accounting policies and the reasonableness of management's accounting estimates and disclosures.

⇒ we assess the overall presentation of the financial statements, their structure and content, including disclosures, and whether the underlying financial statements present the underlying transactions and events in a manner that is fair to them.

⇒ we obtain sufficient appropriate audit evidence relating to the financial information of organizations or activities within the Company to express an opinion on the financial statements, and we remain fully responsible for our audit opinion.

We communicate with those charged with corporate governance by, among other things, informing them of the planned scope and timing of the audit, as well as material audit findings, including significant internal control deficiencies that we identify during the audit process.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements for independence and have informed them of all relationships and other matters that can reasonably be considered to have an impact on our independence and, where appropriate, of appropriate safeguards.

Ravshan Asfandiyarov
General Director

Auditor's Qualification Certificate
No 05048 dated 25 August 2012

Auditor's Qualification Certificate
for the right to conduct audits of banks No 14/1 dated 27 December 2019

Alimjon Isakov
Head of the Audit Group

Auditor's Qualification Certificate
No 04475 dated 05 December 2007

Auditor's Qualification Certificate
for the right to conduct audits of banks No 26 dated 14 April 2023

Audit Company LLC "PKF MAK ALYANS"

03 June 2024
22, Aviasozlar Street, 1st Avenue, Tashkent, Uzbekistan

Included in the Register of Audit Organizations of the Ministry of Finance of the Republic of Uzbekistan as of 04 June 2021.

Certificate of the Central Bank of the Republic of Uzbekistan No 14 dated 19 August 2011 for the right to conduct audits of banks.

LLC "DELTA MIKROMOLIYA TASHKILOTI"

Statement of Financial Position

(in thousands of UZS)

Article	Note.	31 December 2023	31 December 2022	01 January 2022
ASSETS				
Cash and cash equivalents	5	6 526 309	2 788 790	713 873
Microcredits and microloans to customers	6	114 508 894	109 827 754	83 925 549
Fixed assets and intangible assets	7	1 308 508	1 413 115	877 224
Right-of-use assets	8	590 010	837 431	-
Deferred tax assets	9	400 618	361 378	298 079
Advance tax payments		64 709	14 459	32 863
Other assets	10	272 714	336 870	256 257
TOTAL ASSETS		**123 671 762**	**115 579 797**	**86 103 845**
LIABILITIES				
Borrowed funds	11	11 948 480	15 100 601	24 101 155
Short-term loans payable	12	13 425 742	12 699 432	7 894 897
Long-term loans payable	13	17 331 262	24 347 821	9 517 411
Right-of-use liabilities	14	649 792	870 193	-
Tax liabilities		81 379	238 719	85 067
Debt securities issued	15	15 041 096	-	-
Other liabilities	16	2 793 983	423 880	747 241
Total Liabilities		**61 271 734**	**53 680 646**	**42 345 771**
EQUITY				
Authorized capital	17	42 000 000	40 000 000	35 000 000
Reserve capital and funds		6 695 069	5 370 274	4 039 623
Retained earnings	18	13 704 959	16 528 877	4 718 451
Total equity		**62 400 028**	**61 899 151**	**43 758 074**
TOTAL LIABILITIES AND EQUITY		**123 671 762**	**115 579 797**	**86 103 845**

Approved and signed on behalf of the Company's management on 03 June 2024.

Abdumuminov Sherzod Abduvalievich
Executive Director
Tashkent, Uzbekistan

DELTA MIKROMOLIYA TASHKILOTI

Khashimov Bakhtiyor Gayratovich
Chief Accountant
Tashkent, Uzbekistan

The notes to the financial statements on pages 12 to 58 are an integral part of these statements.
See the opinion of independent auditors on pages 4 - 7.

LLC "DELTA MIKROMOLIYA TASHKILOTI"

Statement of profit or loss and other comprehensive income

(in thousands of UZS)

Article	Note.	for 2023	for 2022
Interest income calculated at the effective interest rate	19	68 237 345	63 153 959
Interest expense calculated at the effective interest rate	19	(16 322 199)	(16 189 110)
Net interest income		**51 915 146**	**46 964 849**
Provision for expected credit losses		(1 483 599)	(1 719 168)
Net interest income after change in provision for expected credit losses		**50 431 547**	**45 245 681**
Commission costs	20	(1 889 036)	(1 528 991)
Net loss from foreign exchange transactions		(325 503)	(179 169)
Other interest-free income	21	5 920 955	4 063 452
Other interest-free expenses	21	(416 108)	(725 584)
Staff and other operating expenses	22	(16 484 584)	(12 627 014)
Measurement of the provision for possible losses on other assets		(48 119)	(116 609)
Profit before tax		**37 189 152**	**34 131 766**
Income tax expenses	9	(5 728 274)	(5 327 532)
Net profit for the year		**31 460 878**	**28 804 234**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**31 460 878**	**28 804 234**

Approved and signed on behalf of the Company's management on 03 June 2024.

Abdumuminov Sherzod Abduvalievich
Executive Director
Tashkent, Uzbekistan

DELTA MIKROMOLIYA TASHKILOTI

Khashimov Bakhtiyor Gayratovich
Chief Accountant
Tashkent, Uzbekistan

LLC "DELTA MIKROMOLIYA TASHKILOTI"

Statement of Cash flows

(in thousands of UZS)

Article	Note.	for 2023	for 2022
Cash flows from operating activities			
Interest received	19	67 969 583	62 466 143
Interest paid	19	(16 881 718)	(15 412 332)
Commissions paid	20	(1 889 036)	(1 528 991)
Reimbursement of written-off loans	21	1 285 124	711 101
Net interest-free income	21	4 087 972	2 505 509
Paid personnel costs	22	(12 620 157)	(9 338 295)
Other operating expenses paid	22	(2 782 423)	(2 535 930)
Income tax paid	9	(5 767 514)	(5 390 831)
Cash flows from operating activities to Changes in operating assets and liabilities		**33 401 831**	**31 476 374**
Changes in operating assets (increase) / decrease			
Microcredits and microloans to customers	6	(5 782 466)	(27 644 286)
Other assets	10	(67 565)	(199 199)
Changes in operating liabilities increase/(decrease)			
Borrowed funds	11	(3 152 121)	(9 000 554)
Funds of other banks	12, 13	(403 844)	4 250 028
Other liabilities	16	2 022 338	(514 606)
Net cash flow from operating activities		**26 018 173**	**(1 632 243)**
Cash flows from investing activities			
Acquisition of fixed assets and intangible assets	7	(529 490)	(1 014 600)
Disposal of fixed and intangible assets	7	54 145	-
Net cash flow from investing activities		**(475 345)**	**(1 014 600)**
Cash flows from financing activities			
Receipts / (Payments) on borrowed funds	13	(5 886 405)	15 384 917
Proceeds from debt securities	15	15 041 096	-
Issue of shares	17	-	-
Dividends paid	17	(30 960 000)	(10 663 157)
Net cash flow from financing activities		**(21 805 309)**	**4 721 760**
Net increase (decrease) in cash and cash equivalents		**3 737 519**	**2 074 917**
Cash and cash equivalents at the beginning of the reporting period	**5**	**2 788 790**	**713 873**
Cash and cash equivalents at the end of the reporting period	**5**	**6 526 309**	**2 788 790**

The notes to the financial statements on pages 12 to 58 are an integral part of these statements.
See the opinion of independent auditors on pages 4 - 7.

LLC "DELTA MIKROMOLIYA TASHKILOTI"

Statement of changes in equity

(in thousands of UZS)

Article	Authorized capital	Reserve capital and funds	Retained earnings	Total Change in equity
Balance as at 01 January 2022	**35 000 000**	**4 039 623**	**4 718 451**	**43 758 074**
Dividend capitalization	5 000 000	-	-	**5 000 000**
Dividends paid	-	-	(15 663 157)	**(15 663 157)**
Contributions to reserve capital	-	1 330 651	(1 330 651)	-
Comprehensive income for the reporting year	-	-	28 804 234	**28 804 234**
Others	-	-	-	-
Balance as at 31 December 2022	**40 000 000**	**5 370 274**	**16 528 876**	**61 899 150**
Dividend capitalization	2 000 000	-	-	**2 000 000**
Dividends paid	-	-	(32 960 000)	**(32 960 000)**
Contributions to reserve capital	-	1 324 795	(1 324 795)	-
Comprehensive income for the reporting year	-	-	31 460 878	**31 460 878**
Others	-	-	-	-
Balance as at 31 December 2023	**42 000 000**	**6 695 069**	**13 704 959**	**62 400 028**

Approved and signed on behalf of the Company's management on 03 June 2024.

Abdumuminov Sherzod Abduvalievich
Executive Director
Tashkent, Uzbekistan

DELTA MIKROMOLIYA TASHKILOTI

Khashimov Bakhtiyor Gayratovich
Chief Accountant
Tashkent, Uzbekistan

1. Main activities

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023 for Limited Liability Company "DELTA MIKROMOLIYA TASHKILOTI" (hereinafter referred to as the "Company").

The Company carries out its activities on the basis of the Charter, which is registered by the Center for Public Services of the Uchtepa district of the city of Tashkent and the main activity of the Company is:

⇒ provision of a microloan - funds issued to a borrower - an individual in the amount not exceeding fifty million soums, on the terms of payment, urgency and repayment;

⇒ provision of microcredit - funds issued to the borrower - business entity or self-employed person in the amount not exceeding three hundred million soums, on the terms of payment, urgency and repayment, as well as their use for certain purposes in cases provided for by the agreement;

⇒ provision of loans and guarantees, provision of Islamic finance services to individuals in an amount not exceeding the amount of a microloan;

⇒ provision of leasing and guarantees, provision of factoring services and Islamic financing services to business entities in the amount not exceeding the amount of microcredit;

⇒ provision of consulting and information services related to their activities.

The Company carries out its main activity on the basis of a license to carry out activities of microcredit organizations issued by the Central Bank of the Republic of Uzbekistan for No 28 dated May 11, 2013 and is included in the Register of Microfinance Organizations of the Central Bank of the Republic of Uzbekistan.

The Company is a member of the National Association of Microfinance Organizations

The main place of business is the city of Tashkent and has branches located on the territory of the Republic of Uzbekistan. The number of branches in 2023 was 10 units (in 2022, respectively, 7).

Legal and actual address of the Company: 6A, Kichik Khalka Yuli Street, 100095, Uchtepa district, Tashkent city.

The average number of employees as of the reporting date was 122 people (in 2022, 118 people, respectively).

Share of shareholders in the authorized capital of the Company:

NAME OF THE SHAREHOLDERS	OWNERSHIP SHARE	
	31 DECEMBER 2023	31 DECEMBER 2022
MIRPULATOV MIRSAID MIRKHALILOVICH	46,02%	46,02%
ABDUMUMINOV SHERZOD ABDUVALIEVICH	24,29%	24,29%
MIRPULATOVA DILNOZA ASADULLAEVNA	21,48%	21,48%
ABDUMUMINOVA GUZAL NIGMANOVNA	5,71%	5,71%
KHASHIMOV BAKHTIYOR GAYRATOVICH	2,50%	2,50%
TOTAL SHARE OF SHAREHOLDERS:	**100,0%**	**100,0%**

2. Operating environment in which the Company operates

The main activity of the Company takes place on the territory of the Republic of Uzbekistan and, accordingly, is subject to the influence of its economic situation. The economy of the Republic of Uzbekistan, despite a significant improvement in the economic situation in recent years, still shows characteristics inherent in emerging markets. Among them, in particular, the inconvertibility of the Uzbek soum in most countries outside the Republic of Uzbekistan and the low level of liquidity in the debt and equity security markets.

The prospects for economic stability in the Republic of Uzbekistan largely depend on the effectiveness of economic, financial and monetary measures taken by the Government, as well as on the development of the legislative and regulatory framework and the political situation, which are beyond the control of the Company.

The financial condition of the Company and the results of its operating activities will continue to be affected by the political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulations, which have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. At the moment, the Company's management is not able to predict all the transformations that could affect the further decrease in the liquidity of financial markets and the growth of instability in the foreign exchange and stock markets on the financial position of the Company.

The following main economic indicators for 2023 were observed in Uzbekistan:

⇒ Gross domestic product (GDP) growth: 6.0% (2022: 5.7%);

⇒ The refinancing rate of the Central Bank of the Republic of Uzbekistan: 14% (2022: 15%);

⇒ The inflation rate not more than: 8.8% (at the end of 2022: 12.3%);

⇒ Official currency exchange rate: 31 December 2023: 1 US dollars = 12 338.77 UZS, 1 Euro = 13 731.82 UZS (31 December 2022: 1 US dollars = 11 225.46 UZS; 1 Euro = 11 961.85 UZS).

At the moment, the Company's management monitors the development of events in the current conditions and takes measures that it considers necessary to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic changes on the Company's future operations and financial position is difficult to determine at this stage.

The accompanying financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), reflect management's assessment of the impact of economic conditions in the Republic on the Company's operations and financial position. Future economic conditions may differ from management's estimates.

3. Basics of Reporting

The Company maintains accounting records in Uzbek soums and prepares financial statements in accordance with the requirements of legislation, rules and regulations of the Republic of Uzbekistan in the field of accounting and reporting. These financial statements have been prepared on the basis of these accounting records with adjustments necessary to bring them into compliance with all material aspects of IFRS, but the national accounting principles have some differences from those for IFRS purposes.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) on the basis of the historical cost accounting rules, adjusted for the revaluation of available-for-sale financial assets for which changes in fair value are recognised in the statement of comprehensive income. The accounting policies used in preparing these financial statements are presented below. These principles have been applied consistently across the reporting periods.

For the first time, the Company prepares financial statements under IFRS as of 31 December 2023. The date of transition to IFRS is 01 January 2022. At the first stage, the applicable unified accounting policy under IFRS is determined, which is required to be used for all periods presented in the first financial statements under IFRS. During the initial transition to IFRS, the rules of IFRS 1 "First Adoption of International Financial Reporting Standards" were applied, which requires a full retrospective approach.

In preparing these IFRS-compliant financial statements, the Company's opening statement of financial position was prepared as at 01 January 2022. This note sets out the main adjustments made by the Company when restating the statement of financial position prepared as at 01 January 2022 from the NAS format to the IFRS format.

In its opening report of financial position as of 01 January 2022:

- recognised all assets and liabilities that are required to be recognised in IFRS;

- has not recognised items as assets or liabilities if IFRS do not permit such recognition;

- reclassified items recognised by the Company in accordance with NAS as one type of asset, liability or component of equity, but which are another type of asset, liability or component of equity in accordance with IFRS;

- applied the Accounting Policy based on IFRS when measuring all recognized assets and liabilities.

The application of the exception to IFRS 1 "First Adoption of International Financial Reporting Standards" exempts first-time adopters from the retrospective application of certain IFRS. The Society did not apply the available exceptions. New and revised standards and interpretations are mandatory for application in the reporting periods.

Reconciliation of the statement of financial position as at 31 December 2023

Article	NAS as of 31.12.2023	Adjustments	IFRS as of 31.12.2023
ASSETS			
Cash and cash equivalents	6 526 309	-	6 526 309
Microcredits and microloans to customers:	116 456 775	-	116 456 775
Less: Provisions for possible losses	(361 646)	(1 586 235)	(1 947 881)
Net microcredits and microloans to customers	116 095 129	(1 586 235)	114 508 894
Fixed assets and intangible assets	1 325 292	(16 784)	1 308 508
Right-of-use assets	-	590 010	590 010
Deferred tax assets	-	400 618	400 618
Advance tax payments	73 522	(8 813)	64 709
Other assets	878 946	(606 232)	272 714
TOTAL ASSETS	**124 899 198**	**(1 227 436)**	**123 671 762**
LIABILITIES			
Borrowed funds	12 507 972	(559 492)	11 948 480
Short-term loans payable	13 325 788	99 954	13 425 742
Long-term loans payable	16 871 724	459 538	17 331 262
Right-of-use liabilities	-	649 792	649 792
Tax liabilities	81 379	-	81 379
Debt securities issued	15 041 096	-	15 041 096
Other liabilities	2 394 248	399 735	2 793 983
Total Liabilities	**60 222 207**	**1 049 527**	**61 271 734**
EQUITY			
Authorized capital	42 000 000	-	42 000 000
Reserve capital and funds	6 695 069	-	6 695 069
Revaluation reserve	13 175	(13 175)	-
Retained earnings	15 968 747	(2 263 788)	13 704 959
Total equity	**64 676 991**	**(2 276 963)**	**62 400 028**
TOTAL LIABILITIES AND EQUITY	**124 899 198**	**(1 227 436)**	**123 671 762**

Reconciliation of the statement of financial position as at 31 December 2022

Article	NAS as of 31.12.2022	Adjustments	IFRS as of 31.12.2022
ASSETS			
Cash and cash equivalents	2 788 790	-	2 788 790
Microcredits and microloans to customers:	111 400 096	-	111 400 096
Less: Provisions for possible losses	(28 566)	(1 543 776)	(1 572 342)
Net microcredits and microloans to customers	111 371 530	(1 543 776)	109 827 754
Fixed assets and intangible assets	1 428 303	(15 188)	1 413 115
Right-of-use assets	-	837 431	837 431
Deferred tax assets	-	361 378	361 378
Advance tax payments	14 459	-	14 459
Other assets	870 444	(533 574)	336 870
TOTAL ASSETS	**116 473 526**	**(893 729)**	**115 579 797**
LIABILITIES			
Borrowed funds	32 645 418	(17 544 817)	15 100 601
Short-term loans payable	12 567 333	132 099	12 699 432
Long-term loans payable	6 935 103	17 412 718	24 347 821
Right-of-use liabilities	-	870 193	870 193
Tax liabilities	238 719	-	238 719
Other liabilities	133 191	290 689	423 880
Total Liabilities	**52 519 764**	**1 160 882**	**53 680 646**
EQUITY			
Authorized capital	40 000 000	-	40 000 000
Reserve capital and funds	5 370 274	-	5 370 274
Revaluation reserve	13 175	(13 175)	-
Retained earnings	18 570 313	(2 041 436)	16 528 877
Total equity	**63 953 762**	**(2 054 611)**	**61 899 151**
TOTAL LIABILITIES AND EQUITY	**116 473 526**	**(893 729)**	**115 579 797**

Reconciliation of the statement of financial position as of 01 January 2022

Article	NAS as of 01.01.2022	Adjustments	IFRS as of 01.01.2022
ASSETS			
Cash and cash equivalents	713 873	-	713 873
Microcredits and microloans to customers:	85 429 695	-	85 429 695
Less: Provisions for possible losses	(98 050)	(1 406 096)	(1 504 146)
Net microcredits and microloans to customers	85 331 645	(1 406 096)	83 925 549
Fixed assets and intangible assets	884 028	(6 804)	877 224
Deferred tax assets	-	298 079	298 079
Advance tax payments	-	32 863	32 863
Other assets	685 704	(429 447)	256 257
TOTAL ASSETS	**87 615 250**	**(1 511 405)**	**86 103 845**
LIABILITIES			
Borrowed funds	24 111 055	(9 900)	24 101 155
Short-term loans payable	7 805 386	89 511	7 894 897
Long-term loans payable	9 597 022	(79 611)	9 517 411
Tax liabilities	85 067	-	85 067
Other liabilities	562 730	184 511	747 241
Total Liabilities	**42 161 260**	**184 511**	**42 345 771**
EQUITY			
Authorized capital	35 000 000	-	35 000 000
Reserve capital and funds	4 039 623	-	4 039 623
Revaluation reserve	13 175	(13 175)	-
Retained earnings	6 401 192	(1 682 741)	4 718 451
Total equity	**45 453 990**	**(1 695 916)**	**43 758 074**
TOTAL LIABILITIES AND EQUITY	**87 615 250**	**(1 511 405)**	**86 103 845**

Reconciliation of comprehensive income for 2023

Article	NAS as of 31.12.2023	Adjustments	IFRS as of 31.12.2023
Interest income calculated at the effective interest rate	68 237 345	-	68 237 345
Interest expense calculated at the effective interest rate	(16 213 302)	(108 897)	(16 322 199)
Net interest income	**52 024 043**	**(108 897)**	**51 915 146**
Provision for expected credit losses	(1 441 140)	(42 459)	(1 483 599)
Net interest income after change in provision for expected credit losses	**50 582 903**	**(151 356)**	**50 431 547**
Commission costs	(1 889 036)	-	(1 889 036)
Net profit / (loss) from foreign exchange transactions	(325 503)	-	(325 503)
Other interest-free income	5 867 488	53 467	5 920 955
Other interest-free expenses	(416 108)	-	(416 108)
Staff and other operating expenses	(16 369 000)	(115 584)	(16 484 584)
Measurement of the provision for possible losses on other assets	-	(48 119)	(48 119)
Profit before tax	**37 450 744**	**(261 592)**	**37 189 152**
Income tax expenses	(5 767 514)	39 240	(5 728 274)
Net profit for the year	**31 683 230**	**(222 352)**	**31 460 878**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**31 683 230**	**(222 352)**	**31 460 878**

Reconciliation of comprehensive income for 2022

Article	NAS as of 31.12.2022	Adjustments	IFRS as of 31.12.2022
Interest income calculated at the effective interest rate	63 153 959	-	63 153 959
Interest expense calculated at the effective interest rate	(16 137 224)	(51 886)	(16 189 110)
Net interest income	**47 016 735**	**(51 886)**	**46 964 849**
Provision for expected credit losses	(1 581 488)	(137 680)	(1 719 168)
Net interest income after change in provision for expected credit losses	**45 435 247**	**(189 566)**	**45 245 681**
Commission costs	(1 528 991)	-	(1 528 991)
Net profit from foreign exchange operations	(179 169)	-	(179 169)
Other interest-free income	4 028 467	34 985	4 063 452
Other interest-free expenses	(725 584)	-	(725 584)
Staff and other operating expenses	(12 476 210)	(150 804)	(12 627 014)
Measurement of the provision for possible losses on other assets	-	(116 609)	(116 609)
Profit before tax	**34 553 760**	**(421 994)**	**34 131 766**
Income tax expenses	(5 390 831)	63 299	(5 327 532)
Net profit for the year	**29 162 929**	**(358 695)**	**28 804 234**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**29 162 929**	**(358 695)**	**28 804 234**

Application of Requirements

The company has applied the following IFRS requirements, from the initial date of activity, which were effective for periods ending 31 December 2023:

(a) in the preparation of the initial statement of financial position at the commencement of operations; and

(b) preparing and presenting the statement of financial position at the reporting date, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the reporting year and its disclosures.

For the first time, the Company has applied some new standards and amendments to existing standards that come into force for annual periods starting on or after 01 January 2023. The Company did not apply the standards, interpretations and amendments that were issued but did not come into force ahead of schedule. Although the new standards and amendments were applied for the first time in 2023, they did not have a material impact on the annual financial statements.

Every year, the IASB updates international financial reporting standards: it issues both new documents and additions to existing standards. Here are a few changes that are mandatory to apply in the financial statements for the annual period beginning 01 January 2023:

Amendments to IAS 1 "Presentation of Financial Statements". The International Accounting Standards Board (IASB) has previously clarified the definition of "materiality" and issued non-binding Practice Guide No 2 on the application of IFRS "Making Judgments about Materiality". A judgment on materiality is necessary not only when making decisions on recognition and measurement, but also when deciding what information to disclose and how to present it.

As a final step in improving the concept of materiality, the IASB has issued amendments on the application of materiality to disclosures in accounting policies.

Key amendments to IAS 1 include:

⇒ the requirement for the company to disclose its material, rather than material, accounting policies;

⇒ an explanation that accounting policies relating to intangible transactions, other events or conditions are themselves immaterial and as such are not subject to disclosure; and

⇒ clarification that not all accounting policies relating to material transactions, other events or conditions are in themselves material to the company's financial statements.

The amendments correspond to the updated definition of "materiality":

"Information about an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to affect the decisions that the principal users of the general-purpose financial statements make on the basis of those financial statements".

The IASB has also included guidance and two additional examples of the application of the materiality principle to disclosures in accounting policies in Practice Guide No 2 for the application of IFRS Materiality Judgments.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The distinction between accounting policies and accounting estimates is important because changes in accounting policies are usually applied retrospectively, while changes in accounting estimates are applied prospectively. Thus, the approach chosen can affect both the presentation of results and the dynamics between periods.

The amendments to IAS 8 also clarify the relationship between accounting policies and accounting estimates, detailing that an entity develops an accounting measurement to achieve the objective set out in the accounting policy. Thus, the development of an accounting valuation includes:

⇒ selection of measurement method (valuation method) – for example, the valuation method used to measure the allowance for expected credit losses; and

⇒ select the inputs to use when applying the selected measurement method, such as expected cash outflows to determine the guarantee provision.

The effects of changes in the choice of measurement methods or inputs are changes in accounting estimates.

IAS 12 "Income Taxes". According to the amendments to IAS 12 "Income Taxes", companies must account for deferred tax on certain transactions, such as leases and decommissioning. The problem is that not all companies reflect the future tax consequences of leases in their financial statements.

The amendments narrow the scope of the initial recognition exemption when it does not apply to transactions that give rise to equal and offsetting temporary differences. All entities will now be required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from the initial recognition of leases and decommissioning provisions.

The amendments clarify that the exemption applies to transactions such as leases and decommissioning obligations. Such operations lead to equal and compensating time differences.

For lease liabilities and decommissioning provisions, the relevant deferred tax assets and liabilities shall be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

Standards that have been issued but have not yet come into force. In 2024, two new sustainability standards will come into force - IFRS S1 and IFRS S2, as well as amendments to four existing standards.

IFRS S1 and S2 sustainability standards. In June 2023, the IASB issued two new sustainability standards for the first time: IFRS S1 General Requirements for Sustainability-Related Financial Disclosures and IFRS S2 Climate-Related Disclosures.

They establish disclosure requirements for risks and opportunities related to sustainability and climate change that may affect an enterprise's cash flows, access to finance or cost of capital.

These two standards are the first steps in realizing the vision of the International Standards Board for Sustainable Development (ISSB) to create a global framework for sustainability reporting. First of all, they are focused on investors and provide a clear idea of what kind of reporting companies must provide in order to meet the needs of global capital markets.

⇒ IFRS S1 contains a number of disclosure requirements to enable companies to communicate to investors the risks and opportunities associated with sustainability in the short, medium and long term.

⇒ IFRS S2 sets out requirements for climate-related disclosures and is intended for use with IFRS S1.

The standards came into force on January 1, 2024. They will be implemented in stages: in the first year, companies will be able to limit themselves to disclosing information on climate risks under IFRS S2, and from the second year they will have to publish data in accordance with the requirements of IFRS S1. During the transition period, the ISSB plans to establish a working group to support companies applying the new standards.

Two amendments to IAS 1 "Presentation of Financial Statements". The first change concerns the classification of liabilities. According to the amendment "Classification of liabilities as current and non-current", a liability is classified as non-current if the company has the right to defer the settlement of the obligation for at least 12 months. And this right must exist at the end of the reporting period, regardless of whether the entity plans to exercise this right. certain conditions, then such a right exists on the date of the end of the reporting period only if the company has fulfilled all the conditions by this date.

The second amendment "Non-current obligations with special conditions" suggests that an entity may classify liabilities arising under a loan agreement as non-current if the entity's right to defer the repayment of these obligations is conditional on the fulfillment of special conditions within 12 months after the end of the reporting period. Also, now it is necessary to disclose information in the notes to the financial statements that will allow users to understand the risk that liabilities may be recoverable within 12 months after the end of the reporting period. Namely:

⇒ information on special conditions when the enterprise must fulfill them;

⇒ the carrying amount of the related liabilities;

⇒ as well as facts and circumstances related to the fulfillment of these conditions.

Amendments to IFRS 16 "Leases" - Lease Liabilities in Sales and Leasebacks have been amended in IFRS 16 to clarify how companies should account for sales and leasebacks after the date of the transaction. It is possible to recalculate purchase and sale transactions with leaseback concluded since 2019.

A sale-leaseback transaction is when a business sells an asset and leases it from a new owner for a certain period of time. The new amendment complements the requirements of IFRS 16 on sales and leasebacks, and clarifies that the lessee-seller shall not recognise any gain or loss relating to the right of use retained by it. But this does not deprive him of the right to recognize those profits or losses that are associated with the partial or complete termination of such lease.

Changes to IAS 7 and IFRS 7 – "Supplier Finance Arrangements". The IASB amended IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" regarding the requirements for disclosure of information about supplier financing arrangements in the financial statements. The new amendments will provide an opportunity to increase the transparency of supplier financing mechanisms, namely to assess the impact of agreements on the company's liabilities and cash flows. such as supply chain finance, accounts payable financing or reverse factoring.

Changes to IFRS 7 and IAS 7 include disclosure requirements:

⇒ terms of financing agreements;

⇒ the carrying amount of financial liabilities that are part of supplier financing agreements and the line items in which those liabilities are reflected;

⇒ the carrying amount of financial liabilities under which suppliers have already received payment from financial service providers;

⇒ the range of payment terms for financial obligations that are part of these agreements.

Under the amendments, companies are now required to disclose the type and impact of non-cash changes in the carrying amount of financial liabilities that relate to supplier financing agreements. The changes are effective for annual reporting periods beginning on or after January 1, 2024, no comparative information is required during the first year.

Since 2021, Uzbekistan has also switched to IFRS. According to the Decree of the President of the Republic of Uzbekistan dated 24 February 2020 No PD-4611 "On additional measures for the transition to international financial reporting standards", large taxpayers are the first to organize accounting under IFRS: joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers. They must prepare financial statements in accordance with IFRS, starting from the results of 2021.

Accordingly, accountants and financial specialists who are in one way or another related to these categories of enterprises need to learn how to work with IFRS reporting. And also understand the nuances of transformation and consolidation of financial statements according to international standards in order to be a valuable specialist in the enterprise.

Problems of transition to IFRS. The first problem faced by companies wishing to make the transition to IFRS is the psychological factor of specialists. Significant differences in terms of international and national standards lead to the need for psychological restructuring of employees. According to the requirements of the IASB Committee, states that have decided to implement international standards do not have the right to comment on or modify the source text. In other words, countries that have agreed to adopt international financial reporting standards should oblige all enterprises, companies and organizations to work with the original text. If organizations are unable to clarify certain points, they must get their questions answered on their own or with the help of professional companies.

In the English version of IFRS (in the original) there are a lot of concepts that do not have an exact correspondence and equivalent in many countries. And specialists working with international standards have to either use a new system of terms and concepts, or accept the English versions of the names into the vocabulary. In addition, there is no definite and regulated mechanism for obtaining clarifications in case of misunderstandings or ambiguities in the conditions of the functioning of an enterprise with IFRS. The cost of consulting foreign professionals is very high, translation and other explanations of international standards are accompanied by considerable costs.

Therefore, the main problem of implementing IFRS in practice is the discrepancy between international standards of psychology of specialists and current accounting practice.

The second problem is the transformation of financial statements into IFRS. Many economies of countries that have switched to IFRS are very different from the Western one. This consists in the absence of financial markets or their underdevelopment. And this, in turn, is accompanied by the impossibility of applying international accounting concepts. And some practical calculations become relative.

Ways of IFRS implementation. The main solution in this case is the development of targeted programs and training courses for specialists in accounting and other financial departments. Their professional development should be aimed at the preparation and independent analysis of financial statements, and not at technical issues of accounting.

⇒ adopt IFRS as they are;

⇒ adopt international standards with the possibility of their "limited modification";

⇒ develop national financial reporting standards, harmonizing them with IFRS as much as possible.

In management's opinion, the application of the above standards and interpretations will not materially affect the Company's financial statements during the period of their initial application. The Company does not disclose information about new standards and clarifications that do not apply to the Company's activities or that will not materially affect the Company's financial statements.

Using Estimates and Assumptions

The preparation of financial statements in accordance with IFRS involves the use by management of estimates and assumptions that affect the amounts of assets and liabilities, income and expenses presented in the statements, and the disclosure of contingent assets and liabilities during the next financial period. Because of the uncertainties inherent in such estimates, actual results presented in future reporting periods may be based on amounts that differ from those estimates.

The principle of continuous operation

Management has prepared these financial statements on a going concern basis. These financial statements do not include any adjustments that would be necessary due to economic uncertainty. Possible adjustments may be made to the Company's financial statements when the need to reflect them becomes obvious, and it becomes possible to reliably assess their quantitative value.

The Company believes that the cash from current operating activities will be sufficient to repay current liabilities and to finance its current operating activities.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contract in respect of the relevant financial instrument. The Company reflects the acquisition and disposal of financial assets and liabilities on standard terms at the date of settlement. All financial assets are measured initially at fair value. Costs directly attributable to the acquisition or issuance are added to the original cost, except for financial assets that are remeasured at fair value through profit or loss.

Fair value of financial instruments

If the fair value of financial assets and financial liabilities recognised in the statement of financial position cannot be determined from prices in an active market, it is determined from the market prices of similar financial instruments or from different valuation models that include mathematical models. The inputs for such models are determined based on the observed market or judgment. Judgment is made taking into account factors such as the time value of money, the level of credit risk, the volatility of the instrument, the level of market risk, and other applicable factors.

Functional Currency and Presentation Currency

The financial statements are presented in the currency of the Republic of Uzbekistan (Uzbek sum), which is the functional currency of the Company and the currency of reporting, and which reflects the real economic essence of its main operations. The financial information in the financial statements has been rounded to the nearest thousands.

The Uzbek soum is not a convertible currency outside the Republic of Uzbekistan. Changes in the policy of the Government of Uzbekistan regarding the regulation of the Uzbek soum may have an impact on the financial position and results of the Company's operations.

4. Significant Accounting Policies

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a historical cost basis, adjusted for the initial recognition of financial instruments at fair value. The accounting policies used in preparing these financial statements are presented below. These principles have been applied consistently across the reporting periods.

Cash and cash equivalents

Cash and cash equivalents are cash in the cash and current accounts of the Company, as well as cash equivalents, which are short-term, highly liquid investments, easily convertible into a predetermined amount of cash, and subject to an insignificant risk of changes in their value. Cash and cash equivalents include all bank deposits with an initial maturity of less than three months. Funds in respect of which there are restrictions on use for a period of more than three months at the time of provision are excluded from cash and cash equivalents.

Recognition and Measurement of Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to a contract in respect of the relevant financial instrument. The Company reflects the regular acquisition and disposal of financial assets and liabilities using the accounting method as of the settlement date. The financial instruments thus acquired and subsequently measured at fair value are accounted for in the same way as the instruments acquired from the time of the transaction until the settlement date.

Financial assets and liabilities are initially carried at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than those carried at fair value through profit or loss) respectively increase or decrease the fair value of financial assets or financial liabilities at initial recognition.

Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities carried at fair value through profit or loss are charged directly to profit or loss. The accounting principles used to subsequently measure the value of financial assets and financial liabilities are disclosed in the relevant accounting policies described below.

All financial assets are recognised and derecognised at the date of the transaction when the purchase or sale of a financial asset is made under a contract that requires delivery of the financial asset at a time specified in the relevant market and is initially measured at fair value plus transaction costs, except for those financial assets that are classified as at fair value through profit or loss.

All recognised financial assets that are within the framework of IFRS 9 Financial Instruments shall be subsequently measured at amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. At the same time:

⇒ **Holding an asset to collect contractual cash flows.** This business model assumes that the management of financial assets is carried out in order to realize cash flows by receiving payments of principal and interest during the life of the financial instrument. Under this business model, holding a financial asset to maturity is a priority, while early sale is not prohibited.

⇒ **Holding an asset to collect contractual cash flows and sell financial assets.** This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and selling financial assets. Within the framework of this business model, obtaining funds from the sale of a financial asset is a priority, which is characterized by a higher frequency and volume of sales compared to the business model "Holding an asset to receive contractual cash flows".

⇒ **Holding an asset for other purposes.** Within the framework of this business model, the goal of financial asset management can be:

- ❖ liquidity management to meet daily financing needs;
- ❖ management for the purpose of realizing cash flows through the sale of financial assets;
- ❖ a portfolio that is managed and evaluated on a fair value basis;
- ❖ a portfolio that meets the definition of a portfolio intended for trading. Financial assets are considered to be held for trading if they have been acquired primarily for the purpose of short-term sale, for short-term profits, or if they are derivatives (other than financial guarantees or derivatives that have been designated as a hedging instrument).

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period in order to ensure a constant interest rate in each period (effective interest rate) on the carrying amount of the instrument.

The effective interest rate is the exact discount rate for estimated future cash payments or receipts (not including future credit losses) for the expected life of the financial instrument or, where applicable, for a shorter period to the net carrying amount of the financial instrument. The effective interest rate is used to discount the cash flows of variable-rate instruments to the next interest change date, except for a premium or discount that reflects the credit spread at the floating rate specified for the instrument or other variables that are set independently of the market value. Such premiums or discounts are amortized over the expected life of the instrument. The present value calculation includes all payments and considerations paid or received by the parties under the contract, which constitute an integral part of the effective interest rate.

Impairment of financial assets

To calculate expected credit losses, the Company evaluates microcredits or microloans on a collective and individual basis, depending on the general characteristics of credit risk. Expected credit losses (ECLs) are the present value of all expected cash shortfalls over the life of the financial instrument, i.e., a probability-weighted estimate of loan losses.

Expected credit losses on financial instruments are measured to reflect:

⇒ the time value of money;

⇒ a weighted and unbiased amount determined by assessing the range of possible outcomes;

⇒ reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date without undue cost or effort.

The measurement of expected credit losses is based on the following components:

⇒ distribution of loans by stages;

⇒ segmentation of the loan portfolio;

⇒ calculation of the probability of default for each stage in each segment;

⇒ the expected level of losses in the event of default;

⇒ an estimate of the amount that is expected to remain on a future default date.

The Company analyses the risk level of segment loans in the loan portfolio at least once a year and, in the course of the analysis of the loan portfolio, identifies new segments or merges existing ones, or, if necessary, creates new segments.

Estimated Expected Credit Loss

For loans purchased or issued, expected credit losses are estimated based on the risk of default over one or two different periods, depending on whether the borrower's credit risk has increased significantly in the three-stage model for estimating expected credit losses.

Stage 1 "12-month expected credit losses" is a group of financial instruments for which no material increase in credit risk has been recorded since initial recognition and provisions for this group are created in the amount of expected credit losses for 12 months, and interest income is calculated on the basis of carrying amount.

Stage 2 "Lifetime Expected Credit Losses – Unimpaired Assets" is a group of financial instruments for which a significant increase in credit risk has been recorded since initial recognition and for which provisions are equal to the amount of expected credit losses over the life of the instrument, and interest income is calculated on the basis of the carrying amount of the financial asset.

Stage 3 "Lifetime Expected Credit Losses – Impaired Assets" is a group of credit-impaired financial instruments for which provisions are equal to the sum of expected credit losses over the life of the instrument and interest income is accrued on the basis of the carrying amount of the asset less the allowance for impairment.

For unused loan liabilities, expected credit losses are estimated in accordance with the approaches used to assess the loan provision, taking into account the loan conversion rate, which is based on statistical data, if the borrower uses the loan.

Significant increase in credit risk

The assessment of a significant increase in credit risk is carried out on a collective and individual basis. A significant increase in credit risk for individually significant loans is assessed based on the monitoring of the criteria set out below. The criteria used to determine a significant increase in credit risk are periodically monitored and analyzed by the responsible division of the Company.

The Company evaluates a financial instrument on the basis of criteria for assessing a significant increase in credit risk when one or more of the following quantitative, qualitative or auxiliary criteria have been met:

For collectively assessed loans:

⇒ microcredits, for which the delay in payment of the principal debt is from 31 to 90 days;

⇒ microcredits classified as "substandard" according to the Regulation on the Procedure for Classification of Asset Quality;

⇒ in the absence of historical information on the number of days of delay in accrued interest, as well as microcredits for which there is an amount of overdue interest as of the end of the reporting period;

⇒ microcredits for which reserves of more than 25% to 50% of the principal debt were created as of the reporting date of the loan portfolio in accordance with the Regulation on the Procedure for Classification of Asset Quality;

⇒ microcredits that were restructured and repaid 25% of the principal debt from the date of restructuring.

For individually assessed credits:

⇒ breaches of the terms of the contract, or such as a delay in payment from 31 days to 90 days;

⇒ availability of information by the Company on overdue debts in other credit institutions on the principal debt or interest of the Borrower from 31 to 90 days;

⇒ microloans classified as "substandard" according to the Regulation on the Procedure for Classification of Asset Quality;

⇒ actual or expected significant change in the results of the Borrower's operating activities. The criterion is a decrease in the financial condition of the Borrower by one class, a decrease in revenue, an increase in operating risks, inefficiency of working capital, changes in the scale of commercial activities, which lead to a significant change in the ability of the Borrower to fulfill its debt obligations;

⇒ reduction of financial support from the state, parent organization or other affiliated organization;

⇒ a significant deterioration in the quality or condition of the collateral according to the data of the last monitoring, which is expected to reduce the economic incentive for the Borrower to make payments on the schedule provided for in the agreement, or otherwise affect the probability of default, or the collateral is a guarantee of third parties, significant financial difficulties of the guarantor;

⇒ existing or projected adverse changes in commercial, financial or economic conditions or actual or expected adverse changes in the regulatory, economic or technological conditions of the borrower's activities;

⇒ A borrower that has no evidence of impairment or a significant increase in credit risk at the reporting date, but which has been classified as credit-impaired at the previous date of calculation of the expected credit loss.

Default and credit-impaired assets

A financial asset is considered to be in default or impaired if it meets one or more of the following criteria:

For collectively assessed loans:

⇒ microcredits, for which the delay in payment of the principal debt is more than 90 days;

⇒ microcredits classified as "doubtful", "hopeless" according to the Regulation on the procedure for classifying the quality of assets;

⇒ microcredits for which there is a court decision or trial;

⇒ microcredits, for which the contract has expired, but the Borrower has not fully repaid the debt according to the payment schedule;

⇒ the presence of debt on off-balance sheet accounts on the principal debt and accrued interest in accordance with the Regulation on the Procedure for Classifying the Quality of Assets and the Regulation on the Non-Accrual of Interest.

For individually assessed credits:

⇒ breaches of contract, or such as being 90 days or more late in payment;

⇒ availability of information by the Company on overdue debts in other credit institutions on the principal debt or interest of the Borrower for 90 days or more;

⇒ microloans classified as "doubtful", "hopeless" according to the Regulation on the procedure for classifying the quality of assets;

⇒ the presence of significant financial difficulties of the Borrower. The criterion is a decrease in the financial condition of the Borrower by two or more classes. The class of the Borrower's financial condition is based on the calculations of economic indicators;

⇒ lack of communication with the Borrower, as well as lack of information that allows determining the financial condition of the Borrower for the last 12 months;

⇒ suspension of interest accrual on loans due to the deterioration of the Borrower's financial condition;

⇒ availability of information about the death of the Borrower individual;

⇒ the Borrower's application to the court for declaring him bankrupt or filing a lawsuit by a third party for declaring the Borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans for which there is a court decision or litigation is underway;

⇒ the disappearance of an active market for a given financial asset.

Transaction costs are additional costs directly related to the acquisition, issuance or disposal of a financial instrument. Incremental costs are costs that would not have been incurred if the transaction had not taken place. Transaction costs include payments and commissions paid to agents (including employees acting as sales agents), consultants, brokers and dealers, mandatory payments to regulators and stock exchanges, and taxes and fees levied on the transfer of property. Transaction costs do not include debt premiums or discounts, financing costs, internal administrative expenses or storage costs.

Revised Loans

In its normal activities, the Company seeks to restructure microcredits, and not to withdraw collateral for non-payments. This may include extending payment terms and agreeing on new loan terms. Following a renegotiation, any impairment is measured using the original effective interest rate calculated prior to the change in terms and the loan is no longer considered to be in arrears. However, the restructuring, although considered not overdue, is an indicator of a significant increase in credit risk and the loan moves into the second stage.

Management of the Company monitors microcredits with revised terms on an ongoing basis to ensure that all criteria are met and that future payments are probable. Microcredits are still subject to collective and individual impairment assessment calculated using the original effective interest rate on the loan.

Collateral received in ownership for non-payment

In certain circumstances, assets are seized as recovery on defaulted microloans. Seized assets are measured at the lower of their carrying amount and fair value less transaction costs.

Collateral received in ownership for non-payment represents financial and non-financial assets received by the Company in the settlement of overdue microcredits. These assets are initially recognised at fair value on receipt and included in property, plant and equipment, other financial assets, investment property or inventories in other assets, depending on their nature and the Company's intentions to recover these assets, and are subsequently remeasured and accounted for in accordance with the accounting policy for these categories of assets.

If the collateral is classified as inventories in other assets, the collateral received for non-payment is carried at the lower of the initially recognised fair value and net realisable value. Net realisable value is the estimated realisable price in the ordinary course of business less the estimated cost of completion of production and the cost of selling.

Write-off of microcredits and microloans

Microcredits and microloans are written off at the expense of the provision for impairment if they are considered uncollectible. Microcredits and microloans are written off after the management of the Company has used all available opportunities to receive the amounts due to the Company, and after the Company has sold all available collateral. Subsequent reversal of previously written off amounts is recognised as an impairment offset against financial assets in the income statement in the recovery period.

Fixed assets, depreciation of fixed assets

Fixed assets include tangible assets, including real estate, equipment, etc., which meet the following requirements:

- ⇒ are used in the Company's activities for the production and sale of services or for administrative purposes;
- ⇒ it is expected that they will be used for more than one year.

The profit or loss arising from the disposal of fixed assets is determined on the basis of their residual value and is accounted for in the relevant items of operating income or expense of the statement of comprehensive income.

Depreciation of fixed assets begins from the moment of its commissioning, in a straight-line manner, based on the assessment that the residual value after the end of the service life will be equal to zero, using the following useful lives:

- ⇒ Transport equipment – 5 years;
- ⇒ Other fixed assets – from 5 to 7 years;
- ⇒ Intangible assets – 5 years.

Depreciation is terminated from the first day of the month following the month of full repayment of the depreciable cost of the object or with the termination of recognition of the asset. Depreciation of improvements to leased property is calculated over the useful life of the corresponding leased assets.

Expenses for maintenance and major repairs are recognized in the statement of comprehensive income as part of operating expenses in the period when they are incurred, if they do not meet the capitalization requirements.

In cases of acquisition of fixed assets from third parties and their acceptance on the balance sheet at residual value, the depreciation rate is recalculated based on the estimated further service life.

Depreciation and amortisation is recognised in the statement of comprehensive income as part of operating expenses and relates to the period in which it is accrued.

Intangible assets

Intangible assets include identifiable non-monetary assets that do not have a physical form. Intangible assets acquired separately are initially measured at cost. The acquisition cost of intangible assets received in combination transactions is the fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. Intangible assets have limited or indefinite useful lives.

Intangible assets with a limited useful life are depreciated over their useful lives and analysed for impairment if there is an indication that the intangible asset may be impaired.

Intangible assets with an indefinite useful life are not depreciated. However, they are analysed annually for impairment, either individually or at the level of the cash-generating unit.

The useful life of an intangible asset with an indefinite useful life is analysed for the existence of circumstances confirming the correctness of the existing assessment of the useful life of such an asset. Otherwise, the useful life changes prospectively from indefinite to limited.

Software licenses purchased are capitalized based on the costs incurred to acquire and implement the software.

Development costs directly related to identifiable software that is controlled by the Company and is highly likely to generate economic benefits in excess of the costs over a period exceeding the costs are recognised as an intangible asset.

Capitalized costs include the cost of maintaining the software development team and an appropriate share of general business expenses. Costs that result in improvements or extensions of the characteristics of the software from their original specification are recognized as capital expenditures and are added to the original cost of the software. Costs associated with the operation of the software are recognized as expenses as they arise.

Lease

Lease agreements under the terms of which all significant risks and benefits arising from ownership are transferred to the lessee are classified as financial leases. All other leases are classified as operating leases.

The Company, when the lessor: Amounts receivable from lessees under finance lease agreements are recognised in other assets in the amount of the Company's net investment in the lease. Finance lease income is allocated over reporting periods to ensure a constant level of return on net lease investments.

Operating lease income is recognised on a straight-line basis over the lease term. The initial direct costs associated with negotiating the terms of the operating lease agreement and its execution are included in the carrying amount of the leased asset and are expensed evenly over the lease term.

Company as lessee: Assets leased under finance leases are initially carried at the lower of (**a)** the fair value of the leased property at the beginning of the lease term and **(b)** the present value of the minimum lease payments. The related liabilities to the lessor are recognised in the statement of financial position as finance lease liabilities.

The amount of the lease payment is allocated between the finance costs and the reduction of the lease liability in such a way as to obtain a constant interest rate on the balance of the liability. Finance costs are recognised in profit or loss if they are not directly related to qualifying assets. In the latter case, they are capitalised in accordance with the Company's general policy on borrowing costs. Leases under finance leases arising from future events are expensed as incurred.

Payments under operating lease agreements are expensed evenly over the lease term, unless another method of allocating expenses corresponds exactly to the allocation of economic benefits from the leased assets over time. Leases under operating leases arising from future events are expensed as incurred.

Incentive payments received when entering into operating lease agreements are recognised as liabilities and reduce the lease costs evenly over the life of the lease, unless another method of allocating costs more closely corresponds to the allocation of economic benefits from the leased assets over time.

Funds of founders, banks and other borrowed funds

Funds of founders, banks and other borrowed funds are initially carried at fair value equal to the amount of funds received less transaction costs. Subsequently, borrowings are carried at amortised cost and the corresponding difference between the net amount of funds received and the amount of debt is recognised in the financial result over the borrowing period using an effective interest rate.

The fair value of borrowings raised at rates above market interest rates is the amount of principal and future interest payments discounted by taking into account market interest rates on similar borrowings. The difference between the fair value and the nominal value of borrowed funds at the time of receipt is recognized in the statement of comprehensive income as an expense from borrowing at above-market rates. Subsequently, the carrying amount of the borrowed funds is adjusted to take into account the amortization of the initial borrowing expense and is recognized in the statement of comprehensive income using the effective return method.

Debt securities issued

Debt securities – Bonds. These debt securities are proof of the issuer's obligations to the bondholder. The owner of the bond is not entitled to participate in the company's profits, but, in addition to the face value itself, he will also receive interest payments. Bonds are carried at amortized cost or at FVTPL.

Reserves

Provisions are recorded if the Company has current liabilities (whether determined by law or implied) as a result of past events, the repayment of which is likely to require the disposal of resources containing economic benefits; Moreover, the amount of such liabilities can be estimated with a sufficient degree of accuracy.

Authorized capital and share premium

The authorized capital is recorded at its original cost, if the deposit is in foreign currency, then at the exchange rate of the Central Bank on the date of depositing funds. Share premium is the excess of contributions to the authorized capital over the nominal value of the issued shares.

Dividends

Dividends are recorded as a decrease in equity in the period in which they were declared. Dividends declared after the reporting date are treated as an event after the reporting date in accordance with IFRS No 10 "Events after the Reporting Date" and are disclosed accordingly. Payment of dividends and other distribution of profits is carried out on the basis of the net profit of the current year according to the financial statements prepared in accordance with the current legislation. Dividends are recorded when they are approved by the general meeting of shareholders and are shown in the financial statements as a distribution of profits.

Pension liabilities

In accordance with the requirements of the legislation of the Republic of Uzbekistan, the existing pension system provides for the calculation of current employer contributions as a percentage of current total payments to employees. Such expenses are recognized in the period to which the relevant payments to employees relate. Upon retirement, all pension payments are made by the pension fund. The Company does not have additional pension schemes, except for participation in the state pension system of the Republic of Uzbekistan. In addition, the Company does not have benefits provided to employees after retirement, or other significant benefits provided that require accrual.

Income and expense recognition

Interest income and expenses are recognised in the statement of comprehensive income on all debt instruments using the accrual method using the effective interest method.

Fees related to the effective interest rate include fees received or paid in connection with the formation or acquisition of a financial asset or the issuance of a financial liability (eg fees for assessing creditworthiness, assessing or accounting for guarantees or collateral, for settling the terms of the instrument and for processing transaction documents).

Commissions for the obligation to provide microcredit at market rates, received by the Company, are an integral part of the effective interest rate, if there is a probability that the Company will conclude a specific loan agreement, and will not plan the implementation of microcredit within a short period after its provision. The Company does not classify microcredit liabilities as financial liabilities measured at fair value through profit or loss.

In the event that there is doubt about the timely repayment of microloans and other debt instruments, their value is reduced to recoverable amount and interest income is then recognized on the basis of the interest rate used to discount future cash flows for the purpose of estimating the recoverable amount.

All other fee and commission income, other income and expenses are recognized, as a rule, on an incremental basis over the period of service provision, depending on the degree of completion of a particular transaction, defined as the share of the service actually provided in the total volume of services to be provided.

Income tax

Income tax expense (refund) in the statement of comprehensive income for the year includes current taxation and changes in deferred taxation. Current taxation is calculated on the basis of the expected taxable profit for the year using the income tax rates in effect on the date of the financial statements. Tax expenses, except for income tax, are reflected in operating expenses.

Deferred income tax is calculated using the book assets and liabilities method for all temporary differences between the tax base of assets and liabilities and their carrying amounts in accordance with the financial statements. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the period when the assets are disposed of and the liabilities are settled, based on the tax rates that were established in the period or are actually established at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be generated against which temporary differences can be used. Deferred tax assets and liabilities are offset only within the Company.

Deferred taxation arising from the revaluation at fair value of available-for-sale financial assets, which is attributed to an increase or decrease in equity, is also charged directly to equity. When these financial assets are realised, the corresponding deferred tax amounts are recognised in the statement of comprehensive income.

Deferred tax assets and liabilities are created in respect of temporary differences related to investments in subsidiaries and associates, unless the time when the temporary differences disappear can be controlled by the Company and it is probable that these temporary differences will not disappear in the foreseeable future.

Revaluation of foreign currency

The financial statements are presented in the currency of the Republic of Uzbekistan – Uzbek soums, which is the functional currency of the Company and the currency of reporting.

Transactions in foreign currency are recorded at the official exchange rate of the Central Bank in effect on the day of the transaction. Foreign exchange differences arising from the settlement of foreign currency transactions are included in the statement of comprehensive income at the official exchange rate of the Central Bank in effect on the date of the transaction.

Monetary assets and liabilities in foreign currency are converted into Uzbek soums at the official exchange rate of the Central Bank on the date of the balance sheet.

Foreign exchange differences related to other cash financial assets carried at fair value are included in foreign currency revaluation gains and expenses. Foreign exchange differences related to non-cash items, such as equity securities, classified as financial assets measured at fair value through profit or loss are recognised as part of income or expenses from fair value revaluation.

As at 31 December 2023, the official exchange rate used to revalue the foreign currency account balances was 12 338.77 UZS to 1 US dollars (in 2022: 11 225.46 UZS to 1 US dollars) and 13 731.82 UZS to 1 Euro (in 2022: 11 961.85 UZS to 1 Euro).

Conversion of UZSs into other currencies is limited and regulated by the currency legislation of the Republic of Uzbekistan. Currently, the Uzbek soum is not a freely convertible currency in most countries outside the Republic of Uzbekistan.

Estimated liabilities

Estimated liabilities are recognized if the Company has liabilities (legal or arising from established business practices) that arose before the reporting date. At the same time, there is a high probability that the Company will need an outflow of economic resources to fulfill these obligations, and the amount of liabilities can be reliably estimated.

Wages and related contributions

Expenses for wages, vacation pay, bonuses and non-monetary benefits are accrued as they arise, and the Company also makes deductions for a single social payment, in accordance with the legislation of the Republic of Uzbekistan. These costs are taken into account and included in the cost of maintaining personnel.

Transactions with related parties

The Company conducts transactions with related parties. The parties are considered to be related, including if one of them has the ability to control the other, together with the other party is under common control, is under the joint control of the other party and the third party, or can have a significant influence on the other party's financial and operational decisions.

5. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	1 624 487	1 150 458
Demand deposits placed with banks	4 442 641	1 202 869
Non-cash accounts in transit - funds in plastic cards	433 817	420 429
Other due from other banks	25 364	15 034
Total cash and cash equivalents	**6 526 309**	**2 788 790**

The table below provides an analysis of cash and cash equivalents, excluding cash on hand by credit quality as at 31 December 2023:

Banks	Demand deposits placed with banks	Non-cash accounts in transit - funds in plastic cards	Other due from other banks	Total
- Rating Ba3 (Moody's)	349 720	-	-	**349 720**
- Rating B1 (Moody's)	908 785	113 700	-	**1 022 485**
- Rating B2 (Moody's)	3 184 136	320 117	25 364	**3 529 617**
Total cash and cash equivalents, excluding cash on hand	**4 442 641**	**433 817**	**25 364**	**4 901 822**

The table below provides an analysis of cash and cash equivalents, excluding cash on hand by credit quality as at 31 December 2022:

Banks	Demand deposits placed with banks	Non-cash accounts in transit - funds in plastic cards	Other due from other banks	Total
- Rating B1 (Moody's)	198 701	55 903	-	**254 604**
- Rating B2 (Moody's)	1 004 168	364 526	15 034	**1 383 728**
Total cash and cash equivalents, excluding cash on hand	**1 202 869**	**420 429**	**15 034**	**1 638 332**

6. Microcredits and microloans to customers

The tables below analyze the Company's loan portfolio at amortized cost:

	31 December 2023	31 December 2022
Microcredits and microloans granted to individuals measured at amortized cost	111 087 397	107 688 242
Overdue microcredits and microloans granted to individuals, measured at amortized cost	1 702 142	736 047
Microcredits granted to legal entities, measured at amortized cost	-	13 798
Microcredits and microloans granted to individuals in the process of litigation	437 465	-
Accrued interest receivable on microcredits and microloans, measured at amortised cost	3 229 771	2 962 009
Total microcredits and microloans to customers, measured at amortised cost	**116 456 775**	**111 400 096**
Provision for expected credit losses	(1 947 881)	(1 572 342)
Net microcredits and microloans to customers valued at amortized cost	**114 508 894**	**109 827 754**

The following information is provided on the collateral of loans:

Jewellery	36 943 647	28 334 483
Fiduciary	35 803 776	37 567 841
Vehicles	16 596 326	24 725 334
Other collateral	23 883 255	17 810 429
Accrued interest receivable on microcredits and microloans	3 229 771	2 962 009
Total microcredits and microloans to customers, measured at amortised cost	**116 456 775**	**111 400 096**

The tables below provide an analysis of the credit quality of microcredits and microloans to customers measured at amortized cost provided by the Company as of 31 December 2023 and 2022. At the same time, the analysis of the credit quality of microcredits and microloans valued at amortized cost, presented in the tables below, is based on the scale of credit quality of borrowers developed by the Company. A description of the terms 12-month expected credit losses, lifetime expected credit losses, unimpaired and impaired assets can be found in the "Estimated Expected Credit Loss" section of Note 4 "Significant Accounting Policies" (page 27).

Credit quality of microcredits and microloans to customers measured at amortized cost SUMMARY for 2023	Stage 1 12-month expected credit losses	Stage 2 Lifetime Expected Credit Losses – Unimpaired Assets	Stage 3 Lifetime Expected Credit Losses – Impaired Assets	Total
Microcredits and microloans to customers measured at amortized cost				
- Minimal credit risk	112 805 636	27 785	-	**112 833 421**
- Low credit risk	-	2 396 525	-	**2 396 525**
- High credit risk	-	471 773	2 460	**474 233**
- Defaulted loans	-	-	752 596	**752 596**
Total microcredits and microloans to customers, measured at amortised cost, before provisions	**112 805 636**	**2 896 083**	**755 056**	**116 456 775**
Provision for expected credit losses	(1 486 963)	(50 550)	(410 368)	**(1 947 881)**
Total microcredits and microloans to customers, measured at amortised cost, less provision	**111 318 673**	**2 845 533**	**344 688**	**114 508 894**

Credit quality of microcredits and microloans to customers, measured at amortized cost SUMMARY for 2022	Stage 1 12-month expected credit losses	Stage 2 Lifetime Expected Credit Losses – Unimpaired Assets	Stage 3 Lifetime Expected Credit Losses – Impaired Assets	Total
Microcredits and microloans to customers valued at amortized cost				
- Minimal credit risk	108 016 331	777 856	-	**108 794 187**
- Low credit risk	-	1 026 924	17 624	**1 044 548**
- High credit risk	-	237 735	2 925	**240 660**
- Defaulted loans	-	-	1 320 701	**1 320 701**
Total microcredits and microloans to customers, measured at amortised cost, before provisions	**108 016 331**	**2 042 515**	**1 341 250**	**111 400 096**
Provision for expected credit losses	(1 467 020)	(39 852)	(65 470)	**(1 572 342)**
Total microcredits and microloans to customers, measured at amortised cost, less provision	**106 549 311**	**2 002 663**	**1 275 780**	**109 827 754**

The tables below provide an analysis of the movement of the provision for expected credit losses on microcredits and microloans of customers accounted at amortised cost as at 31 December 2023 and 2022.

	Stage 1 12-month expected credit losses	Stage 2 Lifetime Expected Credit Losses – Unimpaired Assets	Stage 3 Lifetime Expected Credit Losses – Impaired Assets	Total
Balance of provison for expected credit losses as at 01 January 2023	**1 467 020**	**39 852**	**65 470**	**1 572 342**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	-	-	-	**-**
Transfer to Stage 3	-	-	-	**-**
Net expense from the creation / (restoration) of the provision for expected credit losses	19 943	10 698	344 898	**375 539**
Other changes	-	-	-	**-**
Balance of provision for expected credit losses as at 31 December 2023	**1 486 963**	**50 550**	**410 368**	**1 947 881**

	Stage 1 12-month expected credit losses	Stage 2 Lifetime Expected Credit Losses – Unimpaired Assets	Stage 3 Lifetime Expected Credit Losses – Impaired Assets	Total
Balance of provision for expected credit losses as at 01 January 2022	**937 410**	**535 689**	**31 047**	**1 504 146**
Transfer to Stage 1	461 414	(461 414)	-	**-**
Transfer to Stage 2		(34 423)	34 423	**-**
Transfer to Stage 3	-	-	-	**-**
Net expense from the creation / (restoration) of the provision for expected credit losses	68 196	-	-	**68 196**
Other changes	-	-	-	**-**
Balance of provision for expected credit losses as at 31 December 2022	**1 467 020**	**39 852**	**65 470**	**1 572 342**

The table below provides an analysis of the credit quality of microcredits and microloans to customers assessed for impairment on a collective and individual basis as at 31 December 2023 and 2022:

Microcredits and microloans as of 31 December 2023	Issued to individuals	Issued to legal entities	Total
Neither past due nor impaired	**114 122 897**	**-**	**114 122 897**
Individually impaired			
- with a delay in payment of up to 30 days	1 388 445	-	**1 388 445**
- with a delay in payment from 31 to 90 days	245 849	-	**245 849**
- with a delay in payment from 91 to 180 days	699 584	-	**699 584**
- with a delay in payment of more than 181 days	-	-	**-**
Total individually impaired loans	**2 333 878**	**-**	**2 333 878**
Provision for expected credit losses on a collective basis	(1 497 050)	-	**(1 497 050)**
Provision for expected credit losses on individually impaired loans	(450 831)	-	**(450 831)**
Total provision for expected credit losses	**(1 947 881)**	**-**	**(1 947 881)**
Total microcredits and microloans to customers less provision for expected credit losses	**114 508 894**	**-**	**114 508 894**

Microcredits and microloans as of 31 December 2022	Issued to individuals	Issued to legal entities	Total
Neither past due nor impaired	**110 577 708**	**13 834**	**110 591 542**
Individually impaired			
- with a delay in payment of up to 30 days	703 938	-	**703 938**
- with a delay in payment from 31 to 90 days	84 371	-	**84 371**
- with a delay in payment from 91 to 180 days	20 245	-	**20 245**
- with a delay in payment of more than 181 days	-	-	**-**
Total individually impaired loans	**808 554**	**-**	**808 554**
Provision for expected credit losses on a collective basis	(1 551 571)	(327)	**(1 551 898)**
Provision for expected credit losses on individually impaired loans	(20 444)	-	**(20 444)**
Total provision for expected credit losses	**(1 572 015)**	**(327)**	**(1 572 342)**
Total microcredits and microloans to customers less provision for expected credit losses	**109 814 247**	**13 507**	**109 827 754**

The Company provides microcredits and microloans to legal entities of all industry affiliations, as well as to individuals for various purposes permitted by the current legislation. The credit decision-making policy is determined by the Credit Policy. But in any portfolio of assets there is an inevitable risk of losses, which are not particularly highlighted, but can arise at any time, and this may affect the further activities of the Company. Provisions for possible losses are deducted from the relevant asset items of the balance sheet. In accordance with the legislation, the Company can write off its microcredits and microloans at the expense of reserves by decision of the Council, and in some cases by the relevant court decision.

The company used the methodology for creating a portfolio provision provided for in IFRS 9 Financial Instruments and created a provision to cover impairment losses. The Company's policy provides for the classification of each microcredit as "neither past due nor impaired" until the moment of establishing specific objective signs of impairment of this loan. In the course of the analysis, we received an idea or confirmation that the Company is evaluating business models in accordance with the requirements of IFRS 9.

The main factors that the Company takes into account when considering the issue of depreciation of microcredits are its overdue status and the possibility of implementing collateral, if any.

7. Fixed and intangible assets

The following is information on the value of fixed and intangible assets as of 31 December 2023.

	Transportation Equipment	Office and Computer Equipment	Total fixed assets	Intangible assets	Total
Cost or Valuation					
At 01 January 2023	**625 039**	**1 746 478**	**2 371 517**	**6 697**	**2 378 214**
Receipt	251 968	277 522	529 490	-	**529 490**
Transfer or relocation	-	-	-	-	**-**
Disposal	(54 145)	-	(54 145)	-	**(54 145)**
At 31 December 2023	**822 862**	**2 024 000**	**2 846 862**	**6 697**	**2 853 559**
At 01 January 2023	**(261 134)**	**(697 268)**	**(958 402)**	**(6 697)**	**(965 099)**
Depreciation charges	(146 544)	(487 553)	(634 097)	-	(634 097)
Transfer or relocation	-	-	-	-	-
Disposal	54 145	-	54 145	-	54 145
At 31 December 2023	**(353 533)**	**(1 184 821)**	**(1 538 354)**	**(6 697)**	**(1 545 051)**
At 01 January 2023	**363 905**	**1 049 210**	**1 413 115**	**-**	**1 413 115**
At 31 December 2023	**469 329**	**839 179**	**1 308 508**	**-**	**1 308 508**

The following is information on the value of fixed and intangible assets as of 31 December 2022.

	Transportation Equipment	Office and Computer Equipment	Total fixed assets	Intangible assets	Total
Cost or Valuation					
At 01 January 2022	**383 118**	**973 799**	**1 356 917**	**6 697**	**1 363 614**
Receipt	241 921	772 679	1 014 600	-	**1 014 600**
Transfer or relocation	-	-	-	-	**-**
Disposal	-	-	-	-	**-**
At 31 December 2022	**625 039**	**1 746 478**	**2 371 517**	**6 697**	**2 378 214**
At 01 January 2022	**(165 212)**	**(314 481)**	**(479 693)**	**(6 697)**	**(486 390)**
Depreciation charges	(95 922)	(382 787)	(478 709)	-	(478 709)
Transfer or relocation	-	-	-	-	-
Disposal	-	-	-	-	-
At 31 December 2022	**(261 134)**	**(697 268)**	**(958 402)**	**(6 697)**	**(965 099)**
At 01 January 2022	**217 906**	**659 318**	**877 224**	**-**	**877 224**
At 31 December 2022	**363 905**	**1 049 210**	**1 413 115**	**-**	**1 413 115**

8. Right-of-use assets

	for 2023	for 2022
Balance of the right of use as of 01 January	**837 431**	**-**
Receipt of the right of use	84 902	960 707
Depreciation for the reporting period	(332 323)	(123 276)
Balance of the right of use as of 31 December	**590 010**	**837 431**

The Company rents premises for offices in the regions of the Republic of Uzbekistan. Before operation, major or cosmetic repairs are carried out in these premises with the permission of the owner.

Under the general agreements, the owner undertakes to lease the premises for up to 5 years, and if the contract is terminated early at the initiative of the owner, then the owner of the premises is not obliged to compensate for the costs incurred for the repair of these premises.

9. Income tax

The amount of income tax as of 31 December 2023 amounted to 5 728 274 thousand UZS (in 2022: 5 327 532 thousand UZS, respectively). The current income tax rate applicable to the Company's profit for 2023 is 15% (15% in 2022, respectively).

Income tax expenses include the following components:

	31 December 2023	31 December 2022
Current income tax expenses	5 767 514	5 390 831
Deferred tax assets	(39 240)	(63 299)
Income tax expenses for the year	**5 728 274**	**5 327 532**

The Company prepares tax calculations for the current period on the basis of tax accounting carried out in accordance with the requirements of the tax legislation of the Republic of Uzbekistan, which may differ from IFRS. Due to the fact that some types of expenses are not taken into account for tax purposes, the Company has certain temporary differences between the current value of assets and liabilities for the purposes of preparing financial statements and for tax purposes.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount determined for tax purposes.

Temporary differences as at 31 December 2023 are mainly related to different methods of accounting for income and expenses, as well as the book value of certain assets.

The following is information on the tax effect of temporary differences for 2023:

	31 December 2023	(Attributed) / Reversed to profit or loss accounts	31 December 2022
Tax effects of deductible/(taxable) temporary differences			
Loans and advances	237 936	(6 369)	231 567
Fixed assets	1 498	(240)	1 258
Right-of-use assets and liabilities	8 967	(4 053)	4 914
Other	152 217	(28 578)	123 639
Net deferred tax assets / (liabilities)	**400 618**	**(39 240)**	**361 378**
Recognised deferred tax assets	400 618	(39 240)	361 378
Recognised deferred tax liability	-	-	-
Net deferred tax assets / (liabilities)	**400 618**	**39 240**	**361 378**

10. Other assets

	31 December 2023	31 December 2022
Interest-free income receivable	539 340	461 056
Provision for impairment losses on non-interest income receivable	(455 434)	(407 315)
Total other financial assets	**83 906**	**53 741**
Prepayment for goods and materials	99 835	264 860
Prepaid service costs	83 794	8 621
Settlements with bank employees	2 665	-
Prepaid expenses	2 514	5 789
Other non-financial assets	-	3 859
Total other non-financial assets	**188 808**	**283 129**
Total other assets	**272 714**	**336 870**

11. Borrowed funds

Borrowed funds of the founders	2 400 000	12 948 440
Accrued interest on borrowed funds of the founders	39 800	387 617
Borrowed funds raised from other persons	9 450 000	1 750 000
Accrued interest on borrowed funds raised from other persons	58 680	14 544
Total borrowings	**11 948 480**	**15 100 601**

The Company and the founders of the Company have concluded several loan agreements for a period of 1 to 2 years, the interest rate is 36% for the provision of microfinance services. As of the reporting date, the balance of borrowed funds of the founders is in the amount of 2 400 000 thousand UZS (at the end of 2022: 12 948 440 thousand UZS).

At the same time, the established restriction in accordance with Article 6 of the Law of the Republic of Uzbekistan "On Non-Bank Credit Organizations and Microfinance Activities", that is, "to attract loans from participants - individuals in an amount exceeding the amount of contribution to the authorized capital (authorized capital) or the nominal value of shares owned by them, with the exception of attracting loans in the form of bonds" - is observed.

12. Short-term loans payable

	31 December 2023	31 December 2022
Short-term loans payable, including		
- JSCB "KAPITALBANK"	12 725 788	9 984 000
- JSCB "HAMKORBANK"	600 000	1 583 333
- JSC "INVEST FINANCE BANK"	-	1 000 000
Accrued interest payable, including		
- JSCB "KAPITALBANK"	93 247	111 893
- JSCB "HAMKORBANK"	6 707	20 206
Total short-term loans payable	**13 425 742**	**12 699 432**

Short-term loans for payment were attracted by the Company to expand activities and develop microfinance services.

13. Long-term loans payable

Long-term deposits payable, including		
- JSCB "HAMKORBANK"	5 607 319	-
- JSC "INVEST FINANCE BANK"	-	6 694 167
- EMF Microfinance Fund, AGmvK (Liechtenstein)	11 098 920	16 654 945
Accrued interest payable, including		
- JSCB "HAMKORBANK"	65 531	-
- JSC "INVEST FINANCE BANK"	-	108 837
- EMF Microfinance Fund, AGmvK (Liechtenstein)	559 492	889 872
Total long-term loans payable	**17 331 262**	**24 347 821**

On April 26, 2022, the Company and EMF Microfinance Fund Investment Company, AGmvK entered into a Loan Agreement in the amount of 1,500,000 US dollars, with a term until June 29, 2025 and an interest rate of 26.17 per annum and fixed in Uzbek sums. The funds were allocated to expand the Company's microfinance loan portfolio. As at the reporting date, the loan balance amounts to 11,098,920 thousand UZS.

The Company is obliged to comply with certain financial conditions in relation to the funds raised from the Investment Company "EMF Microfinance Fund, AGmvK". It was not our responsibility to verify compliance with the established financial covenants by the Investment Company "EMF Microfinance Fund, AGmvK", so we do not express our opinion on this issue.

14. Right of use liability

	for 2023	for 2022
Balance of the right of use as of 01 January	**870 193**	**-**
Receipt of the right of use	84 902	960 707
Interest on the right of use	108 897	51 886
Right-of-use lease payments	(414 200)	(142 400)
Balance of the right of use as of 31 December	**649 792**	**870 193**

15. Debt securities issued

	31 December 2023	31 December 2022
Corporate bonds	15 000 000	-
Accrued interest payable on issued securities	41 096	-
Total debt securities issued at amortised cost	**15 041 096**	**-**

16. Other liabilities

Dividends payable	2 239 981	-
Unearned interest income	49 022	59 975
Total other financial liabilities	**2 289 003**	**59 975**
Settlements with employees	419 765	290 689
Account payable for goods and materials and services	40 686	73 216
Settlements with customers	2 022	-
Other non-financial liabilities	42 507	-
Total other non-financial liabilities	**504 980**	**363 905**
Total other liabilities	**2 793 983**	**423 880**

17. Authorized capital

	31 December 2023	31 December 2022
Registered share capital	**42 000 000**	**40 000 000**
Issued share capital	40 000 000	35 000 000
Increases during the reporting period	2 000 000	5 000 000
Decrease during the reporting period	-	-
Total authorized capital	**42 000 000**	**40 000 000**

The issued authorized capital of the Company as of 31 December 2023 is 42 000 000 thousand UZS (in 2022, respectively, 40 000 000 thousand UZS).

According to the minutes of the general meeting of the founders of the Company No 10/23 dated July 11, 2023, it was decided to increase the authorized capital to 42 000 000 thousand UZS.

During 2023, according to the minutes of the general meeting of the founders of the Company, it was decided to pay dividends in the amount of 32 960 000 thousand UZS, of which 2 000 000 thousand UZS were directed to increase the authorized capital.

18. Retained earnings

The Company maintains accounting records in accordance with the requirements of the legislation of the Republic of Uzbekistan. These financial statements are prepared on the basis of these accounting records with adjustments necessary to bring them in line with all material aspects of IFRS. During the reporting period, the Company's retained earnings in accordance with IFRS amounted to 13 704 959 thousand UZS (at the end of 2022: 16 528 877 thousand UZS, respectively).

Only the accumulated retained earnings of the Company can be distributed as dividends according to the financial statements prepared in accordance with the accounting rules of the Republic of Uzbekistan. In accordance with the legislation of the Republic of Uzbekistan, retained earnings are the profit of the current year and previous years, remaining at the disposal of the Company after the payment of dividends, taxes and deductions to various funds.

The amount of retained earnings of the Company according to the financial statements prepared in accordance with the accounting rules of the Republic of Uzbekistan, as of 31 December 2023 is 15 968 747 thousand UZS, of which net profit for 2023 is in the amount of 15 926 950 thousand UZS.

19. Interest income and expenses

	31 December 2023	31 December 2022
Interest income calculated at the effective interest rate		
- on microcredits and microloans to customers	68 237 345	63 153 959
Total interest income calculated at the effective interest rate	**68 237 345**	**63 153 959**
Interest expense calculated at the effective interest rate		
- on borrowed funds of the founders	(8 330 101)	(10 182 412)
- on short-term loans payable to foreign investors	(3 779 114)	(2 396 610)
- on short-term loans payable to banks	(1 706 299)	(1 322 428)
- on long-term loans payable to other banks	(1 652 548)	(1 961 218)
- on borrowed funds raised from other persons	(704 144)	(274 556)
- by right of use	(108 897)	(51 886)
- on issued bonds	(41 096)	-
Total interest expense calculated at the effective interest rate	**(16 322 199)**	**(16 189 110)**
Net interest income	**51 915 146**	**46 964 849**

20. Commission Costs

Commission and bank service costs	(847 524)	(680 810)
Commission expenses on loans	-	(116 585)
Other commission and service costs	(1 041 512)	(731 596)
Total commission expenses	**(1 889 036)**	**(1 528 991)**

21. Other non-interest income and expenses

Fines, penalties on loans and leasing	4 546 173	3 317 366
Reimbursement of written-off funds	1 338 591	746 086
Profit from the sale or disposition of fixed assets	36 191	-
Total other non-interest income	**5 920 955**	**4 063 452**

22. Personnel and other operating expenses

	31 December 2023	31 December 2022
Staff costs	(12 729 216)	(9 444 473)
Rental and maintenance costs	(1 932 527)	(1 631 353)
Depreciation expense	(966 420)	(601 985)
Administrative costs	(321 721)	(342 735)
Travel and transportation costs	(150 550)	(113 591)
Representation and charity	(136 425)	(191 306)
Insurance	(100 492)	(21 785)
Payment for professional services	(71 027)	(101 200)
Taxes (other than income tax) and licenses	(9 303)	(26 143)
Fines and penalties	(11)	(95 127)
Other expenses	(66 892)	(57 316)
Total operating expenses	**(16 484 584)**	**(12 627 014)**

23. Risk Management

The main task of financial risk management is to determine risk limits and further ensure compliance with the established limits. Risk assessment also serves as the basis for optimal risk-based capital allocation, transaction pricing and performance evaluation. Risk management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

The Company's risks are managed in relation to the following financial risks: a) Credit risk; b) Risk of loss of liquidity; c) Geographical risk; d) Market risk; e) Interest rate risk; f) Currency risk.

The priority is to ensure maximum safety of assets and capital based on minimizing exposure to risks that can lead to unexpected losses. All risks that may adversely affect the achievement of the Company's goals are recognized and assessed on an ongoing basis. This approach to valuation applies to all risks assumed by the Company in the course of its activities.

Credit risk – the Company assumes credit risk, namely the risk that the counterparty will not be able to repay the debt in full by the due date. The Company controls credit risk by setting limits on a single borrower or a group of related borrowers, as well as on geographical and industry segments. The Company regularly monitors such risks; the limits are reviewed at least annually. Supervisory Board. The risk per borrower is additionally limited by limits covering balance sheet and off-balance sheet risks. Actual compliance with the limits regarding the level of risk accepted is monitored on a daily basis.

Credit risk management structure:

⇒ The decision to issue microcredits (microloans) is made by the underwriter and the managers of the Company's branches in accordance with the credit policy;

⇒ The terms of credit products, including credit limits, terms and interest rates are set by the Supervisory Board of the Company.

⇒ The decisions of the Supervisory Board are binding on all services of the Company. All loan terms accepted by the Supervisory Board are reflected in the loan agreement concluded between the Company and the client;

⇒ The subjects of lending are individuals, entrepreneurs carrying out their activities without forming a legal entity;

⇒ The Company provides short-term, long-term microcredits (microloans) to borrowers of various forms of ownership. As of the reporting date, the maximum loan term does not exceed three years;

⇒ The objects of lending can be the purchase of various instruments to ensure self-employment and issued to individuals for personal needs;

⇒ The credit limit per borrower of the Company is determined in accordance with the maximum permissible norms, the borrower's credit history, the size of the average monthly turnover and average monthly balances on the borrower's current account, the level of loan security, in accordance with the importance of the borrower as a client of the Company, its financial condition, development prospects and other available information about the borrower.

Credit risk management

The purpose of credit risk management is to minimize the Company's losses due to borrowers' failure to fulfill their obligations and to maximize the Company's profitability, taking into account credit risk.

Objectives of credit risk management:

⇒ Analysis and assessment of credit risks;

- ⇒ Determination of the magnitude of risks;
- ⇒ Credit risk management;
- ⇒ Control over the effectiveness of credit risk management.

The criteria for evaluating loans are:

- ⇒ Financial situation of the borrower;
- ⇒ Quality of debt service by the borrower;
- ⇒ Collateral.

In the course of credit risk management, limit restrictions are established on lending and investment activities:

- ⇒ Lending to legal entities and individuals;
- ⇒ Investments in securities.

When lending to legal entities and individuals, the Credit Committee of the Company makes a decision on the possibility of granting a microcredit and on setting the maximum value of the microcredit amount. The decision is made on the basis of the expert opinion of the credit department on the possibility of providing microcredit, information on the availability of free cash resources, and other available information.

The limits of issuance to legal clients are set on the basis of an analysis of their ownership structure, business reputation, credit history, financial condition, financial forecasts, position in the industry and other criteria. The amount of credit provided to an individual is limited by his solvency, which is calculated individually for each client with the application of decreasing coefficients to the amount of his income, as well as taking into account the existing debt on previously issued loans. The amount of the loan depends on the amount of collateral received.

The Company uses a formalized internal methodology based on the calculation of an integral score characterizing the financial condition and creditworthiness of the borrower for quantitative assessment and monitoring of credit risk. Quantitative assessment of credit risk is based on discounting future cash flows.

The procedure for assessing the financial condition is based on the analysis of the first (preceding the date of loan disbursement) and the last financial statements of the borrower and other information received by the Company. The Company's Credit Division analyzes loans by maturity and subsequent control of overdue balances.

When assessing the loan portfolio, the Credit Division of the Company assesses the concentration of risk in the loan portfolio. Concentration takes many forms and occurs when a significant number of loans have similar characteristics. The Company takes into account the diversification of the loan portfolio in terms of maturity, types of collateral, industries, and geographical distribution.

In order to monitor credit risk, employees (credit departments) prepare regular reports based on a structured analysis of the client's business and financial performance. All information on significant risks in relation to customers with deteriorating creditworthiness is brought to the attention of the Credit Committee and the Company's management bodies, and analyzed by them.

Monitoring the quality of the loan portfolio

In accordance with the Company's credit policy, the Loan portfolio monitoring department is responsible for monitoring:

- targeted use of credit funds;

- collateral that meets market requirements;

- financial indicators of borrowers; and

- the quality of the loan portfolio.

The Internal Audit Service is responsible for monitoring the compliance of the loan portfolio with the requirements and rules of the Central Bank of the Republic of Uzbekistan, as well as the internal policies of the Company. The Company's credit risk management processes are audited annually by the internal audit service, which checks the adequacy of procedures and the proper classification of loans. The Internal Audit Service discusses the results of all evaluations with management and submits reports on its results with recommendations to the Supervisory Board of the Company.

Provision for expected credit losses

The Company creates a provision for expected credit losses, which reflects the Company's assessment of losses on the loan portfolio. Management assesses the adequacy of the credit loss allowance on a monthly basis and receives a full risk report designed to provide all necessary information to assess and conclude on the Company's credit risks.

The Company writes off the loan (as well as the corresponding allowance for its impairment) when the loan is classified as uncollectible and when all the necessary procedures for repayment of the loan have been completed. Such a decision is made after considering information about significant changes in the borrower's financial position (such as the inability to make payments on the loan), as well as if the proceeds from the sale of the collateral are insufficient to cover the entire amount of the debt.

Write-off of bad debts at the expense of the allowance for possible losses on loans is made on the basis of a decision of the Supervisory Board of the Company. Within five years, the financial and property condition of the borrower is monitored in order to be able to collect.

Liquidity risk - Liquidity risk is the risk of a mismatch between the maturity of claims on active transactions and the maturity of liabilities.

Liquidity assessment is carried out:

⇒ depending on the number of assets at the disposal of the Company and the possible timing of their sale without significant losses for the Company;

⇒ depending on existing liabilities, terms to maturity and dynamics of changes in the number of liabilities over time.

A position is considered risky if the Company's liquid assets and the projected receipt of financial resources are insufficient to fulfill the Company's obligations in a certain period of time.

The Company's liquidity management activities are coordinated by controlling short-term, medium-term and long-term liquidity.

Current (instant) liquidity is the ratio between the Company's claims and liabilities to be repaid during the current day. Short-term, medium-term and long-term liquidity is the ratio between the Company's claims and liabilities to be repaid over the established periods of time.

Liquidity risk is regulated by controlling the deficit or excess of cash resources, distributing and redistributing monetary resources among instruments depending on the terms of investments, the degree of their liquidity and the level of profitability, including the allocation of funds for the provision of loans, the issue of own securities.

The liquidity analysis system is based on the method of assessing the gap in the maturity of the Company's assets and liabilities, for which indicators and ratios of excess (deficit) liquidity are calculated.

The analysis of the Company's liquidity consists of compliance with the above ratios, analysis of their absolute values and their dynamics, as well as comparison of their values with the limit values established by the Company.

Market Risk

The Company is exposed to market risk, which is the risk of financial losses or a decrease in the value of assets as a result of adverse changes in market prices (foreign exchange rates, prices for precious metals, interest rates). The Company's management sets limits on the level of risk assumed and monitors their compliance. There have been no changes in the composition of these risks and the methods of assessing and managing these risks in the Company. However, this approach does not prevent losses in excess of limits in the event of more significant changes in the market.

Market risk is divided into:

- ⇒ interest rate risk;
- ⇒ currency risk.

For each type of market risk to which the Company is exposed at the reporting date, a sensitivity analysis is carried out, reflecting information on how changes in the relevant risk variable that could occur at the reporting date would affect profit or loss.

The Company manages market risk in accordance with the market risk management policy. The main goal of market risk management is to optimize the risk/return ratio, minimize losses in the event of adverse events and reduce the deviation of the actual financial result from the expected one.

The Company assesses market risk both in the context of components and in aggregate, while determining the concentration of market risk, as well as the effect of diversification.

Interest rate risk

The Company assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margins, but in the event of unexpected changes in interest rates, the interest margin may also decrease or result in losses. The purpose of managing this type of market risk is to reduce the impact of changes in interest rates on net interest income.

Interest rates for microcredits and microloans of individuals, as a rule, depend on the term until repayment of the loan, its amount and the category of the client. In practice, interest rates are usually set for a short period. In addition, the interest rates fixed in the terms of contracts for both assets and liabilities are often revised by mutual agreement in accordance with the current market situation.

The Company monitors interest rates on financial instruments. The following table shows the interest rates on financial instruments as of the reporting date:

	31 December 2023			31 December 2022		
Assets	Uzbek soums	US dollars	Euro	Uzbek soums	US dollars	Euro
Net microcredits and microloans	48 - 75%	-	-	48 - 75%	-	-
Liabilities						
Borrowed funds	16 - 36%	-	-	16 - 42%	-	-
Short-term loans payable	10 - 24%	-	-	20 - 26%	-	-
Long-term loan payable	24 - 26%	26,17%	-	23 - 25%	26,17%	-

Currency risk - The Company is exposed to currency risk, which is the risk of operating losses due to unfavorable changes in foreign currency exchange rates.

The Company does not have an open currency position in foreign currency, but it has a currency risk associated with the Company's assumed obligations to a foreign creditor to repay a loan fixed in Uzbek sums in foreign currency.

The table below summarizes the overall analysis of the Company's foreign exchange risk related to the Company's obligations to a foreign creditor when converting currencies to repay a loan fixed in Uzbek sums at the reporting date:

	31 December 2023			31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
US dollars	-	(11 658 412)	(11 658 412)	-	(17 544 817)	(17 544 817)
Total	**-**	**(11 658 412)**	**(11 658 412)**	**-**	**(17 544 817)**	**(17 544 817)**

The Company assumes the risk associated with the conversion of Uzbek sums into a foreign currency when fulfilling contractual obligations recorded in Uzbek sum to a foreign creditor and analyzes the effect of a certain percentage of appreciation or depreciation in the same currency in relation to Uzbek sums in the income statement.

The table below shows the change in the financial result resulting from possible changes in the exchange rates used at the end of the reporting period, while all other variables remain unchanged:

	31 December 2023	31 December 2022
Strengthening of the US dollar by 9.92% (end of 2022: 3.58%)	(1 156 514)	(628 104)
Weakening of the US dollar by 9.92% (end of 2022: 3.58%)	1 156 514	628 104

24. Fair value of financial instruments

Fair value is the amount of compensation in a transaction involving an asset or liability between knowledgeable, independent parties acting on a voluntary basis. The best evidence of fair value is the market quoted price of a financial instrument.

The estimated fair value of financial instruments was calculated by the Company based on available market information (if any) and appropriate valuation methods. However, in order to interpret market information for the purpose of determining fair value, it is necessary to apply professional judgment. As the economy of the Republic of Uzbekistan continues to exhibit some characteristics inherent in developing countries, and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be outdated or reflect the selling value at low prices and therefore not reflect the fair value of financial instruments. In determining the fair value of financial instruments, management uses all available market information.

Financial instruments carried at fair value – Changes in the fair value of financial assets and liabilities that are carried through profit or loss are accounted for in the statement of financial position at fair value. Fair value is calculated on the basis of quoted market prices. For some financial assets, there are no external independent market quotations, the fair value of these assets was determined by the Company on the basis of application of other assessment methods. Cash and cash equivalents are carried at amortised cost, which is approximately equal to their current fair value.

Microcredits and microloans to customers - The fair value of instruments with a floating interest rate is usually equal to their book value. In case of significant changes in the market situation, interest rates on microcredits and microloans to customers provided at a fixed interest rate may be revised by the Company borrowing market rates for new instruments with similar credit risk and maturity.

If, according to the Company's assessment, the rates on previously issued microcredits or microloans differ significantly from the rates on similar instruments effective as of the reporting date, the estimated fair value of such microcredits is determined. The valuation is based on the discounted cash flow method using current borrowing market interest rates for new instruments with similar credit risk and maturities. The discount rates used depend on the currency, maturity of the instrument and the counterparty's credit risk.

Liabilities carried at amortised cost - The fair value of these liabilities is based on market prices, if any. The estimated fair value of fixed-rate, fixed-maturity instruments that do not have a market price is based on discounted cash flows applying interest rates to new instruments with similar credit risk and similar maturities. The fair value of liabilities payable on demand or on advance notice ("liabilities payable on demand") is calculated as the amount payable on demand discounted from the first date of the potential demand for liquidation of the obligation.

The results of fair value measurement are analysed and allocated to the levels of the fair value hierarchy as follows:

(a) Level 1 includes valuations at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(b) Level 2 – those obtained using valuation methods in which all relevant inputs used are directly or indirectly observable for the asset or liability (i.e., e.g., prices),

(c) Level 3 estimates, which are estimates that are not based on observable market data (i.e., based on unobservable inputs).

To allocate financial instruments to the categories of the fair value hierarchy, the Company's management uses professional judgment. If observable inputs that require significant adjustments are used to measure fair value, that estimate is Level 3. The significance of the inputs used is assessed for the entire fair value assessment.

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

	1 Level	2 Level	3 Level	Book value
Cash and cash equivalents				
- Cash on hand	-	1 624 487	-	**1 624 487**
- Demand deposits placed with banks	-	-	4 442 641	**4 442 641**
- Non-cash accounts in transit - funds in plastic cards	-	-	433 817	**433 817**
- Other due from other banks	-	-	25 364	**25 364**
Loans and advances to customers				
- Microcredits and microloans provided to individuals	-	-	114 508 894	**114 508 894**
Other financial assets				
- Interest-free income receivable	-	-	83 906	**83 906**
Total	**-**	**1 624 487**	**119 494 622**	**121 119 109**

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

	1 Level	2 Level	3 Level	Book value
Cash and cash equivalents				
- Cash on hand	-	1 150 458	-	**1 150 458**
- Demand deposits placed with banks	-	-	1 202 869	**1 202 869**
- Non-cash accounts in transit - funds in plastic cards	-	-	420 429	**420 429**
- Other due from other banks	-	-	15 034	**15 034**
Loans and advances to customers				
- Microcredits and microloans provided to individuals	-	-	109 814 247	**109 814 247**
- Microcredits and microloans provided to legal entities	-	-	13 507	**13 507**
Other financial assets				
- Interest-free income receivable	-	-	53 741	**53 741**
Total	**-**	**1 150 458**	**111 519 827**	**112 670 285**

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

	1 Level	2 Level	3 Level	Book value
Borrowed funds				
- Borrowed funds of the founders	-	-	2 400 000	**2 400 000**
- Accrued interest on borrowed funds of the founders	-	-	39 800	**39 800**
- Borrowed funds raised from other persons	-	-	9 450 000	**9 450 000**
- Accrued interest on borrowed funds raised from other persons	-	-	58 680	**58 680**
Short-term loan payable				
- Short-term loans payable to banks	-	-	13 325 788	**13 325 788**
- Accrued interest payable	-	-	99 954	**99 954**
Long-term loan payable				
- Long-term loan payable to banks	-	-	5 607 319	**5 607 319**
- Accrued interest payable	-	-	65 531	**65 531**
- Long-term loans payable to foreign investors	-	-	11 098 920	**11 098 920**
- Accrued interest payable	-	-	559 492	**559 492**
Debt securities issued				
- Bonds issued	-	-	15 000 000	**15 000 000**
- Accrued interest payable on issued securities	-	-	41 096	**41 096**
Other financial liabilities				
- Dividends payable	-	-	2 239 981	**2 239 981**
- Unearned interest income	-	-	49 022	**49 022**
Total	**-**	**-**	**60 035 583**	**60 035 583**

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

	1 Level	2 Level	3 Level	Book value
Borrowed funds				
- Borrowed funds of the founders	-	-	12 948 440	**12 948 440**
- Accrued interest on borrowed funds of the founders	-	-	387 617	**387 617**
- Borrowed funds raised from other persons	-	-	1 750 000	**1 750 000**
- Accrued interest on borrowed funds raised from other persons	-	-	14 544	**14 544**
Short-term loan payable				
- Short-term loans payable to banks	-	-	12 567 333	**12 567 333**
- Accrued interest payable	-	-	132 099	**132 099**
Long-term loan payable				
- Long-term loan payable to banks	-	-	6 694 167	**6 694 167**
- Accrued interest payable	-	-	108 837	**108 837**
- Long-term loans payable to foreign investors	-	-	16 654 945	**16 654 945**
- Accrued interest payable	-	-	889 872	**889 872**
Other financial liabilities				
- Unearned interest income	-	-	59 975	**59 975**
Total	**-**	**-**	**52 207 829**	**52 207 829**

Fair value measurements at Level 2 and Level 3 of the fair value hierarchy were performed using the discounted cash flow method. The fair value of fixed-rate instruments that are not quoted in an active market is based on the discounted cash flow method using existing borrowing market interest rates for new instruments with similar credit risk and maturities.

For assets, the Company used assumptions about the incremental rate on borrowed capital and the rates of early repayment of the counterparty. Liabilities are discounted at the Company's incremental borrowed capital rate. Liabilities to be repaid on demand were discounted starting from the first day of the potential submission of a claim for repayment of the liability by the Company.

25. Related Party Transactions

For the purposes of these financial statements, a party is considered to be related if they are under common control, or one has the ability to control the other, or can have a material influence over the other party's financial and operational decisions, as set out in IAS 24 "Related Party Disclosures". When considering all possible relationships with related parties, the content of such relationships is taken into account, and not only their legal form. In the opinion of the Management, the ultimate beneficiaries, direct shareholders of the Company, and the main management of the Company can be considered related parties.

Related party transactions included settlements, loans, deposits, guarantees, and foreign exchange transactions. According to the Company's policy, all transactions with related parties are carried out on the same terms and conditions as transactions with other parties.

The table below shows the balances of transactions with related parties as at 31 December 2023:

	Key management personnel	Parent company	Other related parties	Total
Microcredits and microloans	15 536	-	297 675	**313 211**
Interest income on microloans	8 079	-	191 165	**199 244**
Borrowed funds of the founders	2 400 000	-	-	**2 400 000**
Accrued interest on borrowed funds of the founders	39 800	-	-	**39 800**
Interest expenses on borrowed funds of the founders	(8 360 101)	-	-	**8 360 101**
Administrative costs	(2 047 754)	-	(10 160 625)	**12 208 379**

The table below shows the balances of transactions with related parties as at 31 December 2022:

	Key management personnel	Parent company	Other related parties	Total
Microcredits and microloans	56 070	-	465 673	**521 743**
Interest income on microloans	20 462	-	309 406	**329 868**
Borrowed funds of the founders	12 948 440	-	-	**12 948 440**
Accrued interest on borrowed funds of the founders	387 617	-	-	**387 617**
Interest expenses on borrowed funds of the founders	(10 182 412)	-	-	**(10 182 412)**
Administrative costs	(1 574 147)	-	(7 487 773)	**(9 061 920)**

26. Events after the reporting date

In the opinion of the management, in the period between the reporting date and the date of signing these financial statements, there were no events that had a material impact on the financial condition of the Company.