Chocofamily Holding LLP

U.S.$15,000,000 10.25% Bonds due 2023

The U.S.$15,000,000 aggregate principal amount of 10.25% Bonds due 2023 (the "**Securities**" or the "**Bonds**", and each a "**Bond**") of Chocofamily Holding LLP (the "**Company**" or the "**Issuer**" or the "**Group**") will be issued in accordance with the Acting law of the Astana International Financial Centre (the "**AIFC**") in the denomination of U.S.$100 each.

This document constitutes the Prospectus of the Bonds (the "**Prospectus**") described herein and is prepared for the purposes of AIFC rules. Full information on the Issuer and the offer of the Bonds is only available on the basis of this Prospectus. The Prospectus will be published on the website of the Astana International Exchange Ltd. (the "**AIX**") at https://www.aix.kz at the time of admission to the Official List.

Application has been made for the Bonds to be admitted to the Official List of the AIX and to be admitted to trading on the AIX. The AIX does not guarantee that the Bonds will be admitted to the Official List of the AIX. The AIX reserves the right to grant admission of the Bonds to the Official List of the AIX only where it is satisfied that such admission is in accordance with the AIX Business Rules.

The Issuer did not seek independent legal advice with respect to listing the Bonds on the AIX in accordance with the Bonds Prospectus.

The AIX and its related companies and their respective directors, officers and employees do not accept responsibility for the content of the information included in this Prospectus including the accuracy or completeness of such information. Liability for the Prospectus lies with the Issuer and other persons such as Experts whose opinions are included in the Prospectus with their consent. Nor has the AIX, its directors, officers or employees assessed the suitability of the securities to which the Prospectus relates for any particular investor or type of investor. If you do not understand the content of this Prospectus or are unsure whether the securities are suitable for your individual circumstances, you should consult an authorized financial advisor.

No representation or warranty, express or implied, is made by the Lead Manager as to the accuracy or completeness of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future. The Lead Manager does not assume any responsibility for the accuracy or completeness of the information contained in this Prospectus.

No action has been or will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the Bonds in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus (in preliminary, proof or final form) nor any amendment or supplement thereto nor any other offering or publicity material relating to the Bonds may be distributed, in or from, or published, in any country or jurisdiction, except under circumstances that will result to the best of the Lead Manager's knowledge and belief in compliance with any applicable securities laws or regulations.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these Securities in any jurisdiction or under any circumstances in which such offer, solicitation or sale is not authorized or would be unlawful. Recipients of this Prospectus who intend to subscribe for or purchase the Bonds are reminded that any subscription or purchase may only be made on the basis of the information contained in the final Prospectus.

These Bonds constitute debt instruments. An investment in the Bonds involves risks. By subscribing to the Bonds, investors lend money to the Issuer who undertakes to pay interest on a semi-annual basis and to reimburse the principal on the Maturity Date. In case of bankruptcy or default by the Issuer, investors may not recover the amounts they are entitled to and risk losing all or part of their investment. The Bonds are intended for investors who are capable of evaluating the interest rates in light of their knowledge and financial experience. An investment decision must solely be based on the information contained in the present Prospectus. Before making any investment decision, investors must read the Prospectus in its entirety (and, in particular, Condition "Risk factors" in the Prospectus). Each potential investor must investigate carefully whether it is appropriate for this type of investor to invest in the Bonds, taking into account his or her knowledge and experience and must, if needed, obtain professional advice.

Lead Manager

Freedom Finance JSC

The date of this Prospectus is 20 December 2020

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PROSPECTUS SUMMARY

1. Introduction

The Prospectus Summary should be read as an introduction to the Prospectus. Any decision to invest in the Securities should be based on a consideration of the Prospectus as a whole by an investor. These Securities (Bonds) constitute debt instruments. An investment in the Bonds involves risks. By subscribing to the Bonds, investors lend money to the Issuer who undertakes to pay interest on a semi-annual basis and to reimburse the principal on the Maturity Date. In case of bankruptcy or default by the Issuer, investors may not recover the amounts they are entitled to and risk losing all or part of their investment. Civil liability attaches only to those Persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Securities.

Issue

U.S.$15,000,000 10.25% Bonds due in 2023, ISIN KZX000000609

Issuer

Chocofamily Holding LLP, business identification number 160240014721

The contact details of the Issuer are:

Address: 280 Baizakov str., Floor 2, Office 222, Bostandyk district, Almaty, Kazakhstan, 050040
Telephone: +7 (727) 346 85 88
E-mail: anvar@chocolife.me.

Prospectus

This Prospectus was approved by the AIX on 20 December 2020. The terms and conditions of the Offer set out in this Prospectus were approved by a resolution of the extraordinary general meeting of the Issuer's participants on 18 November 2020.

The contact details of the AIX are:

Address: 55/19 Mangilik El str., Block C 3.4, Nur-Sultan, Kazakhstan, Z05T3C4
Telephone: +7 (717) 223 53 66.

2. Key Information on the Issuer

2.1. The Issuer of the Bonds

Issuer

Chocofamily Holding Limited Liability Partnership is incorporated and registered in the Republic of Kazakhstan and operates under the laws of the Republic of Kazakhstan. The Company's business identification number is 160240014721.

Principal Activities

Incorporated in 2016, Chocofamily Holding LLP is a managing parent company for a group of companies rendering e-commerce services in various segments. There are eight projects, that are aimed to improve the quality of people's lives, saving their time and money:

1. **Redprice LLP ("Chocolife.me")** is the first product in the Company's ecosystem that was launched in 2011. In 2017, Chocolife.me acquired its main competitor – BeSmart.kz and now is No. 1 daily deals service in Kazakhstan with 98% of market share. Subsequently, operations have been merged and significant cost synergies have been realized. Chocolife.me is a coupon marketplace, offering daily deals to users. For users, the Company is a tool for finding the most profitable and interesting offers in entertainment and discovery of local experiences: on the website and in the mobile application, you can find promotions with discounts from 50% to 90%. For its partner establishments, Chocolife.me is a tool for advertising, since it has a large base of active Internet users, information support on the largest kaznet sites, a highly qualified user care service, daily e-mail distribution and much more.
2. **Internet Optika LLP ("Lensmark")** is an online store of ophthalmology goods. Despite the dominant market share (six times larger than the closest competing online store), profitability, Lensmark has hit a growth plateau (10-15% growth each year) and now brings the least value to the ecosystem. Therefore, the Company is actively seeking to divest this business.
3. **Internet Turizm LLP and Aviata LLP ("Chocotravel" and "Aviata", respectively)** are services for online booking and purchase of air and railway tickets. Chocotravel was launched in July 2012. In February 2018, the Company acquired a 53.01% ownership interest in Aviata. Later, in November 2019, the Company increased its ownership interest in Aviata to 100%. Chocotravel and Aviata are online travel agencies (OTA) and meta

search (aggregators of other OTAs and airlines' own websites) for booking airline and railway tickets, hotels, car rentals with 60% online travel market share and the best-known brand on the market with 42% of "top-of-mind" level. The main goal of Chocotravel and Aviata is to provide cheap flights while getting the best conditions possible from airlines. Due to its leading position in the market, the service can offer tickets at air carrier prices, as well as exclusive promotions and discounts from them.

4. **Internet-dostavka LLP ("Chocofood")** was launched in August 2013. Chocofood is an online food delivery service that operates on a commission basis with its partners. Delivery is carried out either by a restaurant itself (average delivery time – 1 hour) or Chocofood's contractor-couriers (average delivery time – 30-40 minutes). Today the project operates in strategic cities, such as: Almaty, Nur-Sultan, Karaganda, Shymkent, Aktau, Atyrau. Chocofood keeps up fast growth – 80-90% per year.
5. **iDoctor LLP ("iDoctor")** was launched in 2013. In June 2017, the Company acquired a 40% ownership interest in iDoctor and later increased its ownership interest in iDoctor to 67.40% and 75.13% in October 2017 and February 2019, respectively. The mission of the project is to provide an opportunity for everyone to find and use the healthcare services needed in an efficient way. The service is free of charge for all of the residents of Kazakhstan. The main advantage of the project is a unique ranking system for clinics and doctors, taking into account patient feedback, online consultations and the popularity of search requests. Thus, the user is the first one to see the best doctors and available services according to the search request.
6. **Internet Loyalnost LLP ("Rakhmet")** is an online loyalty for business and payments service that uses a transactional model. It was launched in March 2018. Rakhmet also serves for its partners as a loyalty system between a client and a partner, which increases the level of customer confidence and increases the number of retained customers, due to the cash-back function and the ability to receive feedback. Rakhmet is one of the fastest growing services in Kazakhstan and the best fintech app in the country according to the users reviews in AppStore and Google Play (4.8-4.9 out of 5).
7. **Payment Processing LLP ("ioka")** is a platform created to provide services for processing payments initiated by the client in electronic form and transferring the necessary information to a commercial bank, an organization carrying out certain types of banking operations to make a payment and (or) transfer or accept money for these payments.
8. **Darkstore LLP ("Ryadom")** is a brand-new project launched in August 2020, with a great potential in the retail market, which sets itself the aim of becoming the fastest and most comfortable grocery delivery service, i.e. in 15 minutes, completely free of charge and regardless of the order amount. This service allows users to place an order as if you yourself chose the products in the store, being responsible for the quality of each product and guaranteeing an instant return if the user does not like the product. The service also differs from its competitors in that it reduces the delivery time while expanding the delivery area. Service users will be provided with cashback and other bonuses as gifts and additional amounts on the balance for the next orders.

Major Participants

1. Choco Capital Partners LLP (52.36%)
2. Timur Turlov (19.96%)
3. Murat Abdrakhmanov (13.01%)
4. Aidyn Rakhimbayev (12.92%)

The Issuer is directly controlled by Choco Capital Partners LLP.

The major ultimate beneficial owners of the Issuer are Ramil Mukhoryapov, Anvar Bakiyev, and Nikolai Mazentcev (the "**Founders**" or "**Founding Members**", and each a "**Founder**" or "**Founding Member**"). In aggregate, the Founders hold a 71.32% ownership interest in Choco Capital Partners LLP.

Members of the Supervisory Board

Pursuant to the Articles of Association and the Resolution of the extraordinary general meeting of the Issuer's participants dated 06 August 2019, the Issuer has formed the Supervisory Board in the following composition:

- Ramil Mukhoryapov – Chairman of the Supervisory Board

- Evgeniy Ussatov – a member of the Supervisory Board
- Murat Abdrakhmanov – a member of the Supervisory Board
- Nikolay Babeshkin – a member of the Supervisory Board
- Aydin Rakhimbayev – a member of the Supervisory Board
- Nurlan Zhagiparov – a member of the Supervisory Board
- Timur Turlov – a member of the Supervisory Board

The members of the Supervisory Board are elected for a five-year term.

Members of the Management Board

- Nikolai Mazentcev – Chairman of the Management Board
- Anvar Bakiyev – a member of the Management Board
- Nurken Rzaliyev – a member of the Management Board
- Nikolay Shcherbak – a member of the Management Board

Auditors

For 2019: Grant Thornton LLP
15 Al-Farabi ave., Nurly-Tay BC, 4V, Office 2104
Almaty, Kazakhstan, A25D5E2

For 2017-2018: PricewaterhouseCoopers LLP
34 Al-Farabi ave., AFD BC, Building A, Floor 4,
Almaty, Kazakhstan, A25D5F6

2.2. Key financial information on the Issuer

(KZT thousands)	2017 (audited)	2018 (audited)	2019 (audited)	6 months 2019 (unaudited)	6 months 2020 (unaudited)
Revenue	1,651,861	3,643,552	4,895,080	2,613,121	2,217,308
Operating loss	(541,309)	(1,049,986)	(2,034,645)	(396,772)	(553,887)
Loss for the period	(592,571)	(1,315,440)	(2,758,465)	(372,692)	(883,269)
Total assets	1,159,080	3,110,422	3,191,472	5,193,043	2,577,192
Total liabilities	1,801,017	3,816,039	6,956,811	6,271,664	7,225,800
Total equity	(641,937)	(705,617)	(3,765,339)	(1,078,618)	(4,648,608)

The independent auditors of the Company – PricewaterhouseCoopers LLP and Grant Thornton LLP – issued unqualified independent auditor's reports in respect of the Company's audited financial statements as at and for the year ended 31 December 2019, which include comparative data as at and for the year ended 31 December 2018, and the Company's audited financial statements as at and for the year ended 31 December 2018, which include comparative data as at and for the year ended 31 December 2017. The audited financial statements for the years ended 31 December 2017, 31 December 2018, 31 December 2019 and the unaudited financial statements for the six months ended 30 June 2020 are included in Schedule 2 in this Prospectus.

2.3. Key risks that are specific to the Issuer

1. The Issuer's business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.
2. The Company is dependent on providers of airline tickets and on restaurants.
3. The Company's businesses will suffer if the Company fails to attract and retain key management, employees or other qualified personnel.
4. The Issuer has a history of losses, the Issuer expects to continue to incur losses, and the Issuer may not be able to achieve or sustain profitability in the future.
5. The Company's audited financial statements for the year ended 31 December 2019 include a note to the financial statements on the financial condition of the Company and the existence of a material uncertainty about the Company's ability to continue as a going concern.
6. The Issuer relies on performance and brand marketing channels to generate a significant amount of traffic to its platforms and grow its businesses.
7. The Company operates in a highly competitive industry, and it may be unable to compete successfully against existing or new competitors.
8. The Issuer's operations largely depend on efficient and uninterrupted functioning of information systems.
9. The outbreak of the COVID-19 pandemic has impacted and will probably continue to impact the global economy, global financial markets and the Company's businesses which may have a material adverse effect on the Company's businesses, financial condition and results of operations.
10. The Company's businesses are affected by general business and economic conditions, which could

materially and adversely impact the Company's businesses, financial condition and results of operations.

11. Unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters could materially negatively impact the Company's businesses.
12. The Issuer is a holding company with little or no operations of its own other than the funding and management of its operating subsidiaries, however, its financial statements are presented on a consolidated basis.
13. The laws and regulations applicable to the sector are yet new and at the stage of development; the need to swiftly adapt to unforeseen and frequent changes in these laws and regulations may negatively affect the Company businesses, financial condition, results of operations and prospects.
14. Non-compliance with anti-corruption laws, including bribery laws, can adversely affect the Company's reputation and business.
15. The Issuer may be unable to identify, acquire, close or integrate acquisition targets successfully.

3. Key Information on the Securities

3.1. Terms and conditions of the Securities

The Issue	U.S.$15,000,000 10.25% unsecured unsubordinated Bonds due in 25 December 2023
Currency	U.S. Dollars
Nominal Value	U.S.$100 (one hundred U.S. Dollars) per Bond
Number	150,000 Bonds
ISIN	KZX000000609
Issue Price Range	The Issue Price of the Bonds is expected to be 100.00% of the Nominal Value of the Bonds.
Issue Date	25 December 2020
Rights Attached to the Securities	The Bondholders have the right to: • receive Coupon Payments • receive Nominal Value or Early Redemption Amount (as applicable) upon redemption and at Maturity Date • freely transfer the Bonds • receive information concerning the Issuer's operations • attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond • If any of the covenants mentioned in Condition 3.3 of Securities Notes is breached and such breach continues for more than 30 (thirty) calendar days, require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest • If a Put Event mentioned in Condition 3.4 of Securities Notes occurs, to require the Issuer to redeem any Bonds they hold on the fifth business day after the date of expiry of the Put Event Period (as defined below) at their par value together with coupon interest accrued to, but excluding, the Put Event Date • If any of the events mentioned in Condition 3.5 of Securities Notes occurs and continues for more than 30 (thirty) calendar days, require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest.
Ranking	The Issuer shall ensure that at all times the claims of the Bondholders against it under the Bonds rank at least pari passu with the claims of all its other unsecured creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.
Restrictions on the Free Transferability	The Bonds are freely transferable and, once admitted to the Official List of the AIX, shall be transferable only in whole in accordance with the applicable rules and regulations of the AIX amended from time to time.

Guarantees Attached to the Securities	There are no guarantees attached to the Securities.

3.2. Information on trading of the Securities

The Bonds will be admitted to trading on the AIX under the ticker CHFH.1223.

3.3. Key risks specific to the Securities

1. The Bonds are subject to modification, waivers and substitution.
2. Delisting of the Bonds from the Official List of the AIX may subject gains and Coupon Payments on the Bonds to tax in the Republic of Kazakhstan.
3. The Bonds will be listed on the AIX and benefit from an exemption on withholding tax which is untested in practice.
4. The AIX has relatively short history of operations.
5. The Bondholders may be subject to exchange rate risks and currency controls.
6. The market price of the Bonds may be volatile.

4. Key information on the admission to trading

4.1. Conditions and timetable for investing into the Securities

Admission to Trading	Application has been made for the Bonds to be admitted to the Official List of the AIX and the Bonds are expected to be admitted to trading on 28 December 2020.
Plan for Distribution	The Bonds will be offered in or from AIFC to a wide range of investors (subject to applicable laws and regulations) in Kazakhstan.
Offering Method	Offering of the Bonds will be made through subscription using the book-building platform of the trading system of the AIX in accordance with the AIX Business Rules and relevant AIX market notice.
Offer Period	25 December 2020.
Allotment of the Bonds	The Lead Manager may, at its sole discretion, allot any Bonds to itself or any of its related persons or related persons of the Issuer, without any restriction. The allotment of the Bonds to subscribers shall be at the absolute discretion of the Lead Manager. The Lead Manager may refuse to allot the Bonds subscribed by any subscribers at its sole discretion. The allotment date of the Bonds will be disclosed in the market notice issued by the AIX prior to the book-building process.
Selling Restrictions	The offering and sale of the Bonds is subject to applicable laws and regulations and the Bonds may not be sold in other jurisdictions, including without limitation the United Kingdom, the European Economic Area, other than in compliance with applicable laws and regulations. The Bonds have not and will not be registered under the U.S. Securities Act of 1933 or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.
Notification Process for Investors	Prior to the start of the book-building process the AIX will issue a market notice setting out, among other things, the main terms and conditions of the book-building and settlement procedures in connection with the offering through the AIX, the yield range and the related responsibilities of the AIX trading members. Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the AIX or prior to the said notification.
Estimated Expenses	Estimated expenses associated with the preparation and offering of Bonds, including listing fees, are expected to be U.S.$768,500.
Person seeking for Admission to Trading	The Issuer is the initiator of the admission of the Bonds to the Official List.

4.2. The purpose of the Prospectus

This Prospectus has been produced in connection with the application for the Bonds to be admitted to the Official List of the AIX.

Reasons for the Issuance/Use of	The issuance is being made, and the net proceeds of the issue of the Bonds will be used by the Issuer for general corporate purposes, including the financing of

Proceeds	the Issuer's growth and expansion plans and the refinancing of existing indebtedness. Specifically, the Issuer plans to: • invest the amount of up to U.S.$2,000,000 to finance the growth and expansion of its subsidiary – Internet-dostavka LLP (Chocofood trademark) • invest the amount of up to U.S.$4,231,500 to finance the growth and expansion of its subsidiary – Darkstore LLP (Ryadom trademark) • refinance its existing indebtedness in the amount of U.S.$8,000,000.
Estimated Net Amount of Proceeds	The net proceeds from the issuance are expected to amount to approximately U.S.$14,231,500 after deduction of fees and expenses related to the Issue.
Lead Manager	Freedom Finance JSC, 77/7 Al-Farabi ave., Esentai Tower BC, Floor 3, Almaty, Kazakhstan, A15E3H4.
Conflict of Interest	No person involved in the offering of the Bonds has any interest in the offering, which is material to the offering, save for the fact that Timur Turlov, one of the members of the Supervisory Board and participants of the Issuer, is at the same time the major shareholder and Chairman of the Board of Directors of Freedom Finance JSC, which is the Lead Manager for the issue. In this respect, for the purposes of prevention and settlement of conflicts of interest of officials and employees the Issuer and the Lead Manager have relevant conflict of interest policies in place. These policies define situations of conflict of interest, measures to prevent and resolve them, as well as the responsibility of all participants in the conflict of interest management process.

REGISTRATION DOCUMENT

1. Information about the Issuer

1.1. General information

The Full Legal Name of the Issuer	Chocofamily Holding Limited Liability Partnership
Legal Form of the Issuer	Limited Liability Partnership
The Country of Incorporation of the Issuer	• The Company was incorporated and registered in the Republic of Kazakhstan on 12 February 2016 as a limited liability partnership with the business identification number of 160240014721 and has remained registered for more than four years already. • The contact details of the Issuer are: Address: 280 Baizakov str., Floor 2, Office 222, Bostandyk district, Almaty, Kazakhstan, 050040 Telephone: +7 (727) 346 85 88 E-mail: anvar@chocolife.me.

1.2. Investments

Investments made in the eleven months ended 30 November 2020

In the eleven months ended 30 November 2020, total investments exceeded KZT205 mln – mainly consisting of an increase of the charter capital of iDoctor in the amount of KZT31 mln and contributions to the charter capital of ioka in the amount of KZT95 mln and Ryadom in the amount of KZT78 mln.

Investments made in the year ended 31 December 2019

In 2019, total investments exceeded KZT1,866 mln – mainly consisting of an acquisition of additional ownership interests (46,99% in each) in Aviata and Chocotravel in the total amount of KZT1,779 mln and an additional ownership interest (7.73%) in iDoctor in the amount of KZT63 mln, as well as an acquisition of office equipment and furniture in the amount of KZT24 mln.

Investments made in the year ended 31 December 2018

In 2018, total investments exceeded KZT840 mln – mainly consisting of web-sites, software, and trademarks as a result of an acquisition of the controlling ownership interest in Aviata in the amount of KZT838 mln.

Investments made in the year ended 31 December 2017

In 2017, total investments exceeded KZT381 mln – mainly consisting of web-sites, software, and trademarks as a result of an acquisition of Besmart LLP in the amount of KZT274 mln, Foodpanda Kazakhstan LLP in the amount of KZT28 mln, iDoctor in the amount of KZT38 mln, as well as an acquisition of office equipment and furniture in the amount of KZT40 mln.

2. Operational and financial overview

2.1. Actual and proposed business activities:

The history and description of the principal activities and business of the Issuer

In October 2010, Ramil Mukhoryapov (now Chairman of the Supervisory Board and one of the co-founders of the Company) inspired by the Russian coupon service BigLion made a decision to launch a similar coupon service on the Kazakhstani market under the Chocolife.me brand.

In January 2011, with the help of his friends and relatives he managed to raise the start-up capital of U.S.$105,000 and established legal entities Redprice LLP (a service for the online sale of discount coupons and certificates for goods and services under the Chocolife.me trademark) and Internet Optika LLP (a service for the online sale of eye care products under the Lensmark trademark).

In March 2011, the first management team and websites of the two legal entities were built. The Company started the online sale of discount coupons and certificates for goods and services as well as eye care goods. By the end of the year, Chocolife.me and Lensmark operated in four large cities of Kazakhstan (Almaty, Astana, Karaganda, and Aktobe), and their turnover reached a level of U.S.$1 mln.

Today, Chocolife.me is No.1 daily-deal services with a market share of 98%. It has 1.5 mln registered users and its app has been installed on 1.35 mln devices. Going through the historical timeline of Chocolife.me, in 2014, 1,000,000th purchase was made on the platform. Later, in 2016, its iOS app became the most popular Lifestyle app in the AppStore in Kazakhstan. Later in 2017, there was an acquisition of the coupon service BeSmart LLP under the BeSmart trademark which had been the main competitor of Chocolife.me for several years. In the same year, Chocolife.me won the ”Award.kz“ award in the Best Mobile Application nomination. In 2018, The “Products” section was launched on Chocolife.me platform. In 2019, 50,000th anniversary promotion was initiated, and Chocolife.me helped users save more than KZT1 bln.

Lensmark is No.1 online seller of contact lenses in Kazakhstan. It is six times larger than its closest online competitor. Shopping in e-store is very easy: in just one click the lenses will be in the order basket. with the service provides for automatic sorting and has an online styler, which helps the user to choose a color of contact lenses. The orders are delivered within one day in Almaty and within 1-4 days elsewhere in Kazakhstan. In addition, Lensmark is distinguished by the high-quality service. The Customer Care Service (the managers who place and confirm orders) regularly participate in trainings conducted by all of the lens manufacturers. All of the products presented on Lensmark’s website have passed mandatory certification in Kazakhstan. The widest range of high-quality modern products allows Lensmark to offer the lowest possible prices for its customers. Despite the dominant market share (six times larger than its closest competing online store), Lensmark has hit a growth plateau and now brings the least value to the Company’s ecosystem. Therefore, the Issuer is actively seeking to divest this business.

In 2012, the Company’s participants launched a service Chocotravel – a project for the online sale of air and railway tickets carried out by the legal entity Internet Turizm LLP, which is a 100% subsidiary of the Issuer. On 18 February 2018, the Issuer consolidated the position on the online travel services market having acquired a majority ownership interest in Aviata LLP (the market leader in online booking of air and railway tickets and the longtime rival of Chocotravel at the time). Later, in November 2019, the Issuer obtained a 100% ownership interest in Chocotravel and Aviata. Now, the two have a combined OTA market share of 63% selling 160,000 air tickets and 165,000 railway tickets monthly. Aviata has 41% “top-of mind” brand awareness, while the next competitor has only 6%.

In 2013, the Company’s participants started projects Chocofood (via the legal entity Internet-dostavka LLP) and Chocomart (via the legal entity Internet-Retail LLP), which are the services of online food delivery and online sale of home appliances, respectively. Subsequently, Chocomart was sold in December 2017. Today, Chocofood is No.1 online food delivery service with 40% market share. It receives more than 87,000 orders per month and collaborates with more than 1,000 restaurants.

In February 2016, the Company was registered in Kazakhstan in the form of a limited liability partnership with a holding structure. The choice of the holding structure was dictated by the need to ensure the efficiency of corporate governance procedures and the transparency of the participants structure.

In 2017, Internet-dostavka LLP (Chocofood trademark) acquired 100% stake in the rival service Foodpanda Kazakhstan LLP (then No.2 player on the local market) from the international food tech holding Delivery Hero. At present, food delivery market in Kazakhstan is at a very early stage of development and has a massive organic growth potential. In terms of order frequency, the Company estimates that in Kazakhstan an average customer orders 4-7 deliveries per year compared to 100 deliveries in developed markets, such as Singapore, Hong-Kong, Shanghai, London and New York, which implies fifteenfold growth potential for the local market. In terms of user penetration, the Company estimates that currently less than 5% of Kazakhstan’s population are active users (ordering at least once in 12 months) compared to 70% in UK, 67% in Germany, 50% in Poland, and 30% in Russia. Combined with the order frequency potential, this suggests a market growth potential of 84x to 350x. However, this growth is already being captured by all players in the market, e.g. Chocofood’s orders increased by 50% year-over-year in February 2020.

In 2017, for the development of new e-commerce niches, the Company acquired a controlling stake in the medical tech project iDoctor – a service for online search and appointment with doctors. Today, iDoctor is No.1 online leading platform for doctors. It encompasses more than 14,000 doctors and 2,500 clinics in Kazakhstan, as well as 550,000 doctors and 25,000 clinics in Russia. Recently, iDoctor has launched a new service of telemedicine that provides a great opportunity for patients to get professional medical advice from any place possible. Given the quarantine measures put in place by the governments globally, it helps a lot of people save time, money and start the needed treatment sooner.

In March 2018, the Company launched a new project Rakhmet (via the legal entity Internet Loyalnost LLP) – the mobile application which implements QR based payment for goods and services at merchants’ sites, as well as provides merchants with the opportunity to offer their customers customized loyalty programs (i.e. cashbacks, direct communication, statistics, etc.). Rakhmet will be at the forefront of the Company’s ecosystem. Now, it is the fastest growing project of the Company, which shows the twelvefold growth per year. The application has more than 2,000 registered merchants and 140,000 active customers with a frequency of 48 purchases per year per customer.

In August 2020, the Company launched a brand-new project under the Ryadom trademark.
The project has a great potential in the retail market, which sets itself the aim of becoming the fastest and most comfortable grocery delivery service, i.e. in 15 minutes, completely free of charge and regardless of the amount ordered. It has a revolutionary ambitious goal of disrupting traditional food retail model, with a potential of U.S.$11 bln market in Kazakhstan. Currently, Ryadom is a hyperlocal delivery (i.e. within 1-2 km radius) of groceries, essentials, and convenience goods. Moreover, the designated area is serviced from a single warehouse (“dark store”), where orders are collected and sent via courier.

Market position

Today, the Issuer is the largest and fastest growing e-commerce ecosystem in Kazakhstan. Its holding structure combines a number of various services in the e-commerce industry through subsidiary companies. Its strategy is to establish and promote subsidiaries that could be leaders in their particular segments with significant market shares, and that could also succeed in local and foreign markets. Currently, the Issuer has 12.4% share of all e-commerce market in Kazakhstan, according to Kursiv.kz[1]. The subsidiaries have more than 3 mln registered users, 750 thousand active customers and 34 thousand purchases per day.

However, Kazakhstan still a nascent e-commerce market, with lots of room for the organic growth. The Ministry of Trade and Integration of Kazakhstan estimates[2] that the e-commerce penetration will grow rapidly in 2020-2025, from 7.4% to 15.1%, respectively. As a result, the e-commerce market in Kazakhstan is expected to grow from $1 bln in 2020 to $8.5 bln in 2025. In addition, the e-commerce growth will be supported by strong mobile connectivity and smartphone adoption.

The Company’s strategy implies replicating proven models like Chocolife.me and creating innovative technology like Rakhmet. To achieve this, the Company seeks to build the largest e-commerce and fintech ecosystem with more than 7 mln active users by 2023 and average frequency of one daily transaction per user. Piece by piece, the Company assembles the “everyday app” or “super app” for its consumers, which will be based on Rakhmet’s mobile app and by integrating all existing and future projects will become the central “touchpoint” between the Company and all of its consumers.

Rakhmet

- Business model: Mobile wallet, loyalty app, POS payment acquirer
- Rakhmet is the fastest growing and most frequently used product within the Company’s ecosystem with an average frequency of four transactions per user per month.
- In line with the strategy to make Rakhmet the central “touchpoint”, in August 2020, the Company launched a brand-new product (Ryadom) as a separate app within Rakhmet’s app.
- Rakhmet is the highest-rated financial app in Kazakhstan’s App Store and Google Play with a score of 4.8 (out of 5) based on 2,600 ratings and 11,206 ratings, respectively.

Ryadom

- Business model: Hyperlocal grocery delivery
- Given the hyperlocal approach, average delivery time is 15 minutes. This makes Ryadom a conceptually new way to shop groceries, which save consumers from visiting nearby convenience stores (known for their poor service).
- From the start, the Company has seen a great support from major Fast Moving Consumer Goods distributors (such as JV Coca-Cola Almaty Bottlers LLP, RG Brands JSC, Alidi LLP, Rakhat JSC, Danone Kazakhstan LLP) as they seek to diversify their channels away from the traditional retail (dominated by a single player). This support is reflected in favorable commercial terms (significant retro bonuses and flexible payment options).
- As a result, during the testing stage, Ryadom was able to achieve an average gross margin of 25%. It is estimated that the break-even period is around six months and payback period is 24 months for individual “dark store” location.
- Currently, grocery e-commerce represents less than 1% of food retail market in Kazakhstan. According to Bain & Company, in Western Europe and the United States this metric reached 6%-8% in April 2020. This implies a potential of U.S.$600-900 mln for the grocery e-commerce market in Kazakhstan (based on U.S.$11 bln food retail market).
- The Company will pursue rapid scaling of Ryadom with the goal of opening of 150 “dark stores” by the end of 2021 to establish market leadership.

Chocotravel and Aviata

[1] https://kursiv.kz/news/rynki/2020-06/za-10-let-obem-rynka-elektronnoy-torgovli-v-kazakhstane-vyros-v-20-raz
[2] https://youtu.be/O4tYZ9PHZNI

- Business model: Airline and railway tickets, hotels aggregator, meta search
- The Company pioneered a conceptually new model (OTA and meta search) in the CIS market.
- Chocotravel and Aviata have a combined market share of 63% in online sales of airline tickets in Kazakhstan (according to internal research) – 3.5x more than the closest competitor's share (Tickets.kz).
- Based on the internal research carried out by Nielsen, Chocotravel and Aviata have a combined "top-of-mind" consumer awareness of 42% – seven times more than the closest competitor's level (Aviasales.kz).
- In September 2020, the services started offering their users an option to buy airline tickets with monthly post payments (via integration with partner-bank).
- The Company will scale B2B segment by integrating Chocotravel and Aviata into the merchant app used by merchants and partners of the entire Company's ecosystem. By various estimates, B2B segment represents from 20% to 30% of the airline tickets market – currently, not captured by OTAs.

Chocofood

- Business model: Food delivery marketplace
- Chocofood has a successful record of "outrunning" its competitors. In May 2017, the only foreign competitor at the time (Foodpanda Kazakhstan LLP) exited the market and sold its operations to Chocofood.
- Chocofood's robust business model with positive unit economics provides "durability" in the long run. With current order frequency of six per user per year and net margin of U.S.$1 per order, Chocofood earns U.S.$10 on every user (while the user is active). This figure compares favorably to Chocofood's user acquisition cost of U.S.$4 (payback period – eight months). Furthermore, every increase of order frequency by one will increase earnings per user by U.S.$1.7.
- At present, food delivery market in Kazakhstan is at a very early stage of development and has a massive organic growth potential. In terms of order frequency, it is estimated that in Kazakhstan an average customer orders 4-7 deliveries per year compared to 100 deliveries in developed markets, such as Singapore, Hong-Kong, Shanghai, London and New York, which implies fifteenfold growth potential for the local market. In terms of user penetration, it is estimated that currently less than 5% of Kazakhstan's population are active users (ordering at least once in 12 months) compared to 70% in UK, 67% in Germany, 50% in Poland, and 30% in Russia. Combined with the order frequency potential, this suggests a market growth potential of 84x to 350x. However, this growth is already being captured by all players in the market, e.g. Chocofood's orders increased by 50% year-over-year in February 2020.
- Chocofood will prioritize growth through its own fleet (contractor-couriers) as this approach yields shorter average delivery time and increases order frequency.

iDoctor

- Business model: Search engine to find doctors and other healthcare professionals to get medical advice or treatment needed
- In 2018, iDoctor pivoted from the marketplace model (lead generation) to database, search model. The new model unlocked growth potential and boosted key operating metrics:
  - Number of clinics: 70 in March 2018 and 5,674 in August 2020
  - Number of doctors: 400 in March 2018 and 54,693 in August 2020
  - Number of calls: 1,500 in March 2018 and 24,389 in July 2020
- iDoctor continuously improves its proprietary algorithm to rank doctors in search results. For example, a key input is reviews written by other doctors, similar to citation index in academic research.
- In June 2020, iDoctor launched a new product – telemedicine service – in partnership with the government of Kazakhstan. Patients can register on iDoctor and make online appointments with doctors at state healthcare facilities. While this partnership does not generate revenue, it has increased website traffic and granted access to the government database of all doctors working at state facilities.
- iDoctor will continue signing up doctors with the target of reaching 100% (approximately 70,000 in total in Kazakhstan).
- Given the technology-driven model of iDoctor, it can be quickly scaled to other CIS markets with a minimal increase in fixed costs. As such, the Company already launched a similar project in Russia (doc-helps.ru) and plans to launch in Ukraine, Belarus, Uzbekistan, and Kyrgyzstan (an aggregate market of 550 thousand doctors).

Chocolife.me

- Business model: Coupon marketplace
- Chocolife.me has monopolized the daily deals market and has an estimated market share of 98%, according to internal research.
- Based on user polls, the key reason to use Chocolife.me service is the entertainment and discovery of local experiences. As such, the Company will reposition its brand message from “save up to 90%” to “discover local experiences with up to 90% discount.”
- Chocolife.me will be integrated into Rakhmet’s app, personalizing offers to each user (audience targeting, custom store front, triggers, push notifications), which is expected to revitalize the growth of the number of active users and order frequency.
- Chocolife.me will automate onboarding of merchants to decrease operating costs. In return, “do-it-yourself” merchants will enjoy lower commission. This will allow Chocolife.me to quickly scale its activities in the previously underserved regions of Kazakhstan.

Lensmark

- Business model: Sale of contact lenses
- Despite the dominant market share (six times larger than the closest competing online store), Lensmark has hit a growth plateau and now brings the least value to the ecosystem. Therefore, the Issuer is actively seeking to divest this business.

In general, the Company’s vision is to create billion-dollar companies with a potential to scale globally. In the future, the Company’s management foresee the spinning-off of innovative projects (such as iDoctor and Rakhmet) and scaling them to global markets (starting with other CIS countries).

Current project pipeline in Kazakhstan includes:

1) On-demand delivery (Uber Rush) based on Chocofood’s expertise in logistics.
2) Marketplace lending (via integration with commercial banks) targeting Rakhmet’s users and merchants.
3) Travel activities marketplace targeting Chocotravel’s and Aviata’s customers.

Shown below is the Issuer’s revenue breakdown by business lines:

(KZT thousands)	2018 audited	2019 audited	6 months 2020 unaudited
Chocofamily Holding LLP	15,038	-	500
Redprice LLP (Chocolife.me)	1,152,276	838,306	264,329
Internet Turizm LLP (Chocotravel)	499,155	934,428	274,781
Aviata LLP (Aviata)	1,404,912	2,337,859	908,135
Internet-dostavka LLP (Chocofood)	342,845	567,987	569,015
Internet Loyalnost LLP (Rakhmet)	4,730	(40,563)	57,240
iDoctor LLP (iDoctor)	6,619	34,107	5,074
Internet Optika LLP (Lensmark)	188,073	222,579	121,158
Payment Processing LLP	-	-	-
Chocofamily Service LLP	-	-	17,076
Foodpanda Kazakhstan LLP	-	-	-
Internet-Retail LLP (Chocomart)	29,904	377	-
Total Revenue	**3,643,552**	**4,895,080**	**2,217,308**

2.2. Risk factors

The outbreak of the COVID-19 pandemic has impacted and will probably continue to impact the global economy, global financial markets and the Company’s businesses which may have a material adverse effect on the Company’s businesses, financial condition and results of operations.

In March 2020, the World Health Organization recognized the outbreak of a novel strain of coronavirus, COVID-19, as a pandemic. In response to the pandemic, governments and communities have taken measures to contain the spread of the COVID-19 pandemic, including temporary closures of businesses, social distancing, travel restrictions, “shelter in place” and other governmental regulations, which have caused significant volatility in the financial markets and general economic conditions. These measures have negatively impacted businesses, market participants, financial markets and the global economy and could continue to do so for a prolonged period of time.

In response to local COVID-19 related restrictions, a significant percentage of the Company's employees have transitioned to working remotely. For those functions that cannot be performed remotely, the Company has implemented a number of measures to maintain the health and safety of its employees and customers, including limiting non-essential travel, cancelling in-person work-related meetings, and temperature screening. Widespread illness or long-term continuation of such measures could negatively impact the Company's businesses.

The extent of the impact of COVID-19 on the Company's businesses, operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, including any secondary outbreaks, and the impact on the Company's customers, employees and the markets in which it operates, all of which is uncertain at this time and cannot be predicted. The extent to which COVID-19 may impact the Company's businesses, financial condition, liquidity, results of operations, cash flows, strategies and prospects cannot be reasonably estimated at this time.

The Company's businesses are affected by general business and economic conditions, which could materially and adversely impact the Company's businesses, financial condition and results of operations.

Demand for the Company's products and services is affected by a number of general business and economic conditions. A decline in the Kazakhstani market or general economy could materially and adversely affect the Company's businesses, financial position, results of operations or cash flows. The Company's profit margins, as well as overall demand for its products and services, could decline as a result of a number of factors beyond the Company's control, including economic recessions, changes in customer preferences, investor and consumer confidence, inflation, availability of credit, fluctuation in interest and currency exchange rates, changes in the fiscal or monetary policies of governments, a widespread pandemic, such as COVID-19, and political circumstances (including wars and terrorist acts).

The Company cannot predict the duration of current conditions or the timing or strength of any future activities on the Kazakhstani economy generally. Weakness in the markets in which the Company operates could have a material adverse effect on the Company's businesses, financial condition, results of operations or cash flows.

More generally, because the Company's businesses are correlated with the general economic outlook, a significant deterioration in that outlook or realization of certain events could have a significant negative impact on the Company's businesses and overall results of operations.

Unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters could materially negatively impact the Company's businesses.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as COVID-19, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme weather events or other natural disasters, could create, and in the case of COVID-19 has created, and may continue to create, economic and financial disruptions, and could lead to, or in the case of COVID-19 has led to, operational difficulties (including quarantine, "shelter in place" and travel limitations) that could impair, or in the case of COVID-19 have impaired, the Company's ability to operate its businesses as they are normally operated.

The laws and regulations applicable to the sector are yet new and at the stage of development; the need to swiftly adapt to unforeseen and frequent changes in these laws and regulations may negatively affect the Company businesses, financial condition, results of operations and prospects.

One of the Company's subsidiaries is registered as a payment organization, and its activities are regulated by the National Bank of the Republic of Kazakhstan. In case of non-compliance with the requirements of the law applicable to its activities, the National Bank of the Republic of Kazakhstan may revoke its registration, suspend its activities, as well as collect significant fines from it.

In addition, other Company's subsidiaries are the residents of the Astana Hub Free Economic Zone and receive tax incentives in relation to the individual income taxes from the salary of employees, value-added taxes and corporate income taxes. Non-compliance with the legal requirements applicable to their activities may result in significant additional tax liabilities, which could have a material adverse effect on the Company's businesses, financial condition and results of operations.

The Company is exposed to liquidity risk and foreign currency fluctuations that may adversely affect the Company's financial performance and its future operations.

An important factor for assuring future performance of the Company is its ability to manage business inherent liquidity risk. The Company's liquidity and working capital requirements derive from the increase or decrease in the demand for products of one or several subsidiary companies.

The Issuer may use the cash flows of one of the subsidiaries to finance the activities of the other subsidiaries that are in need of liquidity. Also, the Company may have to use available credit facilities to satisfy these needs or may as well search for potential sources of additional capital. Also, an economic or industry downturn may decrease the level of the subsidiaries' sales. The Company and its subsidiaries do not have significant receivables and do not expect to have any difficulties connected with their collectability.

The Company is also exposed to the liquidity risk derived from the mismatch between the maturities of assets and liabilities, which may prevent the Company from performing its obligations in a timely manner.

Lack of access to short-term and long-term financing in international and domestic capital markets or mismatch between the maturities of assets and liabilities may have a material adverse impact on businesses, financial performance, operating results, prospects, or cash flows.

The Company conducts operations primarily in national currency. Assets of the Company are denominated predominantly in national currency, while a significant part of liabilities after issuing the Bonds will be denominated in foreign currency. This subjects the Company to currency exchange rate risk. Fluctuations in currency exchange rates have had, and will continue to have, an impact on the Company's results of operations. There is no assurance that such currency exchange rate fluctuations will not adversely impact the Company's operating results, cash flows and financial condition. While the Company may employ strategies to hedge against currency fluctuations, the use of such strategies can also result in the loss of potential benefits that might result from favorable exchange rate fluctuations.

The inability to attract sufficient funds for operations may adversely affect the Company's businesses, financial condition, results of operations and prospects.

The Company requires capital, and its financial condition is dependent on timely access to, and the cost of, capital. Although the Company's cash inflows and capital resources are sufficient to fund its debt service obligations and to satisfy its current working capital and other liquidity needs for at least the next 12 months, there can be no assurance that this will continue to be the case over the longer term due to the factors discussed below.

The Company depends on its ability to privately or publicly raise additional capital to manage its liquidity risk, pursue growth strategy and respond to business opportunities, competitive pressures, challenges or unforeseen circumstances. However, such financing might not be available when the Company needs it on acceptable terms, or at all.

The ability of the Company to raise capital in the future could be affected by a number of factors, including:

- a deterioration in general economic conditions in Kazakhstan and globally
- a sudden or unexpected shortage of funds in the banking and financial system
- an increase in interest rates
- a deterioration in the results of operations of the Company
- insufficient competition among banks or other potential sources of financing
- the inclusion of restrictive covenants in financing arrangements or the occurrence of events of default or breaches of these covenants, and (or)
- insufficient demand for securities in the domestic debt capital market.

Any inability to raise capital, as needed and on acceptable terms, could have a material adverse effect on the Company's businesses, financial condition, results of operations and prospects.

Existing and future funding terms may impose financial and operating restrictions on the Company.

The terms of the existing financing agreements of the Company contain different covenants that limit the Company's ability to, among other things, incur additional financial indebtedness, grant security or create any security interests over assets, change business profile, change ownership and pay dividends. As at the date of this Prospectus, the Company was in compliance with respective obligations under its current debt funding arrangements, and the Company is not aware of any circumstances which indicate that any of these obligations will be breached for at least the next 12 months. However, there can be no assurance that the Company will not have instances of breaches in the longer term, nor that, in such circumstances, the Company would be able to obtain a waiver from the relevant lenders for such a breach, to restructure or amend the terms of the relevant financing agreements or to obtain alternative financing on acceptable terms or at all. The terms of certain financing agreements contain cross-default and cross-acceleration provisions. Failure to comply with the relevant obligations or to meet debt obligations under applicable financing arrangements may therefore result in an acceleration of certain of its outstanding debt, which could have a material adverse effect on the Company's businesses, financial condition, results of operations and prospects.

The Company operates in a highly competitive industry and it may be unable to compete successfully against existing or new competitors.

The Company has a number of competitors on the Kazakhstani market, that are local and foreign companies operating in the e-commerce industry. Also, local banks implement their own IT solutions in payments and other e-commerce services and thus compete with the Issuer. The ability of the Company to compete effectively is dependent on its ability to raise low-cost funding, moderate or decrease operating expenses, address adverse industry trends and implement IT solutions. There can be no assurance that the Company will be able to compete successfully against any or all of its current or future competitors. As a result, the Company could lose market share and its revenue could decline, thereby affecting business ability to generate sufficient cash flow to service financial debt or fund operations.

Non-compliance with anti-corruption laws, including bribery laws, can adversely affect the Company's reputation and business.

Notwithstanding its obligation to conduct business in accordance with the laws against corruption and bribery, the Company still risks that any stakeholder - be it a director, employee or business partner - may engage in such activities or establish relationships that violate such anti-corruption laws or may lead to lawsuits. Corruption is one of the major risks faced by the Company since start of operations in Kazakhstan. According to the International Monetary Fund, Kazakhstan is an emerging market and thus more vulnerable to corruption. According to Transparency International 2019 Corruption Perception Index, which rates corruption worldwide from 1 (the lowest level of corruption) to 180 (the highest level of corruption), Kazakhstan ranks 112th. For comparison purposes, Mongolia ranks 106th, Armenia – 77th, Belarus – 66th and Georgia 44th. It is difficult to predict the impact of corruption on the Company's business operations. In some cases, this may result in regulatory changes that may adversely affect the Company's financial position, results of operations, prospects or cash flows.

The Group has procedures under which the Management and Supervisory Boards are in charge to approve material contracts, preventing any potential cases of bribery. Also, the Group has the Compliance Department that is responsible for compliance with anti-corruption laws.

The Company could be adversely affected by contractual claims and complaints.

The Company might be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that the Company and e-commerce industry in general may attract.

Defense in any lawsuit, even if successful, could take substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs. The business is also subject to regulatory proceedings and could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including the ones in which they are not a party. Any of these events could have a material adverse effect on businesses, financial condition, results of operations, prospects or cash flows.

The Issuer's operations largely depend on efficient and uninterrupted functioning of information systems.

IT systems are vulnerable to certain problems, including computer viruses, unauthorized access, physical damage to server and software or hardware malfunctions. Any disruption in, or security breach of IT systems, could have a material adverse effect on business operations, such as the ability to serve customers in a timely manner, to accurately record financial data and to protect business and customers from financial fraud or theft. If business operations are compromised, the Company's reputation and client confidence may deteriorate, and the Company may suffer significant financial losses, any of which may have a material adverse effect on businesses, financial condition, results of operations, prospects or cash flows.

In addition, there can be no assurance that the Company will be able keep abreast of modern technological developments due to financial or technical limitations. Any inability to successfully develop or complete planned upgrades of the Company's IT systems and infrastructure or to adapt business operations and software may have a material adverse effect on businesses, financial condition, results of operations, prospects or cash flows.

The Company's businesses will suffer if the Company fails to attract and retain key management, employees or other qualified personnel.

The success of the Company's business model is partly determined by uninterrupted service of its key management and employees and its ability to attract, retain and motivate qualified personnel. In addition, the Company's key management and other personnel have established important working relationships with regulators and have detailed knowledge of the Company and the markets in which it operates. The Company's success will depend, in part, upon its ability to retain such personnel and hire qualified staff as required. There can be no assurance that the Company will be able to attract, recruit and retain duly qualified personnel. Failure to do so could have a material adverse effect on businesses, financial condition and results of operations.

More specifically, declines or disruptions in the travel industry could adversely affect the Company's businesses, financial condition, results of operations and prospects.

The Issuer's financial results and prospects are dependent upon the sale of travel services. Travel, including accommodation (including hotels, motels, resorts, homes, apartments and other unique places to stay), and airline ticket reservations, is significantly dependent on discretionary spending levels. As a result, sales of travel services tend to decline during general economic downturns and recessions and times of political or economic uncertainty as consumers engage in less discretionary spending, are concerned about unemployment or inflation, have reduced access to credit or experience other concerns or effects that reduce their ability or willingness to travel.

Perceived or actual adverse economic conditions, including slow, slowing or negative economic growth, high or rising unemployment rates, inflation and weakening currencies, and concerns over government responses such as higher taxes or tariffs, increased interest rates and reduced government spending, could impair consumer spending and adversely affect travel demand.

Political uncertainty, conditions or events can also negatively affect consumer spending and adversely affect travel demand. At times, the Company experiences volatility in transaction growth rates, increased cancellation rates and weaker trends in accommodation average daily rates ("ADRs") across many regions of the world, particularly in those countries that appear to be most affected by economic and political uncertainties, which the Company believes are due at least in part to these macro-economic conditions and concerns. Economic or political disruptions could cause, contribute to or be indicative of deteriorating macroeconomic conditions, which in turn could negatively affect travel to or from such countries or the travel industry in general and therefore have an adverse impact on the Company's results of operations. While lower occupancy rates have historically resulted in accommodation providers increasing their distribution of accommodation reservations through third-party intermediaries such as the Company, the Company's remuneration for accommodation reservation transactions changes proportionately with price, and therefore, lower ADRs generally have a negative effect on its accommodation reservation business and on its revenues and results of operations.

The Issuer relies on performance and brand marketing channels to generate a significant amount of traffic to its platforms and grow its businesses.

The Company believes that maintaining and strengthening its brands are important aspects of its efforts to attract and retain customers. The Company have invested considerable money and resources in the establishment and maintenance of its brands, and the Company will continue to invest resources in brand marketing and other brand building efforts to preserve and enhance consumer awareness of its brands. In addition, effective performance marketing has been an important factor in the Company's growth, and the Issuer believes it will continue to be important to its future success. As the Issuer's competitors spend increasingly more on advertising and other marketing efforts, the Company is required to spend more in order to maintain its brand recognition and, in the case of performance marketing, to maintain and grow traffic to its platforms through performance marketing channels. The Issuer may not be able to successfully maintain or enhance consumer awareness and acceptance of its brands, and, even if the Company is successful in its branding efforts, such efforts may not be cost-effective. For instance, the Issuer has observed increased brand marketing by OTCs, meta-search services and travel service providers, which may make its brand marketing efforts more expensive and less effective. If the Company is unable to maintain or enhance consumer awareness and acceptance of its brands in a cost-effective manner, its businesses, market shares and results of operations would be materially adversely affected.

The Issuer's business could be negatively affected by changes in online search and meta-search algorithms and dynamics or traffic-generating arrangements.

The Issuer uses Google to generate a significant portion of the traffic to its platforms, and, to a lesser extent, the Issuer uses other search and meta-search services to generate traffic to its platforms, principally through pay-per-click marketing campaigns. The pricing and operating dynamics on these search and metasearch platforms can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic which determines the placement and display of results of a consumer's search, such that the placement of links to the Company's platforms can be negatively affected and the Company's costs to improve or maintain its placement in search results can increase. The European Commission has fined Google significant amounts for anticompetitive behavior relating to its comparison-shopping service and online search advertising services. Changes by Google in how it presents travel search results, including its promotion of its travel meta-search services, or the manner in which it conducts the auction for placement among search results, whether as a result of a court order, investigation or other reason, may be competitively disadvantageous to the Issuer and may impact the Issuer's ability to efficiently generate traffic to its platforms, which in turn would have an adverse effect on its businesses, market shares and results of operations. Recently Google announced modifications to its flights display model, including that it would not be charging airlines and OTCs for sending referrals from Google Flights. As a result, airline and OTC partners may choose to limit or eliminate their use of other meta-search services or may demand cost savings from their other meta-search services, and (or) Google may receive access to discounted fares not provided to meta-search services that charge for referrals, any of which could adversely affect the Issuer's meta-search businesses, profit margins and results of operations. Similarly, changes by the Company's other search and meta-search partners in how they present travel search results or the manner in which they conduct the auction for placement among search results may be competitively disadvantageous to the Issuer and may impact the Issuer's ability to efficiently generate traffic to its platforms. In addition, if travel search traffic declines or grows less quickly than in the past, the Company's ability to efficiently generate traffic to its platforms through performance marketing on general search platforms may be adversely affected, which could have an adverse effect on the Issuer's businesses and results of operations.

The Company is dependent on providers of airline tickets and on restaurants.

The Company relies on providers of airline tickets and on restaurants to make their services available to consumers through it. The Issuer's arrangements with travel service providers generally do not require them to make available any specific quantity of airline tickets, or to make airline tickets available in any geographic area, for any particular route or at any particular price. Similarly, the Issuer's arrangements with restaurants generally do not require them to provide all of their available menu items. The Company is in regular dialogue with its major travel service providers about the nature and extent of their participation in its services. A significant reduction on the part of any of its major travel service providers or providers that are particularly popular with consumers in their participation in the Company's services for a sustained period of time or their complete withdrawal could have a material adverse effect on the Company's businesses, market shares and results of operations. To the extent any of those major or popular travel service providers ceased to participate in the Company's services in favor of one of its competitors' services or decided to require consumers to purchase services directly from them, the Issuer's businesses, market shares and results of operations could be harmed. Further, as consolidation among travel service providers increases, the potential adverse effect of a decision by any particular significant travel service provider (such as a large hotel chain or airline) to withdraw from or reduce its participation in the Issuer's services also increases.

Chocotravel and Aviata, meta-search services, depend on access to information related to travel service pricing, schedules, availability and other related information from OTCs and travel service providers to attract consumers. Many of Chocotravel's and Aviata's agreements with OTCs and travel service providers are short term agreements that may be terminated on 30 days' notice. To the extent OTCs or travel service providers no longer provide such information to Chocotravel and Aviata, Chocotravel's and Aviata's ability to provide comprehensive travel service information to consumers could be diminished and their brands, businesses and results of operations could be harmed. To the extent consumers do not view Chocotravel and Aviata as reliable sources of comprehensive travel service information, fewer consumers would likely visit their websites, which would also likely have a negative impact on Chocotravel's and Aviata's advertising revenue and results of operations. In addition, if OTCs or travel service providers choose not to advertise with Chocotravel or Aviata or choose to reduce or eliminate the fees paid to Chocotravel or Aviata for referrals from query results, Chocotravel's or Aviata's business and results of operations could be adversely affected.

The Issuer may be unable to identify, acquire, close or integrate acquisition targets successfully.

Acquisitions are a component of the Company's growth strategy; however, there can be no assurance that the Company will be able to continue to grow its business through acquisitions as the Company has done historically or that any businesses acquired will perform in accordance with expectations or that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove to be correct. The Company will continue to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen its industry position or enhance its existing service offerings. The Issuer cannot assure you that it will identify or successfully complete transactions with suitable acquisition candidates in the future, nor can it assure you that completed acquisitions will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with its existing businesses, its businesses, financial condition, results of operations or cash flows could be materially and adversely affected.

In addition, there is substantial cost and time expended to complete post-closing integration of acquisitions, including human resource training, data and technology systems and operational processes. The Issuer may also incur unanticipated liabilities. Any such difficulties could disrupt its ongoing businesses, distract its management and employees, increase its expenses and adversely affect its results of operations. Furthermore, the Company cannot provide any assurance that it will realize the anticipated benefits and (or) synergies of any such acquisition or investment.

The Company's use of "open source" software could adversely affect its ability to protect its proprietary software and subject the Company to possible litigation.

The Issuer uses open source software in connection with its software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and (or) compliance with open source license terms. The Issuer could be subject to suits by parties claiming ownership of what it believes to be open source software or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While the Company monitors its use of open source software and tries to ensure that none is used in a manner that would require it to disclose its proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose the Issuer's proprietary source code or pay damages for breach of contract could be harmful to the Issuer's businesses, financial condition, results of operations, prospects or cash flows, and could help its competitors develop services that are similar to or better than the Company's.

There are various risks associated with the facilitation of payments from consumers, including risks related to fraud, compliance with evolving rules and regulations and reliance on third parties.

The Issuer's results have been and will likely continue to be negatively impacted by consumer purchases made using fraudulent credit cards, claims the consumer did not authorize the purchase or consumers who have closed bank accounts or have insufficient funds in their bank accounts to satisfy payments. The Issuer may be held liable for accepting fraudulent credit cards on its platforms or in connection with other fraudulent transactions on its platforms, as well as other payment disputes with consumers. Accordingly, the Issuer calculates and records an allowance for the resulting chargebacks. The Company must also continually implement and evolve measures to detect and reduce the risk of fraud, in particular as these methods become increasingly sophisticated. If the Company is unable to combat the use of fraudulent credit cards on its websites, its businesses, profit margins, results of operations and financial condition could be materially adversely affected.

The Issuer believes that an important component of its future success will be its ability to offer consumers their preferred method of payment in the most efficient manner on all its platforms, and, as a result, the Company is increasingly processing transactions on a merchant basis where it facilitates payments from travelers through the use of credit cards. While processing transactions on a merchant basis allows the Company to process transactions for properties that do not otherwise accept credit cards and to increase its ability to offer a variety of payment methods and flexible transaction terms to consumers, the Company incurs additional payment processing costs (which are typically higher for foreign currency transactions) and other costs related to these transactions, such as costs related to fraudulent payments and transactions and fraud detection. As the Issuer's merchant transactions continue to grow, in addition to the revenues from these transactions, the Issuer may experience a significant increase in these costs, and its results of operations and profit margins could be materially adversely affected, in particular if the Company experiences a significant increase in non-variable costs related to fraudulent payments and transactions.

The Issuer relies on banks and other payment processors to execute certain components of the payments process. The Company generally pays these third parties interchange fees and other processing and gateway fees to help it facilitate payments from consumers to travel service providers. As a result, if the Company is unable to maintain its relationships with these third parties on favorable terms or if these fees are increased for any reason, its profit margins, businesses and results of operations could be harmed. Additionally, if these third parties experience service disruptions, consumers and travel service providers could have difficulty making or receiving payments, which could adversely impact the Company's reputation, businesses and results of operation.

In addition, in the event that one of the Issuer's major travel service providers voluntarily or involuntarily declares bankruptcy, the Issuer could experience an increase in chargebacks from customers with travel reservations with such travel service provider. For example, airlines that participate in the Company's services and declare bankruptcy or cease operations may be unable or unwilling to honor tickets sold for their flights. The Company's policy in such events is to direct customers seeking a refund or exchange to the airline and (or) their credit card company, and not to provide a remedy itself. However, the Issuer has experienced in the past, and could experience in the future, an increase in chargebacks from customers with tickets on airlines that ceased operations, which could adversely impact its results of operations.

"Cookie" laws could, if adopted, negatively impact the way the Issuer does business.

A "cookie" is a text file that is stored on a user's computer or mobile device. Cookies are common tools used by thousands of websites and mobile apps, including the Issuer's, to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app), market to consumers and enhance the user experience. Cookies are valuable tools for platforms like the Issuer's to improve the customer experience and increase conversion. Many jurisdictions have adopted regulations governing the use of "cookies." To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device, the Company's ability to serve certain customers in the manner it currently does might be adversely affected and the Company's ability to continue to improve and optimize performance on its platforms might be impaired, either of which could negatively affect a consumer's experience using its services and its businesses, market shares and results of operations.

The Issuer is a holding company with little or no operations of its own other than the funding and management of its operating subsidiaries, however, its financial statements are presented on a consolidated basis.

The Company's operations are conducted primarily through its subsidiaries and its ability to generate cash to fund its operations and expenses, to pay dividends or to meet debt service obligations is highly dependent on the earnings and the receipt of funds from its subsidiaries through dividends or intercompany loans. Deterioration in the financial condition, earnings or cash flow of the Issuer's subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent the Issuer's subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of financing arrangements, or are otherwise unable to provide funds to the extent of the Company's needs, there could be a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Issuer has a history of losses, the Issuer expects to continue to incur losses, and the Issuer may not be able to achieve or sustain profitability in the future.

The Issuer incurred net losses of KZT592,571 thousand, KZT1,315,440 thousand, KZT2,758,465 thousand, and KZT883,269 thousand for the years ended 31 December 2017, 2018, 2019, and the six months ended 30 June 2020, respectively. As at 31 December 2017, 2018, 2019, and 30 June 2020, the Issuer had an accumulated deficit of KZT641,937 thousand, KZT705,617 thousand, KZT3,765,339 thousand and KZT4,648,608 thousand, respectively. The Issuer's accumulated deficit and net losses have historically resulted primarily from the substantial investments it made to build its products and services, grow and maintain its businesses and acquire customers. Key elements of the Issuer's growth strategy include acquiring new customers and continuing to innovate and build its brands. As a result, the Company expects its operating expenses to increase in the future due to expected increased sales and marketing expenses, operations costs, and general and administrative costs and, therefore, its operating losses will continue or even increase at least through 2021. Furthermore, to the extent that the Company is successful in increasing its customer base, the Company will also incur increased expenses because costs associated with generating and supporting customer agreements are generally incurred up front, while revenue is generally recognized ratably over the term of the agreement. You should not rely upon the Company's recent revenue growth as indicative of its future performance. The Company cannot assure you that it will reach profitability in the future or at any specific time in the future or that, if and when the Company does become profitable, it will sustain profitability. If the Company is ultimately unable to generate sufficient revenue to meet its financial targets, become profitable and have sustainable positive cash flows, investors could lose their investment.

The Company's audited financial statements for the year ended 31 December 2019 include a note to the financial statements on the financial condition of the Company and the existence of a material uncertainty about the Company's ability to continue as a going concern.

The report notes that:

"We draw attention to Note 3 to the consolidated financial statements, which indicates that as at 31 December 2019 the Group's accumulated deficit amounted to KZT6,455,002 thousand (31 December 2018: KZT2,063,960 thousand) and its current liabilities exceeded its current assets by KZT4,365,603 thousand (31 December 2018: KZT2,015,175 thousand). The Group incurred a net loss of KZT2,758,465 thousand during the year ended 31 December 2019 (for year ended 31 December 2018: KZT1,315,440 thousand) and cash outflows from operating activities in 2019 were equal to KZT1,001,444 thousand (2018: KZT328,680 thousand). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

The accompanying consolidated financial statements do not include any adjustments that might result if the Issuer is unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business which could cause investors to suffer the loss of all or a substantial portion of their investment.

Notwithstanding the "going concern" paragraph included in the financial statements, the Company's senior managers continue to seek opportunities for the Group, and the Supervisory Board have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

2.3. Production and sales trends

The key operating data of the Issuer's subsidiaries (as at the end of the corresponding period) are summarized in the table below.

	2017	2018	2019	6 months 2019	6 months 2020

Chocolife.me					
Registered users	1,370,728	1,566,393	1,575,854	1,571,258	1,580,450
Active customers	180,151	187,495	204,566	195,302	174,505
Active merchants	1,565	1,416	1,318	1,401	951
Orders	570,544	545,553	510,833	237,967	138,431
Average bill, KZT	4,568	4,462	4,922	4,738	3,786
Chocofood					
Active customers	79,767	100,134	141,832	102,672	198,558
Active merchants	390	658	925	689	989
Orders	231,009	421,127	673,573	268,114	482,465
Average bill, KZT	4,488	4,455	4,713	4,810	4,909
Rakhmet					
Active customers	-	29,593	93,441	34,505	45,456
Active merchants	-	588	1,467	1,225	1,055
Orders	-	228,191	1,361,138	361,759	1,589,387
Average bill, KZT	-	3,012	2,665	3,176	1,764
Lensmark					
Active customers	-	8,109	7,851	8,105	8,134
Orders	-	16,350	17,407	8,239	8,205
Units	-	38,393	40,482	19,139	18,141
Average bill, KZT		11,783	12,714	12,119	14,723
iDoctor					
Unique visitors	-	-	1,733,428	697,478	1,023,210
Chocotravel and Aviata					
Active customers	242,599	384,054	689,544	472,311	782,147
Orders	381,961	1,274,665	2,571,463	952,511	1,228,978
Average bill, KZT	34,506	35,783	28,803	32,805	17,820

For more detailed financial information about the Issuer please see Schedule 2 of this Prospectus.

3. Articles of Association and organizational structure

3.1. Articles of Association

Issuer's objectives and purpose set forth in the Articles of Association

The Issuer's objectives and purpose can be found in clause 3 of the Articles of Association which was approved by the Resolution of the extraordinary general meeting of the Issuer's participants dated 30 October 2019.

The primary activities of the Issuer as a limited liability partnership shall contemplate derivation of net income.

The rights, preferences and restrictions attached to each class of the existing Securities

The Issuer's legal form is a limited liability partnership, and as such the Issuer currently does not have any equity securities. The charter capital of the Issuer is divided into ownership interests, which are owned by the Issuer's participants. The participants of the Issuer are entitled to:

- take part in the management of the Issuer's affairs, obtain information concerning activities of the Issuer
- derive incomes from activities of the Issuer in accordance with the legislation, the constituent documents and resolutions of the general meeting of the Issuer's participants as participants
- in case of liquidation of the Issuer, receive value of a part of the property remaining after the settlement of payments with creditors or a part of that property in kind
- retire from the Issuer by alienating its interest according to the procedure provided by the legislation and the Articles of Association
- challenge in a judicial procedure the resolutions of the Issuer's bodies infringing their rights provided by the legislation and (or) the Articles of Association of the Issuer
- The Issuer's participants also shall have other rights provided by the constituent documents of the Issuer and the current legislation of the Republic of Kazakhstan.

The participants of the Issuer are obliged to:

- meet the requirements of the Articles of Association
- make contributions to the charter capital of the Issuer according to the procedure, in amount and within defined timeframes as provided by the constituent documents
- not disclose information declared by the Issuer a trade secret
- notify in writing the executive body of the Issuer of changes in the list of participants of the Issuer stating their names, locations, addresses, bank details (if the participant is a legal entity) or names, places of residence and details of an identifying documents (if the participant is an individual)
- the Issuer's participants shall bear other obligations provided by the Articles of Association and the current legislation of the Republic of Kazakhstan.

Change of rights of holders of the Securities

Constitutional documents of the Issuer may provide for other rights and obligations of its participants. For this purpose, a general meeting of participants must approve amendments to the Articles of Association of the Issuer, and the Issuer's participants must amend the Foundation Agreement of the Issuer.

Annual general meetings and extraordinary general meetings of holders of Securities

- The supreme body of the Issuer is the general meeting of its participants
- The procedure for holding the general meeting of participants is regulated by the Articles of Association of the Issuer and the current legislation
- The general meeting of participants is called by a written notice to all participants 30 days prior to the date of the meeting
- The general meeting of participants of the Issuer shall be competent and the conditions of a quorum shall be deemed met if the Issuer's participants present or represented thereat hold in the aggregate at least 97% (ninety seven percent) or at least 75% (seventy five percent) or more than 50% (fifty percent) of the total votes depending on types of decisions considered by the general meeting of participants as it is described in the Company's Articles of Association
- Resolutions of the general meeting of participants on any matters relating to the activities of the Issuer shall be deemed binding and subject to the strict observance.

Change of control

There are no provisions in the Articles, that would have an effect of delaying, deferring or preventing a change in control of the Issuer. However, there is a statutory preemptive purchase right of each participant and the Issuer itself in case of a sale by any participant of its ownership interest to a third party. Such a preemptive purchase right is also provided for in the Foundation Agreement of the Issuer.

Disclosure requirements on the change in ownership/thresholds

There are no provisions in the Articles of Association, governing the ownership threshold above which participant ownership must be disclosed. However, information about all participants of the Issuer as a limited liability partnership is in public domain and can be obtained from the web-site of the registration authority (www,egov.kz), save for a limited liability partnership, whose registry of participants is maintained by Central Securities Depositary JSC.

Changes in the capital

No conditions imposed by the Articles of Association governing changes in the capital are more stringent than is required by law applicable to the Issuer. However, the Foundation Agreement of the Issuer provides for the possibility of granting options to purchase ownership interests in the charter capital of the Issuer to the Issuer's employees as part of an incentive scheme. In addition, the Foundation Agreement also provides for put option rights to some of the Issuer's participants.

3.2. Group structure

The Group structure is as follows:

The Issuer is a holding company, which controls subsidiaries listed in Table C below. Together with such subsidiaries, the Issuer constitutes Chocofamily Group (the "Group"). In its turn, the Issuer's participants are listed in Table A. Among them is Choco Capital Partners LLP, through which the Founders control the Group. The participants of Choco Capital Partners LLP are listed in Table B below.

Table A

Participants of the Issuer		
Name	**Country of**	**Interest**

Table B

Participants of Choco Capital Partners LLP		
Name	**Country of**	**Interest**

	Incorporation /Citizenship	
Choco Capital Partners LLP	Kazakhstan	52.36%
Aidyn Rakhimbayev	Kazakhstan	12.92%
Murat Abdrakhmanov	Kazakhstan	13.01%
Timur Turlov	Kazakhstan	19.96%
Others (less than 5% int.)	-	1.75%

	Incorporation/ Citizenship	
Ramil Mukhoryapov	Kazakhstan	54.09%
Anvar Bakiyev	Kazakhstan	9.41%
Rashida Mukhoryapova	Kazakhstan	9.13%
Nikolai Mazentcev	Russia	7.82%
Others	-	19.55%

Table C

Subsidiary Companies of the Issuer *Ownership interest (%)*			
	Brand Name	**Country of Incorporation**	**30 June 2020**
Redprice LLP	Chocolife.me and BeSmart	Kazakhstan	100%
Internet Turizm LLP	Chocotravel	Kazakhstan	100%
Aviata LLP	Aviata	Kazakhstan	100%
Internet-dostavka LLP	Chocofood	Kazakhstan	100%
Internet Loyalnost LLP	Rakhmet	Kazakhstan	100%
Chocofamily Service LLP	Chocofamily Service	Kazakhstan	100%
Internet Optika LLP	Lensmark	Kazakhstan	66.62%
iDoctor LLP	iDoctor	Kazakhstan	75.13%
Payment Processing LLP	ioka	Kazakhstan	80%
Darkstore LLP	Ryadom	Kazakhstan	75%
Internet-Retail LLP	Chocomart*	Kazakhstan	100%
Foodpanda Kazakhstan LLP	Foodpanda*	Kazakhstan	100%
** Chocomart and Foodpanda brands permanently have no operating activities*			

4. Assets

4.1. Material contracts

On 1 March 2018, Internet Turizm LLP (Chocotravel brand) and Aviata LLP (Aviata brand) entered into a contract with the world's largest Global Distribution System – Amadeus IT Group S.A. The term of the contract is three years. Under this contract, Internet Turizm LLP and Aviata LLP have access to the Amadeus software, that provides search, pricing, booking, ticketing and other processing services in real-time, and receive incentive payments for each ticket purchased through the Amadeus system.

On 7 August 2019, the Issuer entered into a loan agreement with Mr. Murat Abdrakhmanov, Mr. Evgeniy Usatov and Choco Capital Partners LLP. Under this agreement, the Group received KZT1,380 mln under various loans terms. Later, several amendments to this agreement were made under which Mr. Timur Turlov joined this agreement as another lender, and the total loan amount from all aforementioned lenders was increased to KZT3,258 mln.

In connection with these loan agreements, on 7 August 2019, the Issuer also entered into an option agreement with Mr. Murat Abdrakhmanov, Mr. Evgeniy Usatov, Mr. Timur Turlov, Mr. Aidyn Rakhimbayev and Choco Capital Partners LLP under which in case the Group does not repay its debts under the loan agreements described above, the lenders have the rights to receive ownership interests in the Group in the amount of unpaid loan amount.

On 10 March 2020, the Issuer entered into a loan agreement with Mr. Kanat Temirbekov under which the Group received a loan in the amount of KZT136,5 mln (with the accrued interest rate of 20% p.a. and maturity date of 31 December 2020).

On 11 June 2020, the Issuer entered into a loan agreement with Mr. Aidyn Rakhimbayev under which the Group received a loan in the amount of KZT160 mln (indexed to the U.S. Dollar with the accrued interest rate of 14% p.a. and maturity date of 31 December 2020).

On 12 June 2020, the Issuer entered into a loan agreement (with subsequent amendments) with RBK Bank JSC under which the Group opened a credit line in the amount of KZT250 mln, and RBK Bank JSC issued bank guarantees in the amount of KZT600 mln.

On 12 June 2020, the Issuer's subsidiaries (Redprice LLP, Internet-dostavka LLP, and Internet Loyalnost LLP) entered into a Guarantee Agreement with RBK Bank JSC in relation to the loan from RBK Bank JSC described above.

On 12 June 2020, the Issue entered into a Pledge agreement with RBK Bank JSC in relation to the loan described above under which the Issuer pledged a 49% ownership interest in each of its subsidiaries – Aviata LLP, Internet Turizm LLP and Internet-dostavka LLP.

There are no other material contracts entered into in the ordinary course of business for the two years immediately preceding the date of this Prospectus.

5. Capital

5.1. Share capital

As at 30 June 2020, the authorized issued capital of the Company amounted to KZT3,568 mln.

6. Management of the Issuer

6.1. Details relating to the Supervisory Board and senior managers ("Key Persons")

Name, position and business address	Functions and principal activities
Ramil Mukhoryapov (Chairman of the Supervisory Board and Founding Member, Chairman of the Management Board and participant of Choco Capital Partners LLP) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Company management in accordance with the Articles of Association
Evgeniy Usatov (Member of the Supervisory Board and participant of the Issuer) 44 20th line str., Office 23, Almaty, Kazakhstan	Company management in accordance with the Articles of Association
Murat Abdrakhmanov (Member of the Supervisory Board and participant of the Issuer) 17 Al-Farabi ave., Nurly Tau BC, Block 4B, Office 1203, Almaty, Kazakhstan	Company management in accordance with the Articles of Association
Nikolay Babeshkin (Member of the Supervisory Board of the Issuer, participant of Choco Capital Partners LLP) 157/4 Shevchenko str., Almaty, Kazakhstan	Company management in accordance with the Articles of Association
Aydin Rakhimbayev (Member of the Supervisory Board and participant of the Issuer) 5A Amman str., Akbulak microdistrict, Nur-Sultan, Kazakhstan	Company management in accordance with the Articles of Association
Nurlan Zhagipparov (Member of the Supervisory Board of the Issuer) Almaty region, Karasai district, Zhalpaksay, Auezov Building 2, apt. 5	Company management in accordance with the Articles of Association
Timur Turlov (Member of the Supervisory Board and participant of the Issuer) Almaty city, Nazarbayev ave., house 301, flat 120	Company management in accordance with the Articles of Association
Nikolai Mazentcev (Chairman of the Management Board and participant of Choco Capital Partners LLP, Director of Internet Turizm LLP and Aviata LLP (Chocotravel and Aviata, respectively), participant of Choco Capital Partners) 124 Gagarina str., Almaty, Kazakhstan	Company management in accordance with the Articles of Association Project management functions
Anvar Bakiyev (Member of the Management Board and participant of Choco Capital Partners LLP) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Company management in accordance with the Articles of Association
Nurken Rzaliyev (Member of the Management Board of the Issuer, Director of Internet Loyalnost LLP (Rakhmet) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Company management in accordance with the Articles of Association Project management functions
Nikolay Shcherbak (Member of the Management Board of the Issuer, Director of Internet-dostavka LLP (Chocofood) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Company management in accordance with the Articles of Association Project management functions
Ekaterina Lebedeva (Director of Redprice LLP	Project management functions

(Chocolife.me) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	
Rada Islamova (Director of Internet Optika LLP (Lensmark) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Project management functions
Davranbek Tashbayev (Director of iDoctor LLP (iDoctor) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Project management functions
Magzhan Zhumashev (Director of Payment Processing LLP (ioka) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Project management functions
Daniyar Toembaev (Director of Darkstore LLP (Ryadom) 280 Baizakov str., Floor 2, Office 222, Almaty, Kazakhstan	Project management functions

The Founding Members of the Issuer are Ramil Mukhoryapov, Anvar Bakiyev, and Nikolay Mazentcev.

Ramil Mukhoryapov (Chairman of the Supervisory Board) is relevant to establishing that the Issuer has appropriate expertise and experience for the management of the its business.

Presented below are more detailed biographies of the Key Persons of the Issuer.

Ramil Mukhoryapov was born on 21 December 1984 in Almaty, Kazakhstan. Ramil was admitted to "Financial University under the Government of the Russian Federation" in Moscow from where he graduated with honors in 2007. The same year he entered Financial University's graduate school.

In 2007, Ramil Mukhoryapov together with Nikolai Mazentcev created Photobook, an album production company aimed at graduate students. Afterwards, in 2011, seeing the rapid rise in development of e-commerce market, Ramil returned to Kazakhstan and together with his partners created Kazakhstan's first e-commercial marketplace for collective shopping – Chocolife.me, which later grew to become Chocofamily Holding, Kazakhstan's premiere internet company.

So far, the Issuer has attracted more than U.S.$3 mln in capital investments from Murat Abdrakhmanov (Kaztranscom, Astel, Denta Lux), Aidyn Rakhimbayev (the founder and the major shareholder of the largest construction company in Kazakhstan "BI GROUP" with the total turnover of U.S.$1.5 bln), DEMUS Capital LLP, and Timur Turlov (Freedom Finance JSC), as well as about U.S.$3.5 mln of borrowed capital from its participants.

Yevgeniy Usatov – a member of the Board of Directors of Chocofamily Holding LLP since 2015. Yevgeniy Usatov graduated from Kazakh State Academy of Management, located in Almaty in 1997 with a bachelor degree in International Economic Relations (major: Banking). Mr. Usatov has over 20 years of experience in banking and financial sector. In 1997, Yevgeniy Usatov started his career in ABN AMRO Bank Kazakhstan and during eight years of experience there, has grown up to the strong professional. During the next 11 years Yevgeniy strengthened his position in banking sector, performing leading roles in Halyk Bank of Kazakhstan JSC, Halyk Bank of Kyrgyzstan OJSC and NBK-Bank OJSC (Moscow) – 100% subsidiary of Halyk Bank of Kazakhstan JSC. As a Member of the Management Board, Mr. Usatov had following responsibilities: supervision over several bank divisions, including Credit analysis, Credit administration, Treasury back-office, Collateral evaluation, Correspondent accounts, Budgeting and Planning, IT. As a middle office supervisor, he had close communication with corporate clients and financial institutions, bring responsible for client analysis and structuring of product solutions (credit-related, payments, etc.). He is also a member of major management committees (Board, Credit, ALCO, etc.).

Murat Abdrakhmanov was born on 24 April 1963. His educational background is Kazakh Polytechnic University and Fuqua Executive School of Business. Murat has more than 25 years' experience in business, mostly in the tech sphere. He is the founder of one of Kazakhstan's largest telecom companies Astel JSC. Formerly, he was the co-owner and chairman of the board at KazTransCom JSC (exited in 2020). He is the founder of Kazakhstan's largest chain of dental clinics Dent-Lux and Ambassador (over 100,000 patients yearly) and the multidisciplinary clinic Medical Park. He is the co-founder of FitNation chain of fitness centers (exited in 2007). He founded a number of large system integrators. He is the owner of one of the leading industrial automation (oil and gas industry) companies Zeinet&SSE with Italian software partners and GE big turbines. He is the co-owner of the Miras Palace, large-scale restaurant complex. Also, he is the co-owner of master distributor ATACOM. And most importantly, he is one of the main participants of Chocofamily Holding LLP.

Nikolay Babeshkin was born on 4 August 1983 in Almaty region. He graduated from Satpayev Kazakh National Technical University located in Almaty in 2005 with the bachelor degree in Software and Hardware/Information Protection and Security. Nikolay performs as a strong leader with a solid experience in IT industry, in different periods holding the position of CIO of Halyk Life JSC and IT Director and Member of the Board of Directors of Chocolife.me project. Nowadays, Nikolay is the Chief Executive Officer of Kolesa Co., Ltd. (kolesa.kz, krisha.kz, market.kz projects) which operates in Almaty. He manages 300 employees. 49% of the company was bought by the Baring Vostok Capital Partners Foundation in 2014. The main achievements of Nikolay on the position of the CEO are: the company's profit growing at 30%-50% annually; the number of online project visitors growing at 30%-50% year by year; the company's capitalization doubling during 2013–2014; the company became one of the best hi-tech teams in Kazakhstan and one of the most desired employers for candidates in Almaty.

Aidyn Rakhimbayev was born on 20 September 1972 in East Kazakhstan region. He is married, has 7 children. Aidyn Rakhimbayev is one of the main participants of Chocofamily Holding LLP. Aidyn Rakhimbayev is an absolute professional in the construction industry. He is the founder and the major shareholder of the largest construction company in Kazakhstan "BI GROUP" with the turnover of U.S.$1.5 bln. It has five main business directions: industrial, oil and gas engineering projects (subcontractors of Shell); residential building; road infrastructure; real estate management including hotels and business centers (own and develop Hilton and Hampton by Hilton in Kazakhstan); service for the clients of the company. The company has built 5 mln square meters of residential and commercial area, 2,000 km of highways; and more than 700 km of railways. Mr. Rakhimbayev is in TOP-5 list of the most influential, and TOP-10 list of the wealthiest people of Kazakhstan, according to Forbes Kazakhstan.

Nurlan Zhagiparov is an experienced payments and banking leader. Nurlan graduated from Southampton Solent University (UK) in 2004 as an MSc Software Engineer. Moreover, he was studying in the Houston College (USA) and holds a Bachelor's diploma in the International Relations of Abay Almaty State University (Kazakhstan).

Following the merger of Kazkommertsbank JSC and Halyk Bank of Kazakhstan in July 2018 Nurlan took up the position of Deputy Chief Executive Officer. As Managing Director of Kazkommertsbank, he managed a team of c.800 people across the retail, cards, IT, and online operations. Since leaving Halyk, Nurlan has become an entrepreneur and investor. After focusing on the UK, he successfully launched DNA Payments Limited, an FCA regulated API company, specialized in Merchant Acquiring for the UK SMEs.

Timur Turlov – Chief Executive Officer and Director of Freedom Holding Corp, the participant of Chocofamily Holding LLP.

Timur Turlov graduated from Russia State Technic University (named after Tsialkovskiy) in 2009 with a Bachelor of Science degree in economics and management. Mr. Turlov has more than 10 years of experience in various areas in the international securities industry. From July 2013 to July 2017, Mr. Turlov served as the Advisor to the Chairman of the Board of Freedom Finance JSC. In that capacity, Mr. Turlov was primarily responsible for strategic management, public, and investor relations events, investment strategy, sales strategy, and government relations. In July 2017, Mr. Turlov became the Chairman of the Board of Directors of Freedom Finance JSC. He has also served as the General Director of IC Freedom Finance LLC since August 2011. As the General Director, Mr. Turlov is responsible for establishing IC Freedom Finance LLC's strategic goals, including acquisition and retention of large clients, sales strategy and company development. From May 2012 through January 2013, Mr. Turlov served as the Chairman of the Board of Directors of JSC Nomad Finance where he oversaw business set up and acquisition of large clients. From July 2010 through August 2011, Mr. Turlov was employed as the Vice Director of the International Sales Department of Nettrade LLC. In this capacity, his major responsibilities included consulting to set up access to foreign markets, trading, back office, and internal accounting functions. Mr. Turlov also owns interests in other businesses, including other securities brokerage firms.

Nikolai Mazentcev was born on 16 June 1985 in Tashkent region. At the Suvorov School, he was a squad leader. As a student, Nikolai was the president of the group and was engaged in social activities. He was included in the list of the best Moscow graduates in 2009. He is interested in sports. He participated three times in Ironman 70.3 competitions and this year made his first full Ironman in Cozumel. Nikolai was admitted to the Financial University under the Government of the Russian Federation in Moscow and graduated in 2009. Nikolai Mazentcev, together with Ramil Mukhoryapov, created Photobook, an album production company aimed at graduate students. This project was successful and highly demanded in three regions of Russia. Nikolai is one of the co-founders of Chocofamily Holding LLP, and he has built the business together with Ramil and Anvar from scratch. Today Nikolai is the director of Chocotravel and Aviata. These are two services for online booking and purchase of air and railway tickets. Chocotravel was launched in July 2012. In February 2018, the Company acquired a 53.01% ownership interest in Aviata. Later, in November 2019, the Company increased its ownership interest in Aviata to 100%. Chocotravel and Aviata are online travel agencies (OTA) and meta search (aggregators of other OTAs and airlines' own websites) for booking airline and railway tickets, hotels, car rentals with 60% online travel market share and the best-known brand on the market with 42% of “top-of-mind” level.

Anvar Bakiyev was born in Almaty in 1985. He is a co-founder of Chocofamily Holding LLP. Anvar graduated from «Adilet» Higher Law School with a specialization of lawyer in June 2006, passed ACCA examination (5/14 pass) and holds Kazakhstani Auditor Certificate. Anvar is a great professional in finance and management sectors. He started his career as a lawyer in 2005 but smoothly transitioned into the different path of finance and audit. Mr. Bakiyev has an experience in audit services and was working in one of Big 4 companies, KPMG. As the CFO of the Issuer, Anvar was responsible for budgeting and strategy, accounting supervising, tax planning, cash flow management and risk management. Among the companies where Anvar had leading roles are ZMOT Communication Agency and MyChina LLP. Nowadays, Anvar is the head of back office at Chocofamily Holding LLP and the member of the Management Board.

Nurken Rzaliyev was born on 7 May 1988 in Uralsk, Kazakhstan. Nurken won “Bolashak” international scholarship of the President of the Republic of Kazakhstan in 2006 and graduated from Moscow State Institute of International Relations (MGIMO University) of MFA of Russia in 2011. The same year, he joined a new start-up Chocolife.me founded by Ramil with whom he met while studying in Moscow. From 2011 to 2018, he held various senior management positions at Chocofamily Holding LLP from the commercial director of Chocolife.me to Chief Executive Officer of Chocomart and managing partner at Chocotravel. For the last 2.5 years he has been the Chief Executive Officer of Rakhmet.

Nikolay Shcherbak was born on 22 September 1986 in Ashgabat, Turkmenistan. Nikolay is the experienced Chief Executive Officer with a demonstrated work history in the accounting. Skilled in Food tech, Product development, Marketing and Advertising, Investor Relations, Cash Flow Forecasting, External Audit, International Financial Reporting Standards (IFRS), and Auditing. Nikolay was admitted to American University in Central Asia in Bishkek, Kyrgyzstan, where he studied Business administration and from where he graduated from in 2007. The same year, Nikolay started his career at the Audit Department at KMPG. At KPMG, Nikolay reached the position of Senior Manager in 5 years, having fast promotions. Nikolay joined Chocofamily Holding LLP in October 2012 as the Finance Director. Since June 2014, Nikolay held two positions at Chocofamily Holding LLP simultaneously: the Finance Director of the Issuer and the Chief Executive Officer of Chocofood. In August 2016, Nikolay started to focus solely on Chocofood.

Yekaterina Lebedeva was born in Almaty on 10 May 1991. She graduated from the Faculty of Humanities and Law, Department of Tourism, NU Turan in 2012. On 30 January 2012, she joined Chocolife.me as a manager of the Customer Care Service. On 19 June 2012, she was promoted to the position of the Senior Manager of the Customer Care Service. Since October 2013, she has taken part in the management of the Customer Care Service of the Chocomart and Intermarket projects (up to the creation of a sales department). On 11 March 2014, she was promoted to the position of the Head of Customer Care Service. On 30 April 2015, she became the Director of Customer Care and Quality Control. In 2016, she won the nomination "Best Chocolife.me Manager" three times in a row, according to the results of the HDP seasons of winter, spring and summer. In 2016, she received the status of the "Leader of the Year". In 2017, for the second year in a row, she was awarded the "Executive of the Year" title at Chocolife.me. Since 1 January 2018 she has been the Chief Operating Officer at Chocolife.me, and since 1 June 2018, she has been the Director of Chocolife.me.

Rada Islamova was born on 9 January 1988 in Tashkent, Uzbekistan. In high school, she moved with her family to Kazan, Russia. She graduated from the Academy of Public Administration under the President of the Republic of Tatarstan. In the fifth year, she got an internship at the Organizing Committee of the World Summer Universidad-2013 in Kazan. She continued working there at the marketing department and attracted new sponsors. Simultaneously, she participated in the organization of several World Championships, more than 10 European Championships and 50 Russian Championships. In 2014, she worked as part of a delegation from the Volga Federal District at the Sochi 2014 Olympics. In 2015, she moved to Kazakhstan upon the invitation of the organizing committee of Expo-2017. She was the head of the ticket program for Expo-2017. Since December 2017, she has been working at Chocofamily Holding LLP as the director of the largest online optics of Kazakhstan, Lensmark. Moreover, Rada is the founder of the Wonder Women social project.

Davranbek Tashbayev – Chief Executive Officer of iDoctor.kz, MSc London School of Economics in Management, Information Systems and Digital Innovation. He joined Chocofamily Holding LLP in 2012. He started with the position of the business development manager. Later on, he became the Head of “Intermarket.kz”, online market of electronics within the Chocofamily Holding LLP. He left the Company in 2013 and came back in 2017 as the head of iDoctor, doctor search engine. iDoctor has over 300,000 unique monthly users, 55,000 doctors and 5,000+ clinics on its website.

Magzhan Zhumashev was born on 24 August 1989 in Almaty, Kazakhstan. After graduating from the republican physics and mathematics school for gifted children, he received a bachelor's degree in Software Engineering at the Almaty University of Power Engineering and Telecommunications, continued his studies at the International Information Technologies University with the same major, having received a master's degree. He started his career with national companies – Kazakhtelecom JSC and Kazpost JSC. At Kazpost

JSC, from the position of a software developer, he grew to the position of the head of the software development department, where he managed a team of 50 people, successfully introducing technologies and innovations into the country's postal industry (standardization of the supply of documents for the Supreme Court and the General Prosecutor's Office from five to 20 days to one day; sorting automation; parcel supermarket; parcel terminals, etc.). In 2016, he moved into entrepreneurial activity. The first project was the creation of e-learning content for the international transnational European lean manufacturing company Saint-Gobain Weber. The total project budget was 200,000 euros. From January 2018 to May 2019, Magzhan was building a successful internet acquiring company Tarlan Payments from scratch with over U.S.$3 mln monthly turnover. Now, he is building the modern payments services for businesses and managing his own start-up called Ioka, which functions under the umbrella of Chocofamily Holding LLP.

Daniyar Toembaev, born in 1986, graduated from Oskemen Kazakh-Turkish high school with an "Altyn Belgi" medal. He is an experienced IT professional and leader who graduated from Suleyman Demirel University in 2008. His career started in E-commerce in 2007 with one of the first online stores in Kazakhstan "Intermarket.kz". In 2010-2011, he worked as an IT specialist at Tengizchevroil LLP. In 2013, he and Intermarket.kz's team joined Chocofamily Holding LLP. In 2014, Daniyar became the Chief Technology Officer at joint projects Chocomart.kz and Intermarket.kz that were then successfully sold to Kazakhtelecom JSC. He made a big contribution to launch Chocolife.me (in-house) and Rakhmet mobile applications in a short time. In 2020, he became the co-founder of the new Chocofamily project Ryadom. His work experience helped launch Ryadom in just two months.

Conflict of interest

There is no conflict of interest between the personal interests of any Key Person mentioned above and that of the duties of such persons owed to the Issuer or the interests of the Issuer. The Issuer has a policy on the conflict of interest in place which is applicable to all of the companies within the Group.

6.2. Other information relating to Key Persons

The Issuer does not have an audit committee, nomination committee and remuneration committee, as the Issuer is not required to form committees in accordance with the legislation of the Republic of Kazakhstan governing the activities of legal entities operating in the form of limited liability partnerships.

7. Financial information about the Issuer

7.1. Historical financial information about the Issuer

Consolidated Statement of Profit or Loss (KZT thousands)	**2017**	**2018**	**2019**	**6 months 2019**	**6 months 2020**
	audited	**audited**	**audited**	**unaudited**	**unaudited**
Revenue	**1,651,861**	**3,643,552**	**4,895,080**	**2,613,121**	**2,217,308**
Other income	15,284	15,309	22,487	14,234	26,161
Wages and salaries	(784,676)	(1,683,600)	(2,513,403)	(1,256,723)	(1,049,602)
Advertising	(385,624)	(940,792)	(1,381,430)	(540,210)	(288,851)
Bank and payment systems commissions	(191,897)	(573,456)	(950,223)	(501,290)	(273,208)
Cost of purchased certificates, coupons and tickets	(67,011)	(54,675)	(24,063)	(16,079)	(689,178)
Depreciation and amortization	(40,029)	(209,978)	(258,492)	(140,235)	(44,499)
Foreign exchange gains / (losses)	(16,464)	(210,216)	(1,592)	0	-
Courier services	(59,727)	(200,566)	(415,563)	(289,496)	(1,495)
Cost of materials	(132,642)	(199,642)	(188,621)	(83,094)	-
Share-based payments compensation	(92,461)	(132,256)	(578,621)	0	-
Rent expenses	(47,329)	(77,693)	(62,411)	(31,442)	(29,174)
IT third party support	(78,941)	(43,498)	(58,857)	(23,609)	(31,796)
Impairment of trade and other receivables	(5,405)	(15,312)	(215,915)	0	-
Consulting services	(23,822)	(13,187)	(36,514)	(9,476)	(8,778)
Losses less gains on disposals of property, plant and equipment	(914)	(1,106)	(720)	0	(5,519)
Other operating expenses	(281,512)	(352,870)	(265,787)	(132,932)	(375,256)
Operating loss	**(541,309)**	**(1,049,986)**	**(2,034,645)**	**(397,231)**	**(553,887)**
Finance income	-	7,769	24,446	65,789	10,451
Finance costs	(103,209)	(229,563)	(643,798)	(41,688)	(339,828)
Share of results of associates	(1,110)	-	-	-	-
Loss before income tax	**(645,628)**	**(1,271,780)**	**(2,653,997)**	**(373,130)**	**(883,264)**

Income tax expense	(1,480)	(43,660)	(104,468)	(21)	(5)
Loss for the period from continuing operations	**(647,108)**	**(1,315,440)**	**(2,758,465)**	**(373,151)**	**(883,269)**
Profit / (loss) for the period from discontinued operations	54,537	-	-	-	-
LOSS FOR THE PERIOD	**(592,571)**	**(1,315,440)**	**(2,758,465)**	**(373,151)**	**(883,269)**
Other comprehensive income for the period	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(592,571)**	**(1,315,440)**	**(2,758,465)**	**(373,151)**	**(883,269)**

Consolidated Statement of Financial Position (KZT thousands)	**31 December 2017**	**31 December 2018**	**31 December 2019**	**30 June 2019**	**30 June 2020**
	audited	**audited**	**audited**	**unaudited**	**unaudited**
ASSETS					
Non-current assets					
Property, plant and equipment	60,603	116,592	140,561	135,800	139,560
Right-of-use assets	-	-	70,190	-	70,190
Intangible assets	283,651	825,548	629,282	816,595	577,915
Goodwill	-	750,184	750,184	750,184	750,184
Loans issued	-	-	-	3,219	2,815
Other non-current assets	10	3,069	3,425	-	126
Total non-current assets	**344,264**	**1,695,393**	**1,593,642**	**1,705,798**	**1,540,790**
Current assets					
Inventories	18,196	16,571	20,845	9,436	41,318
Trade and other receivables	608,905	1,197,689	1,202,095	3,250,060	447,284
Loans issued	3,760	43,891	2,325	9,220	1,689
Current income tax prepayments	564	2,733	-	-	52,330
Cash and cash equivalents	183,391	154,145	372,565	218,532	493,781
Total current assets	**814,816**	**1,415,029**	**1,597,830**	**3,487,248**	**1,036,402**
TOTAL ASSETS	**1,159,080**	**3,110,422**	**3,191,472**	**5,193,046**	**2,577,192**
EQUITY					
Charter capital	712,294	1,062,294	2,731,483	1,062,444	2,731,482
Accumulated deficit	(1,272,138)	(2,063,960)	(6,455,002)	(2,431,227)	(7,327,539)
Equity attributable to the Group's owners	**(559,844)**	**(1,001,666)**	**(3,723,519)**	**(1,368,783)**	**(4,596,057)**
Non-controlling interest	**(82,093)**	**296,049**	**(41,820)**	**290,165**	**(52,551)**
TOTAL EQUITY	**(641,937)**	**(705,617)**	**(3,765,339)**	**(1,078,618)**	**(4,648,608)**
LIABILITIES					
Non-current liabilities					
Share-based payments	110,043	242,299	820,920	242,299	820,920
Deferred tax liability	-	143,536	120,874	143,536	120,874
Long-term lease liability	-	-	51,553	-	51,553
Long-term payables	-	-	31	-	-
Total non-current liabilities	**110,043**	**385,835**	**993,378**	**385,835**	**993,347**
Current liabilities					
Borrowings	773,728	1,735,738	3,501,664	2,165,637	4,411,046
Trade and other payables	503,253	1,045,050	1,166,352	3,268,848	1,296,016
Other taxes payable	107,633	209,639	198,435	183,442	163,653
Current income tax payable	4,171	46,844	128,637	52,750	-
Contract liability	302,189	392,933	943,981	215,152	337,374
Short-term lease liability	-	-	24,364	-	24,364
Total current liabilities	**1,690,974**	**3,430,204**	**5,963,433**	**5,885,829**	**6,232,453**
TOTAL LIABILITIES	**1,801,017**	**3,816,039**	**6,956,811**	**6,271,664**	**7,225,800**
TOTAL LIABILITIES AND EQUITY	**1,159,080**	**3,110,422**	**3,191,472**	**5,193,046**	**2,577,192**

Consolidated Statement of Cashflows (KZT thousands)	**2017**	**2018**	**2019**	**6 months 2019**	**6 months 2020**
	audited	**audited**	**audited**	**unaudited**	**unaudited**
Cash flows from operating activities					
Loss before income tax: continuing operations	(645,628)	(1,271,780)	(2,653,997)	(2,141,041)	(894,005)
Profit / (loss) before income tax: discontinued operations	54,537	-	-	-	-
Adjustments for:					

Depreciation of property, plant and equipment and amortization of intangible assets	40,029	209,978	258,492	44,497	95,224
Impairment of trade and other receivables	5,405	15,312	215,915	(25,699)	215,915
Losses less gains on disposals of property, plant and equipment	914	7,507	-	-	-
Change in value of share-based payments	92,461	132,256	578,621	-	-
Finance costs	103,209	229,563	643,798	41,688	339,828
Gain from sale of internet resources	(79,631)	-	-		-
Other non-cash operating costs	325	208,793	31	-	(31)
Operating cash flows before working capital changes	**(428,379)**	**(468,371)**	**(957,140)**	**(2,080,555)**	**(243,069)**
Decrease / (increase) in trade and other receivables	(48,595)	(422,617)	(220,321)	(2,026,672)	538,896
Decrease / (increase) in inventories	8,546	1,625	(4,274)	7,138	(20,473)
Increase in trade and other payables	2,566	371,089	398,700	2,692,580	328,211
Increase / (decrease) in taxes payable	10,481	102,006	(11,204)	(26,197)	(34,782)
Increase in contract liabilities	49,979	90,744	82,266	(646,563)	(805,154)
Changes in working capital					
Interest paid	-	-	(246,867)	(198,662)	(246,867)
Income taxes paid	-	(3,156)	(42,604)	8,618	(180,963)
Net cash used in operating activities	**(405,402)**	**(328,680)**	**(1,001,444)**	**(2,270,313)**	**(664,201)**
Cash flows from investing activities					
Purchases of property, plant and equipment	(50,999)	(72,320)	(108,771)	(104,010)	(83,801)
Purchases of intangible assets	(34,440)	(6,425)	(8,327)	(8,327)	-
Acquisition of subsidiaries	(278,861)	(452,285)	-	-	-
Proceeds from disposal of subsidiaries, net of disposed cash	49,319	-	-	-	-
Proceeds from disposal of property and equipment and intangible assets	-	-	40,945	40,945	40,945
Proceeds from intangible assets	-	-	16,640	16,640	254
Loans issued	8,378	(40,131)	41,210	34,521	866
Acquisition of non-controlling interest in controlled subsidiaries	-	-	(1,779,062)	-	-
Disposal of non-controlling interest in subsidiaries	-	-	-	1,767,911	10,732
Acquisition of investments	-	(3,059)	-	-	-
Net cash used in investing activities	**(306,603)**	**(574,220)**	**(1,797,365)**	**1,747,680**	**(31,004)**
Cash flows from financing activities					
Proceeds from term loans	334,342	589,600	2,088,991	1,306,869	1,812,704
Repayment of obligations under equity repurchase	(201,125)	(65,946)	(719,996)	(719,996)	(996,283)
Repayment of principal of lease liability	-	-	(20,955)	-	-
Additional contribution to the charter capital	670,000	350,000	1,951,215	150	-
Reduction of the charter capital	-	-	(282,026)	-	-
Net cash from financing activities	**803,217**	**873,654**	**3,017,229**	**587,023**	**816,421**
Net (decrease)/increase in cash and cash equivalents	**91,212**	**(29,246)**	**218,420**	**64,390**	**121,216**
Cash and cash equivalents at the beginning of the period	92,179	183,391	154,145	154,145	372,565
Cash and cash equivalents at the end of the period	**183,391**	**154,145**	**372,565**	**218,535**	**493,781**

Consolidated Statement of Changes in Equity (KZT thousands)	**Charter capital**	**Accumulated deficit**	**Total**	**Non-controlling interest**	**Total equity**
Previously reported balance at 31 December 2016 (audited)	**42,294**	**(874,350)**	**(832,056)**	**(61,807)**	**(893,863)**
Correction of error	-	172,772	172,772	-	172,772
Adjusted balance at 1 January 2017 (audited)	**42,294**	**(701,578)**	**(659,284)**	**(61,807)**	**(721,091)**
Loss for the period	-	(688,087)	(688,087)	(22,011)	(710,098)
Correction of error	-	117,527	117,527	-	117,527
Adjusted loss for the period	-	(570,560)	(570,560)	(22,011)	(592,571)

Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for 2017 (Restated)	-	(570,560)	(570,560)	(22,011)	(592,571)
Additional contributions to charter capital	670,000	-	670,000	-	670,000
Acquisition of subsidiary	-	-	-	1,725	1,725
Adjusted balance at 31 December 2017 (audited)	**712,294**	**(1,272,138)**	**(559,844)**	**(82,093)**	**(641,937)**
Loss for the period	-	(1,296,570)	(1,296,570)	(18,870)	(1,315,440)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for 2018	-	(1,296,570)	(1,296,570)	(18,870)	(1,315,440)
Additional contributions to charter capital	350,000	-	350,000	-	350,000
Transaction with non-controlling interest	-	598,418	598,418	14,252	612,670
Disposal of non-controlling interest in subsidiaries	-	(93,670)	(93,670)	93,670	-
Non-controlling interest arising on the acquisition of the subsidiaries	-	-	-	289,090	289,090
Balance at 31 December 2018 (audited)	**1,062,294**	**(2,063,960)**	**(1,001,666)**	**296,049**	**(705,617)**
Loss for the period	-	(367,267)	(367,267)	(5,884)	(373,151)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for 2019	-	(367,267)	(367,267)	(5,884)	(373,151)
Additional contributions to charter capital	150	-	150	-	150
Balance at 30 June 2019 (unaudited)	**1,062,444**	**(2,431,227)**	**(1,368,783)**	**290,165**	**(1,078,618)**
Balance at 31 December 2019 (audited)	**2,731,483**	**(6,455,002)**	**(3,723,519)**	**(41,820)**	**(3,765,339)**
Loss for the period	-	(872,538)	(872,538)	(10,731)	(883,269)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the 6 months 2020	-	(872,538)	(872,538)	(10,731)	(883,269)
Additional contributions to charter capital	-	-	-	-	-
Balance at 30 June 2020 (unaudited)	**2,731,483**	**(7,327,540)**	**(4,596,057)**	**(52,551)**	**(4,648,608)**

The financial results of the Issuer by business lines for the six months 2019, 2019 and the six months 2020 were as follows:

For the 6 months 2019:

KZT thousands	Issuer*	Chocolife.me	ChocoTravel	Aviata	Chocofood	Rakhmet
Revenue	500	619,601	531,410	1,012,887	292,761	51 491
Expenses	1,129	(658,339)	(502,805)	(1,035,498)	(327,026)	(342,794)
Profit/(loss) before tax	1,629	(38,738)	28,605	(22,611)	(34,265)	(291,303)

** separate results*

KZT thousands	iDoctor	Lensmark	Foodpanda	Chocomart	Conso corrections	Total
Revenue	3,607	100,674	-	190	-	2,613,121
Expenses	(29,654)	(99,279)	(463)	(9,776)	18,254	(2,986,251)
Profit/(loss) before tax	(26,047)	1,395	(463)	(9,586)	18,254	(373,130)

For 2019:

KZT thousands	Issuer*	Chocolife .me	ChocoTrav el	Aviata	Chocofood	Rakhmet	iDoctor
Revenue	-	838,306	934 428	2,337,859	567,987	(36,716)	34,107
Expenses	(1,016,106)	(1,117,31 9)	(851,515)	(2,162,711)	(1,075,393)	(766,077)	(94,202)
Profit/(loss) before tax	1,016,106)	(279,013)	(82,913)	175,148	(507,406)	(802,793)	(60,095)

** separate results*

KZT thousands	Lensmark	Foodpanda	Chocomart	Chocofamily Service	Payment Processing	Conso corrections	Total
Revenue	222 579	-	377	-	-	(3,847)	4,895,080
Expenses	(217,155)	(5,941)	(22,180)	(72)	(3,290)	(217,116)	(7,549,076)
Profit/(loss) before tax	5,424	(5,941)	(21,803)	(72)	(3,290)	(220,963)	(2,653,996)

For the six months 2020:

KZT thousands	Issuer*	Chocolife.me	ChocoTravel	Aviata	Chocofood	Rahmet	iDoctor
Revenue	500	264,329	274,781	908,135	569,016	57,240	5,074
Expenses	(344,745)	(424,844)	(266,554)	(730,222)	(776,031)	(371,494)	(45,890)
Profit/(loss) before tax	(344,245)	(160,515)	8,227	(177,913)	(207,015)	(314,254)	(40,816)

** separate results*

KZT thousands	Lensmark	Foodpanda	Chocomart	Chocofamily Service	Payment Processing	Conso corrections	Total
Revenue	121,158	-	17,076	-	-	-	2,217,308
Expenses	(113,953)	(14,924)	(19,469)	7,636	(82)	-	(3,100,572)
Profit/(loss) before tax	7,205	(14,924)	(2,393)	7,636	(82)	-	(883,264)

The following significant events occurred during the period from 01 July 2020 to 25 November 2020:

Registration in Astana Hub

The Group decided to register three major subsidiaries in Astana Hub – international technology park of IT startups created for the free development of Kazakhstani technology companies – which allows the latter to receive (1) tax benefits in relation to the corporate income tax, individual income tax, value-added tax, and social tax for non-residents, (2) a simplified visa and labor regime for foreign workers, (3) useful contacts to attract investments. The main field of activity is the provision of services for establishing contacts and making transactions between merchants and customers by using software developed by the Group's subsidiaries. Chocofood, Chocolife.me, and Aviata were successfully registered as Astana Hub members in July-August 2020.

Borrowings

On 29 October 2020, the Group signed additional agreements with related parties on extensions of the loans payable on 1 November 2020 until 31 December 2020. As at 25 November 2020, the borrowings from related parties amounted to KZT3,153 mln.

The detailed information is as follows:

Name	The nature of related party	The date of agreement	Loan amount (KZT mln)
Choco Capital Partners LLP	Participant	1 Aug 2019	465
Murat Abdrakhmanov	Participant	1 Aug 2019	1,050
Evgeniy Usatov	Participant	1 Aug 2019	500
Timur Turlov	Participant	12 Dec 2019	978
Aidyn Rakhimbayev	Participant	11 Jun 2020	160
		Total:	**3,153**

Financial position

In May-July 2020, following the lifting of strict lockdown measures introduced by the government of Kazakhstan, domestic flights and some international flights in Kazakhstan were resumed. This allowed Chocotravel and Aviata to recover revenues to the levels of pre COVID-19 period. The revenues of Chocotravel and Aviata for the period from 01 July 2020 to 25 November 2020 amounted to KZT1,241 mln. Along with this, a significant reduction in marketing and operation costs led to an increase in EBITDA to the record level of KZT455 mln for the period from 01 July 2020 to 25 November 2020.

During July-December 2020, Chocofood continued its growth and doubled its revenue year-over-year. Its revenue for the period from 01 July 2020 to 25 November 2020 amounted KZT337 mln.

The revenue of the Group for the period from 01 July 2020 to 25 November 2020 amounted to KZT1,979 mln. The net loss of the Group for this period amounted to KZT478 mln.

Material uncertainty regarding the going concern (as per the audited financial statements for the year ended 31 December 2019)

“We draw attention to Note 3 to the consolidated financial statements, which indicates that as at 31 December 2019 the Group’s accumulated deficit amounted to KZT6,455,002 thousand (31 December 2018: KZT2,063,960 thousand) and its current liabilities exceeded its current assets by KZT4,365,603 thousand (31 December 2018: KZT2,015,175 thousand). The Group incurred a net loss of KZT2,758,465 thousand during the year ended 31 December 2019 (for year ended 31 December 2018: KZT1,315,440 thousand) and cash outflows from operating activities in 2019 were equal to KZT1,001,444 thousand (2018: KZT328,680 thousand). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter”.

<u>Material uncertainty relating to going concern (as per the audited financial statements for the year ended 31 December 2018)</u>

“We draw attention to note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of KZT1,315,440 thousand during the year ended 31 December 2018 and, as at that date, the Group’s current liabilities exceeded its total assets by KZT319,782 thousand. As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter”.

The Group maintains its ability to continue as a going concern by managing its liquidity needs, raising loans and additional capital, and adapting strategies of its key assets.

- Chocolife.me has historically been profitable at the operating profit level. During the COVID-19 pandemic Chocolife.me generated losses as a result of lockdown measures of its key partners: swimming pools, shopping malls, events, karaoke bars, limitations on working hours of beauty parlors, etc. The Group expects Chocolife.me to recover its profitability by the spring or summer of 2021 as a result of improvement of the epidemiological situation in the world. Moreover, in 2021-2022, the Group expects threefold growth of Chocolife.me’s profit after the implementation of the integration with Rakhmet and auto onboarding for merchants which will lead to tenfold growth of the number of new merchants and offers for clients.
- Although Lensmark is profitable, this business is not in line with the Group’s strategy, and the Group will try to divest it in 2021-2022.
- The Group expects significant growth of profits from Chocotravel and Aviata (to 1,5-2 times) after full resumption of international flights in mid-2021.
- Chocofood has a highly effective unit economy that lets it cover fixed and variable expenses, except for marketing costs. Therefore, the amount of its losses depends only by how aggressive the investments in marketing are. The Issuer assumes that investments in Chocofood’s marketing should be made for at least another two years, and afterwards it will become profitable.
- Rakhmet has a positive unit economy in two segments – payments with QR-code with cashbacks and pre-orders. The profitability of Rakhmet should be in line with the twentyfold transaction growth from the current level. This growth will be achievable due to digitalizing of merchants and clients, as well as cashbacks to users. The Group plans to make Rakhmet profitable in 1.5-2 years.
- The Group expects that the first branch of Ryadom will make operating profit during the first three to four months of operations, and during this time the Group will also design technology for the launch of the new branch, which will become profitable in six months. After this, the Group will invest in the launch of 150-200 new branches in 20 cities of Kazakhstan. The Group expects that these investments will have a payback period of two years.
- A new product “Loans” is expected to be launched in 1Q 2021. Its business strategy is credit brokerage. We expect to have a 5% margin on every loan issued through the Issuer’s system. This business will not require significant investments from the Group, and it is expected to become profitable in 2021.
- A new product “Delivery” is also expected to be launched in 1Q 2021. Its business strategy is to deliver anything from merchants to clients. This business will not require significant investments from the Group, and it is expected to become profitable in 2021.
- ioka will save 0.1% of payment processing costs for the Group, which will amount to about KZT100 mln in 2021. The group expects that ioka will generate KZT4,000-5,000 mln in September 2021 from third party merchants and will become profitable by the end of 2021.
- Currently, there are 200,000 visitors on iDoctor’s website monthly and more than 50,000 doctors in its database.
- iDoctor’s monetization model is to generate revenue from advertising of doctors’ medical services on its website. The Group assumes that 10% of doctors will be ordering such advertising monthly, and this will effectively make iDoctor profitable. Also, in 2021, iDoctor plans to offer all Chocotravel and Aviata

customers telemedicine services during international travel. This will add around KZT10-15 mln of revenue for iDoctor. We expect iDoctor to become profitable by the end of 2021.

Thus, the Group expects that 2021 will be the last year with losses. In 2021, the Group will invest a record U.S.6 mln in the growth of its businesses. In 2022, all of the key Group's subsidiaries should reach sustainable profitability. In 2022-2023, the Group's net profit will amount to U.S.$27 mln.

The Group forecasts its key financial metrics as follows:

U.S.$ mln	2021 forecast	2022 forecast	2023 forecast	2024 forecast
Gross Transaction Value	547	1,032	1,832	3,034
Revenue	66	121	168	245
EBITDA	(6)	7	20	35

The financial statements for the years ended on 31 December 2017, 31 December 2018, 31 December 2019, including in each case the auditor's report relating to such financial statements, and unaudited financial statements for the six months ended on 30 June 2020 are attached in Schedule 2 of this Prospectus.

8. Other information relating to the Issuer

8.1. Information about auditors

The independent auditor of the Company's financials for 2019 is Grant Thornton LLP (15 Al-Farabi ave., Nurly-Tay BC, 4V, Office 2104, Almaty, Kazakhstan, A25D5E2).
Grant Thornton LLP is authorized and regulated by the Ministry of Finance of Kazakhstan under the state license No. MFU - 2, No. 0000080.

The independent auditor of the Company's financials for 2017-2018 is PricewaterhouseCoopers LLP (34 Al-Farabi ave., AFD BC, Building A, Floor 4, Almaty, Kazakhstan, A25D5F6).
PricewaterhouseCoopers LLP is authorized and regulated by the Ministry of Finance of Kazakhstan under the state license No. 0000005 dated 21 October 1999.

8.2. Connected Persons

- Choco Capital Partners LLP is the major direct participant of the Issuer, holding a 52.36% of the charter capital of the Issuer.

  Its contact details are:

  Address: 280 Baizakov str., Floor 2, Office 222, Bostandyk district, Almaty, Kazakhstan, 050040
  Telephone: +7 (727) 346 85 88
  E-mail: anvar@chocolife.me.
- The major direct participants of Choco Capital Partners LLP are Ramil Mukhoryapov, Anvar Bakiyev, and Nikolai Mazentcev, who jointly hold a 71.32% ownership interest in Choco Capital Partners LLP.
- Measures in place to ensure that control over the Issuer is not abused are provided for by Kazakhstan law and the Articles of Association of the Issuer. Such measures include, among others, formation of the Supervisory Board, increased thresholds for quorum of and making decisions by the general meeting of participants of the Issuer, etc.
- There are no arrangements known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

8.3. Legal and other proceedings against the Issuer

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened and which the Company is aware of) which may have, or have had, during the 12 months prior to the date of this Prospectus a significant effect on the Company's financial position and profitability.

9. Responsibility for the Content of the Prospectus

9.1. Responsibility Statement

The Responsibility Statement is included in Schedule 1 of this Prospectus.

9.2. Expert opinions included in the Prospectus

There are no expert opinions included in this Prospectus.

10. Documents on display

Copies of the following documents may be inspected at, and are available from, the office of the Issuer at 280 Bayzakov str., Floor 2, Almaty, Kazakhstan, 050040 during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), so long as the Bonds are listed on the AIX:

- this Prospectus and any supplements thereto
- the Articles of Association of the Issuer
- Conflict of Interest Policy
- the annual reports and Financial Statements for the years ended 31 December 2017, 31 December 2018, 31 December 2019, including in each case, the audit report relating to such financial statements
- the Financial Statements for the six months ended 30 June 2020.

SECURITIES NOTES

1. Key information

1.1. Risk factors material to the Securities

***The Bonds are subject to modification, waivers and substitution*.**

The terms and conditions of the Offer set out in Condition 3 ("Terms and conditions of the Offer") of this Securities Notes contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders.

***Delisting of the Bonds from the Official List of the AIX may subject gains and Coupon Payments on the Bonds to tax in the Republic of Kazakhstan*.**

In order for Coupon Payments due on the Bonds and gains realized by the Bondholders in relation to disposal, sale, exchange or transfer of the Bonds to be exempt from Kazakhstan withholding tax, it will be necessary for the Bonds to be admitted to the Official List of the AIX as at the Coupon Payment Date or the date of such disposal, sale, exchange or transfer of the Bonds. No assurance can be given that the Bonds will remain admitted to the Official List of the AIX as at each Coupon Payment Date or during the term of the Bonds, or that there will be no material change in tax and securities laws in Kazakhstan.

The Bonds will be listed on the AIX and benefit from an exemption on withholding tax which is untested in practice.

The Issuer believes that Coupon Payments on the Bonds will be exempt from withholding and income taxes due to the favorable treatment available for securities admitted to the Official List of the AIX under the Constitutional Law on "Astana International Financial Centre" in effect as of the date of this Prospectus. However, practice is not yet fully developed.

The AIX has a relatively short history of operations.

The AIX was launched in July 2018. There can be no assurance that the AIX will attract a sufficient number of market participants and issuers to ensure acceptable trading volumes in the foreseeable future or at all.

The Bondholders may be subject to exchange rate risks and currency controls.

The Issuer will pay principal and interest on Bonds in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The market price of the Bonds may be volatile.

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by analysts and the actual or expected sale of a large number of Bonds.

1.2. Reasons for the offer

Estimated net amount of proceedings	The net proceeds from the issuance are expected to amount to U.S.$14,231,500 after deduction of fees and expenses related to the issue.
Use of proceeds	The issuance is being made, and the net proceeds of the issue of the Bonds will be used by the Issuer for general corporate purposes, including the financing of the Issuer's growth and expansion plans and the refinancing of existing indebtedness. Specifically, the Issuer plans to: • invest the amount of up to U.S.$2,000,000 to finance the growth and expansion of its subsidiary – Internet-dostavka LLP (Chocofood trademark) • invest the amount of up to U.S.$4,231,500 to finance the growth and expansion of its subsidiary – Darkstore LLP (Ryadom trademark) • refinance its existing indebtedness in the amount of U.S.$8,000,000.

1.3. Creditworthiness of the Issuer

Earnings coverage ratio

According to the Issuer's financial statements, the earnings coverage ratio for 2019 and the six months ended 30 June 2020 was at -3.1 and -1.6, respectively.

Relevant credit ratings

The Issuer and the Bonds do not have any credit ratings.

Risk factors that may affect the Issuer's ability to fulfil its obligations under the Securities to investors

All relevant risk factors are described in Condition “Risk factors” of the Registration Document and Condition 1.1 of this Securities Notes.

Guarantees

There are no guarantees attaching to the Securities.

2. Information relating to the Securities offered/admitted to trading

2.1. General information relating to the Securities

Form of the Bonds	The Bonds will be issued in fully registered and dematerialized form under the Acting law of AIFC.
Aggregate Principal Amount	U.S.$15,000,000 (fifteen million U.S. Dollars)
Nominal Value	U.S.$100 (one hundred U.S. Dollars) per Bond
Type of Securities	Unsecured Coupon Bonds
ISIN	KZX000000609
Admission to Listing and Trading	Application has been made for the Bonds to be admitted to the Official List of the AIX and to be admitted to trading on the AIX.
Registrar	AIX Registrar
Depository	AIX CSD
Governing Law and Jurisdiction	The Bonds and any non-contractual obligations arising out of, or in connection with, the Bonds shall be governed by, and construed in accordance with, the laws of the AIFC. The Issuer has agreed herein the conditions in favor of the Bondholders that any claim, dispute or discrepancy of any nature arising out of, or in connection with, the Bonds (including claims, disputes or discrepancies regarding the existence, termination thereof, or any non-contractual obligations arising out of, or in connection with, the Bonds) shall be brought to, and finally resolved by, the Court of the AIFC in accordance with the rules thereof, or the International Arbitration Center of the AIFC in accordance with the rules thereof, currently in effect, such rules shall be deemed incorporated herein.
Currency	U.S. Dollar
Ranking	The Bonds shall constitute direct, general and unconditional obligations of the Issuer which will rank pari passu among themselves and rank pari passu, in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
Issue Date	25 December 2020
Maturity Date	25 December 2023
Redemption and Purchase	Unless previously purchased and cancelled, the Issuer hereby irrevocably covenants in favor of each Bondholder that the Bonds will be redeemed at their Nominal Value concurrently with the final Coupon Payment on the relevant Maturity Date. In such a case the Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under the law of the Republic of Kazakhstan and which are payable by the Bondholders. The Issuer may at any time purchase the Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. All Bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

Coupon Interest	The Bonds bear Coupon Interest on its outstanding principal amount from (and including) the relevant Issue Date to (but excluding) the Maturity Date at the fixed coupon rate of 10.25% (ten and twenty-five hundredths of a percent) per annum (the "Coupon Interest Rate"), payable semi-annually in arrear within 5 (five) business days after (and including) each Coupon Payment Date. Coupon Interest amount per one Bond shall be calculated using the following formula: *Nominal Value* × *Coupon Interest Rate*× *Day Count Fraction for the relevant Coupon Period.*
Coupon Payment Dates	25 December and 25 June in each year, commencing 25 June 2021
Coupon Period	Each period beginning on (and including) the Issue Date or any Coupon Payment Date and ending on (but excluding) the next Coupon Payment Date.
Day Count Fraction	30/360; Coupon Payments on the Bonds shall be calculated on the basis of a year of 360 (three hundred and sixty) days consisting of 12 (twelve) months of 30 (thirty) days each.
Yield	The yield of the Bonds is expected to be 10.25% (ten and twenty-five hundredths of a percent). It is not an indication of future yield.
Rights Attached to the Bonds	Bondholders have the right to: • receive Coupon Payments • receive Nominal Value or Early Redemption Amount (as applicable) upon redemption and at Maturity Date • freely transfer the Bonds • receive information concerning the Issuer's operations • attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bonds • If any of the covenants mentioned in Condition 3.3 of this Securities Notes is breached and such breach continues for more than 30 (thirty) calendar days, require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest • If a Put Event mentioned in Condition 3.4 of this Securities Notes occurs, to require the Issuer to redeem any Bonds they hold on the fifth business day after the date of expiry of the Put Event Period (as defined below) at their par value together with coupon interest accrued to, but excluding the Put Event Date • If any of the events mentioned in Condition 3.5 of this Securities Notes occurs and continues for more than 30 (thirty) calendar days, require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest.
Issue Restrictions	No amendment shall be made by the Issuer to the Prospectus unless the Issuer has secured prior written consent(s) of the Bondholders of at least three-fourth in principal amount of the Bonds then outstanding.
Selling Restrictions	The offering and sale of the Bonds is subject to applicable laws and regulations and the Bonds may not be sold in other jurisdictions, including without limitation the United Kingdom, the European Economic Area, other than in compliance with applicable laws and regulations. The Bonds have not and will not be registered under the U.S. Securities Act of 1933 or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.
Restrictions on the Free Transferability	The Bonds are freely transferable and, once admitted to the Official List of the AIX, shall be transferable only in whole in accordance with the rules and regulations of the AIX amended from time to time.
Time Limit for Claims	Any claim against the Issuer in respect of the Bonds shall become invalid, unless it is filed within 3 (three) years (in the case of Principal and Coupon Payments), from the date of the relevant payment in respect of the Bonds.

Miscellaneous	For purposes of any calculation specified herein, a value shall be accurate to two decimal places.

3. Terms and conditions of the Offer

Number of Bonds offered	150,000 Bonds
Offer Price	The Offer Price of the Bonds is expected to be 100.00% of the Nominal Value of the Bonds.
Categories of Potential Investors	The Bonds will be publicly offered in Kazakhstan to a wide range of investors (subject to applicable laws and regulations).
Conflict of Interest	No person involved in the offering of the Bonds has any interest in the offering, which is material to the offering, save for the fact that Timur Turlov, one of the members of the Supervisory Board and participants of the Issuer, is at the same time the major shareholder and Chairman of the Board of Directors of Freedom Finance JSC, which is the Lead Manager for the issue. In this respect, the Issuer and the Lead Manager have relevant conflict of interest policies in place.
Offering Method	Offering of the Bonds will be made through subscription using the book-building platform of the trading system of the AIX in accordance with the AIX Market Rules and relevant AIX market notice.
Offer Period	25 December 2020.
Allotment of the Bonds	The Lead Manager may, at its sole discretion, allot any Bonds to itself or any of its related persons or related persons of the Issuer, without any restriction. The allotment of the Bonds to subscribers shall be at the absolute discretion of the Lead Manager. The Lead Manager may refuse to allot the Bonds subscribed by any subscribers at its sole discretion. The allotment date of the Bonds will be disclosed in the market notice issued by the AIX prior to the book-building process. It is expected that an allotment advice will be dispatched to investors by 25 December 2020.
Lead Manager	The Lead Manager, Freedom Finance JSC, has, pursuant to the Underwriting Agreement dated 4 August 2020, agreed with the Issuer to place the Bonds. The Issuer has agreed to pay the Lead Manager an underwriting fee. The Issuer also appointed Freedom Finance JSC as a book-runner in connection with the Offering.
Authorizations	The issue of the Bonds was approved by the resolution of the participants of the Issuer dated 18 November 2020.
Clearing and Settlement	The payment and settlement will be made through the settlement system of the AIX CSD in accordance with the rules and regulations of the AIX CSD (the “AIX CSD Rules”), in particular delivery of the Bonds through the system of the AIX CSD. In order to participate in the offering of the Bonds, take delivery of the Bonds and trade the Bonds on the AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant. The Bonds will be held on behalf of investors in the relevant AIX Trading Member’s custodial account at the AIX CSD.
Notification Process for Investors	Prior to the start of the book-building process the AIX will issue a market notice setting out, among other things, the main terms and conditions of the book-building and settlement procedures in connection with the offering through the AIX, the yield range and the related responsibilities of the AIX trading members. Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the AIX or prior to the said notification.

3.1 Payments

Coupon interest payments on the Bonds shall be paid to the Person shown on the register that the Issuer shall procure to be kept by the AIX Registrar in accordance with the AIX Registrar’s regulations at the close of business on the last day of a period which Coupon Payment is due for (the “Record Date”). Coupon interest payments on Bonds shall be paid within 5 (five) business days after (and including) each Coupon

Payment Date by money transfer (in U.S.$ only) to current bank accounts of the holders of the Bonds specified in the register of Bondholders as at the Record Date. The final coupon interest payment shall be made concurrently with payment of the principal of the Bonds on the relevant Maturity Date. All Payments in respect of the Bonds shall be made in U.S.$.

If any date for payment in respect of the Bonds is not a business day, the holder shall not be entitled to payment until the next following business day nor to any coupon interest or other sum in respect of such postponed payment.

3.2 Penalty

The Issuer shall pay a penalty to the Bondholders for each day, on which any amount payable under the Bonds remains due and unpaid (the "Unpaid Amount"), at the rate equal to the Coupon Interest Rate. The amount of penalty payable per any Unpaid Amount in respect of any Bonds shall be equal to the product of the Coupon Interest Rate, the Unpaid Amount and the number of calendar days on which any such Unpaid Amount remains due and unpaid divided by 360 (three hundred and sixty), rounding the resultant figure to the nearest cent, half of any such cent being rounded upwards.

3.3 Covenants

For so long as any Bond remains outstanding, the Bonds shall become immediately due and repayable at their principal amount, together with any accrued coupon interest, upon the holder of the Bonds giving not less than 15 (fifteen) days nor more than 30 (thirty) days' notice to the Issuer, if the Issuer is in breach of any of the following covenants (the "Covenants") and such breach continues for more than 30 (thirty) calendar days:

- **Negative Pledge**

  The Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Financial Indebtedness without at the same time or prior thereto: (i) securing the Bonds equally and rateably therewith, or (ii) providing such other security for the Bonds as may be approved by a resolution of the Bondholders.

- **Limitation on Payment of Dividends**

  The Issuer shall not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default or (ii) at any time when no such Event of Default exists. The foregoing limitation shall not apply to the payment of any dividends in respect of any preferred shares of the Issuer, which may be issued by the Issuer from time to time after the Permitted Reorganization, or to any dividends in respect of any common shares of the Issuer, which are paid by way of issuance of additional common or preferred shares.

- **Limitations on Certain Transactions**

  The Issuer shall not, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$1,000,000 (one million U.S. Dollars), unless such transaction or series of transactions is, or are, at a Fair Market Value.

- **Ranking of Claims**

  The Issuer shall ensure that at all times the claims of the Bondholders against it under the Bonds rank at least pari passu with the claims of all its other unsecured creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application.

- **Mergers**

  The Issuer shall not enter into any reorganization (by way of a merger, accession, division, separation, or other bases or procedures for reorganization contemplated or as may be contemplated from time to time by the legislation of the Republic of Kazakhstan, as these terms are construed by the applicable legislation of the Republic of Kazakhstan) but excluding, for the avoidance of doubt, the Permitted Reorganization.

- **Financial Covenant**

  The Issuer shall not permit its total Financial Indebtedness (less the Indebtedness under the Bonds) at any time to exceed U.S.$15,000,000 (fifteen million U.S. Dollars) (or equivalent in other currency) (the "Permitted Financial Indebtedness").

- **No change of Business**

  The Issuer shall procure that no substantial change is made to the general nature of the business of itself or the Group from that carried on at the Issue Date.

- **Maintenance of Listing**

  The Issuer shall maintain the listing of the Bonds in the Official List of the AIX.

- **No change to the Prospectus**

  The Issuer shall not amend, modify, supersede or change the Prospectus, if such changes affect rights and obligations of the Bondholders, unless agreed upon in writing with the Bondholders of at least three-fourth in principal amount of the Bonds outstanding.

3.4 Early redemption

- **Redemption at the Option of the Bondholders**
  - If, at any time when any of the Bonds remains outstanding, a Put Event occurs, then each Bondholder will, upon the giving of a Put Event Notice (as defined below) by the Issuer, have the option to require the Issuer to redeem any Bonds it holds on the fifth business day after the date of expiry of the Put Event Period (as defined below) (the "Put Event Date") at 100% (one hundred percent) of the principal amount, together with coupon interest accrued to, but excluding the Put Event Date. Promptly upon becoming aware that a Put Event has occurred, and in any event not later than 10 (ten) business days after the occurrence of a Put Event, the Issuer shall give notice (a "Put Event Notice") to the Bondholders in accordance with Condition 3.7 ("Notices"), specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition "Redemption at the Option of the Bondholders".
  - To exercise the option to require the Issuer to redeem a Bond under this Condition "Redemption at the Option of the Bondholders", the Bondholder must deliver such a Bond at the specified office of the Issuer within the period of 45 (thirty) calendar days after the date on which a Put Event Notice is given (the "Put Event Period"), accompanied by a duly signed and completed exercise notice in the form available from the office of the Issuer (the "Exercise Notice"). Payment by the Issuer in respect of any Bond so delivered shall be made to the account or otherwise as specified in the Exercise Notice by transfer to that account (or otherwise as specified in the Exercise Notice) on the Put Event Date. An Exercise Notice, once given, shall be irrevocable.

- **Redemption at the Option of the Issuer**
  - The Issuer may at its option redeem at least 50% (fifty percent) of the Bonds then outstanding on any Coupon Payment Date (other than the first Coupon Payment Date) on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Bondholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in the Condition below) (together with coupon interest accrued to the date fixed for redemption).
  - The Early Redemption Amount payable in respect of any Bond to be redeemed on a particular Coupon Payment Date shall be:

    (i) 106.00% (one hundred six and zero hundredths of a percent) of the principal amount of such Bond for the redemption made on the second Coupon Payment Date

    (ii) 104.50% (one hundred four and fifty hundredths of a percent) of the principal amount of such Bond for the redemption made on the third Coupon Payment Date

    (iii) 103.50% (one hundred three and fifty hundredths of a percent) of the principal amount of such Bond for the redemption made on the fourth Coupon Payment Date

    (iv) 102.00% (one hundred two and zero hundredths of a percent) of the principal amount of such Bond for the redemption made on the fifth Coupon Payment Date.
  - Payment of the Early Redemption Amount shall be made in accordance with Condition 3.1 ("Payments") above.

Following the occurrence of any Event of Default in Condition 3.5 ("Events of Default") or breach of any Covenant in Condition 3.3 ("Covenants") of this Securities Notes, the Issuer may arrange negotiations with the holders of the Bonds in respect of the early redemption at the option of the holders of the Bonds.

3.5 Events of Default

The Bonds shall become immediately due and repayable at their principal amount, together with any accrued coupon interest, upon the holder of the Bonds giving not less than 15 (fifteen) days nor more than 30 (thirty) days' notice to the Issuer, if any of the following events (the "Events of Default") occurs and continues for more than 30 (thirty) calendar days:

- **Non-payment**

  (i) The Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment when the same becomes due and payable at maturity, by declaration or otherwise, and such failure in respect of principal continues for a period of more than 30 (thirty) calendar days, or (ii) the Issuer is in default with respect to the payment of interest or any additional amount payable in respect of any of the Bonds and such default in respect of interest or additional amounts continues for a period of more than 30 (thirty) calendar days, or

- **Breach of other obligations**

  The Issuer defaults in the performance or observance of, or compliance with, any of its other obligations or undertakings in respect of any of the Bonds and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 30 (thirty) calendar days after written notice of such default shall have been given to the Issuer by any Bondholder, or

- **Cross-default**
  - Any Indebtedness for Borrowed Money of the Issuer becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof by reason of any default by the Issuer, or is not repaid at maturity as extended by the period of grace, if any, applicable thereto, provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.$1,000,000 (one million U.S. Dollars) (or its equivalent in other currencies), or
  - Any Indebtedness Guarantee given by the Issuer in respect of Financial Indebtedness of any other Person is not honored when due and called, provided that the aggregate principal amount of such Indebtedness Guarantee exceeds U.S.$1,000,000 (one million U.S. Dollars) (or its equivalent in other currencies), or
  - Any other Indebtedness of the Issuer becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof by reason of any default by the Issuer, or is not repaid at maturity as extended by the period of grace, if any, applicable thereto, provided that the aggregate principal amount of such Indebtedness exceeds U.S.$1,000,000 (one million U.S. Dollars) (or its equivalent in other currencies).

- **Bankruptcy**
  - Any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, manager, administrator or liquidator or similar Person in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or all or substantially all of their respective property and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 (sixty) days, or
  - The Issuer shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into rehabilitation or adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganization under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer, as the case may be, or in respect of its respective property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due, or the Issuer commences proceedings with a view to the general adjustment of its Indebtedness which event is materially prejudicial to the interests of the Bondholders.

3.6 Meetings of Bondholders

- The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of this Prospectus require the approval of a Bondholders' meeting.
- A meeting of Bondholders shall be called by the Issuer by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 (thirty) days preceding the date scheduled for the meeting, not less than 14 (fourteen) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Condition at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- The amendment or waiver of any of the provisions of and (or) conditions contained in this Securities Notes, or in any other part of the Prospectus, may only be made with the approval of the Issuer and of the Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

- A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than 50% (fifty percent) in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 (thirty) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Issuer to the Bondholders present at that meeting. The Issuer shall within 2 (two) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than 7 (seven) days, and not later than 15 (fifteen) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, representing not less than 30% (thirty) in Nominal Value of the Bonds then outstanding, shall constitute a quorum, and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- Any person who in accordance with the Articles of the Issuer is to chair the annual general meetings of participants shall also chair meetings of Bondholders.
- Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Issuer or its representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- The voting process shall be managed by secretary elected at the meeting.
- The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% (seventy five percent) in Nominal Value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favor of the proposal.
- Save for the above, the rules generally applicable to proceedings at general meetings of the Issuer's participants shall apply to meetings of Bondholders.

3.7 Notices

To the Bondholders

All notices to the Bondholders shall be deemed to have been duly given if, so long as the Bonds are listed on the AIX and so long as the rules of the AIX so require, by publication (i) on the internet website of the AIX at www.aix.kz or (ii) otherwise in accordance with the regulations of the AIX. If the Bonds cease to be listed on the AIX, any notice shall be sent to the Bondholders by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the register, and any such notice shall be deemed to have been given on the fourth day after the date of mailing.

To the Issuer

Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at 280 Baizakov str., Floor 2, Office 222, Bostandyk district, Almaty, Kazakhstan, 050040 for the attention of Chairman of the Management Board and will be deemed to have been validly given when delivered.

3.8 Taxation

Under the Constitutional Law on "Astana International Financial Centre" any interest or capital gain on the securities listed on the AIX are tax exempt until 1 January 2066. Accordingly, following the admission of the Bonds to the Official List of the AIX, any income derived from owning or selling such Bonds will be tax exempt as long as the Bonds are listed on the AIX Official List.

No stamp, registration or other tax arising out of the transfer of the Bonds exist in the Republic of Kazakhstan.

The discussion above is a general summary. It does not cover all tax matters that may be of importance to a particular purchaser. Each prospective investor is urged to consult its own tax adviser about the tax consequences to it of an investment in the Bonds in light of the purchaser's own circumstances.

3.9 Further issues and further indebtedness

The Issuer may, from time to time, without the consent of the Bondholders, but subject to limitations related to the **Permitted Financial Indebtedness** and the Issuer's relevant disclosure obligations, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

4. Other information

4.1. Audit and source of information including use of expert reports

Audited financials for 2017, 2018, and 2019 prepared by the Company's auditors – PricewaterhouseCoopers LLP and Grant Thornton LLP – are included in Schedule 2 of this Prospectus.

5. Admission to trading

Admission to:	Actual date
- an Official List of Securities	25 December 2020
- trading on an Authorized Market Institution	28 December 2020

An estimate of the total expenses related to the admission to trading

The fees associated with the admission of the Bonds to the Official List of the AIX and to trading on the AIX are expected to be U.S.$30,000.

DEFINITIONS AND GLOSSARY

"AIFC"	the Astana International Financial Centre
"AIX"	the Astana International Exchange
"AIX CSD"	the Astana International Exchange Central Depository
"AIX Registrar"	the Astana International Exchange Registrar
"Articles" and **"Articles of Association"**	the Articles of Association of Chocofamily Holding LLP
"bln"	means a billion
"Board"	the Supervisory Board of Chocofamily Holding LLP
"Bondholder"	a holder of the Bond
"Business day"	means a day on which banks and exchange markets are open for business in the Republic of Kazakhstan
"Earnings coverage ratio"	equal to consolidated net income applicable to participants plus income taxes, interest on long-term and short-term debt divided by interest on long-term and short-term debt
"Equity"	value attributable to the owners of a business. The book value of equity is calculated as the difference between assets and liabilities on the Issuer's balance sheet
"Foundation Agreement"	the Foundation Agreement of Chocofamily Holding LLP
"Government"	the Government of the Republic of Kazakhstan
"Group"	the Issuer and all of its subsidiaries (incl. Redprice LLP, Internet Turizm LLP, Aviata LLP, Internet-dostavka LLP, Internet Loyalnost LLP, Chocofamily Service LLP, Internet Optika LLP, iDoctor LLP, Payment Processing LLP, Darkstore LLP, Internet-Retail LLP, and Foodpanda Kazakhstan LLP)
"Issuer" and **"Company"**	Chocofamily Holding LLP
"Lead Manager"	the underwriter – Freedom Finance JSC
"LLC"	means a limited liability company
"LLP"	means a limited liability partnership
"mln"	means a million
"NBK"	the National Bank of the Republic of Kazakhstan
"Person"	Any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other legal entity, whether or not having separate legal personality
"State"	the Republic of Kazakhstan
"KZT"	means the lawful currency of the Republic of Kazakhstan
"**U.S. Dollars**" and "**U.S.$**"	means the lawful currency of the United States
"**Fair Market Value**"	means, with respect to any asset of the Issuer, the price which could be negotiated in an arm's-length, market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined by an Independent Appraiser
"**Financial Indebtedness**"	means any Indebtedness of any Person for or in respect of (i) Indebtedness for Borrowed Money, or (ii) Indebtedness Guarantees in respect of any Indebtedness for Borrowed Money
"**Founder(s)**" or **"Founding Member(s)"**	means each and all Ramil Mukhoryapov, Anvar Bakiyev, and Nikolai Mazentcev

"**Indebtedness**"	means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent
"**Indebtedness for Borrowed Money**"	means any Indebtedness of any Person for or in respect of: (i) moneys borrowed (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts, which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service, and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables on a "with recourse" basis) having the commercial effect of a borrowing
"**Indebtedness Guarantee**"	means, in relation to any Indebtedness for Borrowed Money of any Person, any obligation of another Person to pay such Indebtedness for Borrowed Money including (without limitation) (i) any obligation to purchase such Indebtedness for Borrowed Money, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness for Borrowed Money, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness for Borrowed Money, and (iv) any other agreement to be responsible for such Indebtedness for Borrowed Money
"**Independent Appraiser**"	means any of PricewaterhouseCoopers LLC, KPMG LLC, Deloitte & Touche LLP, Ernst & Young LLP, BDO Audit LLP, Grant Thornton LLP, Baker Tilly LLP or such reputable investment banking, accountancy or appraisal firm of international standing selected by the competent management body of the Issuer, provided it is not an affiliate of the Issuer
"**JSC**"	means a joint stock company
"**Permitted Reorganization**"	means a reorganization of the Issuer in the form of transformation from a limited liability partnership to a joint-stock company, which the Issuer may conduct at its sole discretion during the term of the Bonds
"**Permitted Security Interest**"	means any Security Interest: (i) granted in favor of the Issuer by any Subsidiary of the Issuer or granted in favor of any Subsidiary of the Issuer by the Issuer to secure Financial Indebtedness owed by such Subsidiary to the Issuer or by the Issuer to such Subsidiary (as the case may be) (ii) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court or arbitration proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings (iii) being liens or rights of set-off or netting arrangements arising in the ordinary course of the Issuer's business for the purpose of netting debit and credit balances, including without limitation, any rights of set-off with respect to demand or term deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer or any Subsidiary held by financial institutions (iv) arising in the ordinary course of the Issuer's or any of its Subsidiaries' business and (a) which is necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer's or such Subsidiary's business or (b) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers (v) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease (vi) arising pursuant to any agreement (or other applicable terms and conditions),

		which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary of the Issuer other than on a short-term basis as part of the Issuer's or such Subsidiary's liquidity management activities) and entered into in the ordinary course of its business, in connection with (a) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (b) the establishment of margin deposits and similar securities, set-off or netting arrangements in connection with interest rate and foreign currency hedging operations and trading in securities or (c) the Issuer's or its Subsidiary's foreign exchange dealings or other proprietary trading activities, including, without limitation (in the case of each of (a), (b) and (c)), Repos
	(vii)	created by the operation of any reservation of title arrangement or arrangements having similar effect contained in a vendor's or supplier's standard terms and conditions of sale in respect of goods acquired by the Issuer or a Subsidiary in the ordinary course of its business
	(viii)	granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary of the Issuer to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Financial Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property
	(ix)	securing Indebtedness of a Person and (or) its Subsidiaries existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or any Subsidiary
	(x)	in respect of Indebtedness created by a person prior to it becoming a Subsidiary or otherwise being acquired by the Issuer or any Subsidiary, provided that such Security Interest was not created in contemplation thereof or in connection therewith
	(xi)	on or relating to any property or assets hereafter acquired by the Issuer or any Subsidiary and existing on the date of acquisition (so long as such Security Interest was not created in contemplation of the acquisition of such property or assets and the amount thereby secured was not increased in contemplation of, and has not been increased since the date of, the acquisition of such asset by the Issuer or Subsidiary, as the case may be)
	(xii)	created in connection with any Permitted Financial Indebtedness
	(xiii)	granted in favor of any bondholders or any trustee acting for them by a Subsidiary over any proceeds of any Indebtedness incurred by such Subsidiary and on-lent by it to the Issuer, to secure any Indebtedness owed by such Subsidiary to such bondholders or such trustee
	(xiv)	incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business
	(xv)	for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Issuer or any Subsidiary has set aside in its books of account reserves to the extent required by IFRS, as consistently applied
	(xvi)	existing on the Issue Date, as defined in this Prospectus
	(xvii)	in addition to any of the above exceptions, in aggregate securing Financial Indebtedness with an aggregate principal amount at any time not exceeding the greater of (a) U.S.$1,000,000 (one million U.S. Dollars) (or its equivalent in other currencies) at that time and (b) 5% (five percent) of the Issuer's total equity (calculated by reference to the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS), and
	(xviii)	arising out of the refinancing, extension, renewal or refunding of any Financial

	Indebtedness secured by a Security Interest either existing on or before the Issue Date of the Bonds or permitted by any of the above exceptions, provided that the Financial Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Financial Indebtedness (other than any increase representing costs, fees, expenses or commission associated with such extension, renewal or substitution) and such Security Interest is not extended to cover any property not previously subject to such Security Interest
"**Put Event**"	will occur if at any time Founders in aggregate cease to hold (whether by contractual agreement, ownership of participating interest and (or) shares or otherwise, and whether directly or indirectly) more than 25% (twenty five percent) of the charter capital or placed ordinary shares (as applicable) of the Issuer, provided that a Put Event for the purposes of Condition "Redemption at the Option of the Bondholders" will not be deemed to have occurred solely as a result of any dilution of one or more Founders' ownership interest or shareholding in the Issuer as a result of any dilution of the ownership interest or shareholding of Choco Capital Partners LLP (the ''**CCP**'') in the Issuer as a result of an equity increase of the Issuer
"**Repo**"	means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or other derivative, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral or organization
"**Security Interest**"	means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person
"**Subsidiary**"	means, in relation to any Person at any time, any other Person (whether or not now existing) which is controlled directly or indirectly, or more than 50% (fifty percent) of whose issued equity share capital (or equivalent) is then beneficially owned by the first Person, and "**control**" means the power (whether directly or indirectly) and whether by the ownership of share capital, the possession of voting power, contract or otherwise to appoint the majority of the members of the governing body of that other Person or otherwise to direct the affairs and policies of that other Person

SCHEDULE 1

RESPONSIBILITY STATEMENT

a) The Issuer, having made all the reasonable enquiries, accept responsibility for this Prospectus and confirms that this Prospectus complies with the requirements set out in Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules.

Most of the information reflected in this Prospectus has been received by the Issuer from the Auditor's reports, constituent documents, public data placed on the website of the authorized state bodies. The Issuer confirms that such information has been accurately reproduced and is able to ascertain from information published by such third parties that no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances create any implications that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

On behalf of the Issuer, the General Director of the Issuer confirms that this Prospectus complies with the requirements set out in Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules and contains all information which is material in the context of the issue and offering of the Bonds, that the information contained in this Prospectus is correct to the best of his knowledge and that no material facts or circumstances have been omitted.

b) The Issuer's Supervisory Board is responsible for the information contained in the Prospectus, which to any extent relates to the Issuer's financial activity and financial statements.

c) The persons responsible for the content of this Prospectus are those responsible for the content of this Prospectus in accordance with clauses (a) and (b) of this Schedule and MAR 1.9.1.

In accordance with MAR 1.9.1 (c) (i)	Nikolai Mazentcev as Chairman of the Management Board of the Issuer	______________________
In accordance with MAR 1.9.1 (e)	Ramil Mukhoryapov as Chairman of the Supervisory Board	______________________

Chocofamily Holding

SCHEDULE 2

AUDITED FINANCIAL STATEMENTS FOR 2017, 2018, 2019, 6 MONTHS 2020

Chocofamily Holding LLP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2017 and 2016

Contents

Independent Auditor's Report

To the Owners and Management of Chocofamily Holding LLP:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chocofamily Holding LLP (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2017 and 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statements of financial position as at 31 December 2017 and 31 December 2016;
- the consolidated statements of profit or loss and other comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of Tenge 710,098 thousand during the year ended 31 December 2017 and, as at that date, the Group's current liabilities exceeded its total assets by Tenge 822,193 thousand. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

20 March 2019
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the RK Ministry of Finance No.0000005 dated 21 October 1999)

Signed by:

Azamat Konratbaev
Audit Partner
(The Association of Chartered Certified Accountants Certificate №00770863 dated 8 May 2003)

Signed by:

Irina Taskayeva
Auditor in charge
(Qualified Auditor's Certificate №00000465 dated 14 November 1998)

In thousands of Kazakhstani Tenge	Note	31 December 2017	31 December 2016	1 January 2016
ASSETS				
Non-current assets				
Property, plant and equipment		60,603	23,516	12,890
Intangible assets	7	283,651	19,524	21,001
Loans issued		-	-	9,226
Other non-current assets		10	-	-
Total non-current assets		**344,264**	**43,040**	**43,117**
Current assets				
Inventories		18,196	26,742	25,940
Trade and other receivables	8	608,905	507,270	264,362
Loans issued		3,760	12,138	10,703
Current income tax prepayments		564	513	513
Cash and cash equivalents	9	183,391	92,179	76,616
Total current assets		**814,816**	**638,842**	**378,134**
TOTAL ASSETS		**1,159,080**	**681,882**	**421,251**
EQUITY				
Charter capital	10	712,294	42,294	36,670
Accumulated deficit		(1,562,437)	(874,350)	(618,066)
Equity attributable to the Group's owners		**(850,143)**	**(832,056)**	**(581,396)**
Non-controlling interest		**(82,093)**	**(61,807)**	**(33,056)**
TOTAL EQUITY		**(932,236)**	**(893,863)**	**(614,452)**
LIABILITIES				
Non-current liabilities				
Share-based payments	11	110,043	17,582	-
Total non-current liabilities		**110,043**	**17,582**	**-**
Current liabilities				
Borrowings	12	773,728	536,977	181,299
Trade and other payables	13	953,689	837,961	496,194
Other taxes payable	14	107,633	91,152	284,139
Current income tax payable		4,171	-	-
Deferred income		142,052	92,073	74,071
Total current liabilities		**1,981,273**	**1,558,163**	**1,035,703**
TOTAL LIABILITIES		**2,091,316**	**1,575,745**	**1,035,703**
TOTAL LIABILITIES AND EQUITY		**1,159,080**	**681,882**	**421,251**

Approved for issue and signed on 20 March 2019.

ТОВАРИЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ
Chocofamily Holding
ЖАУАПКЕРШІЛІГІ ШЕКТЕУЛІ СЕРІКТЕСТІГІ

Nikolai Mazentcev
Chairman of the Management Board

Anvar Bakiyev
Financial Director

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

In thousands of Kazakhstani Tenge	Note	2017	2016
Continuing operations:			
Revenue	15	**2,134,514**	**1,709,098**
Other income		15,284	253
Wages and salaries		(784,676)	(653,894)
Cost of purchased certificates, coupons and tickets		(667,191)	(585,018)
Advertising		(385,624)	(167,312)
Bank and payment systems commissions		(191,897)	(114,087)
Cost of materials		(132,642)	(102,832)
Acquisition of BeSmart	23	(100,000)	-
Courier services		(59,727)	(9,015)
Market research		(52,000)	-
Rent expenses		(47,329)	(39,311)
Depreciation and amortisation		(40,029)	(9,850)
Taxes other than income		(29,281)	(12,403)
Consulting services		(23,822)	-
Foreign exchange gains / (losses)		(16,464)	17,395
IT third party support		(13,941)	(31,177)
Repairs		(12,745)	-
Losses less gains on disposals of property, plant and equipment		(914)	(1,378)
Impairment of trade and other receivables		(5,405)	(8,027)
Fines and penalties		(2,418)	(40,223)
Other operating expenses		(150,068)	(85,440)
Operating loss		**(566,375)**	**(133,221)**
Finance costs	16	(195,670)	(97,699)
Share of results of associates		(1,110)	-
Loss before income tax		**(763,155)**	**(230,920)**
Income tax expense	17	(1,480)	-
Loss for the year from continuing operations		**(764,635)**	**(230,920)**
Discontinued operations:			
Profit / (loss) for the year from discontinued operations	18	54,537	(54,115)
LOSS FOR THE YEAR		**(710,098)**	**(285,035)**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(710,098)**	**(285,035)**
Loss is attributable to:			
- Owners of the Company		(688,087)	(256,284)
- Non-controlling interest		(22,011)	(28,751)

In thousands of Kazakhstani Tenge	Note	Attributable to owners of the Group				
		Charter capital	**Accumu-lated deficit**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2016		**36,670**	**(618,066)**	**(581,396)**	**(33,056)**	**(614,452)**
Loss for the year		-	(256,284)	(256,284)	(28,751)	(285,035)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 2016		-	(256,284)	(256,284)	(28,751)	(285,035)
Additional contributions to charter capital	10	5,624	-	5,624	-	5,624
Balance at 31 December 2016		**42,294**	**(874,350)**	**(832,056)**	**(61,807)**	**(893,863)**
Loss for the year		-	(688,087)	(688,087)	(22,011)	(710,098)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 2017		-	(688,087)	(688,087)	(22,011)	(710,098)
Additional contributions to charter capital	10	670,000	-	670,000	-	670,000
Acquisition of subsidiary		-	-	-	1,725	1,725
Balance at 31 December 2017		**712,294**	**(1,562,437)**	**(850,143)**	**(82,093)**	**(932,236)**

In thousands of Kazakhstani Tenge	Note	2017	2016
Cash flows from operating activities			
Loss before income tax: continuing operations		(763,155)	(230,920)
Profit / (loss) before income tax: discontinued operations		54,537	(54,115)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		40,029	9,850
Impairment of trade and other receivables		5,405	8,027
Losses less gains on disposals of property, plant and equipment		914	1,378
Change in fair value of share-based payments		92,461	17,582
Finance costs		103,209	80,117
Gain from sale of internet resources	18	(79,631)	-
Other non-cash operating costs		325	(36,711)
Operating cash flows before working capital changes		**(545,906)**	**(204,792)**
Increase in trade and other receivables		(48,595)	(250,935)
Decrease / (increase) in inventories		8,546	(802)
Increase in trade and other payables		120,093	341,767
Increase / (decrease) in taxes payable		10,481	(192,987)
Increase in deferred income		49,979	18,002
Net cash used in operating activities		**(405,402)**	**(289,747)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(50,999)	(20,377)
Purchases of intangible assets		(34,440)	-
Acquisition of subsidiaries	7	(278,861)	-
Proceeds from disposal of subsidiaries, net of disposed cash		49,319	-
Loans repayments		8,378	9,226
Loans granted		-	(1,435)
Net cash used in investing activities		**(306,603)**	**(12,586)**
Cash flows from financing activities			
Proceeds from borrowings		334,342	375,422
Repayment of borrowings		(201,125)	(63,800)
Additional contribution to the charter capital		670,000	6,274
Net cash from financing activities		**803,217**	**317,896**
Cash and cash equivalents at the beginning of the year		92,179	76,616
Cash and cash equivalents at the end of the year	9	**183,391**	**92,179**

1 Chocofamily Holding LLP and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the years ended 31 December 2017 and 2016 for Chocofamily Holding LLP (the "Company") and its subsidiaries (the "Group").

The Company was incorporated and is domiciled in the Republic of Kazakhstan. The Company is a limited liability partnership and was set up in accordance with Kazakhstani regulations in February 2016. Holding structure was aimed to provide efficiency in corporate governance procedures and ensure transparency of shareholding.

Since inception the Group is ultimately controlled by Mr. Ramil Mukhoryapov: before October 2015 - through direct participation in businesses and after 30 October 2015 – through Choco Capital Partners LLP, an entity established to represent rights of Group founders and top management.

In February 2016 Choco Capital Partners LLP transferred participant interests in the subsidiaries to the Company as part of investment to the charter capital of Chocofamily Holding LLP. Shareholding structure of the Group is described in the Note 10.

Business operations of the Group commenced in 2011 by starting up on-line sales of discount coupons and certificates for goods and services through legal entity Redprice LLP with a brand name Chocolife.me and by launching on-line sales of ophthalmology goods through Internet optica LLP operating under the brand name Lensmark.

Later in 2012 the Group started Chocotravel – a project for on-line sales of air tickets through legal entity Internet Tourism LLP.

In 2013 the Group initiated Chocofood (legal name – Internet dostavka LLP) and Chocomart (legal name – Internet-retail LLP), on-line ordering of food delivery and on-line sales of home appliances respectively. Chocomart was sold in December 2017 (Note 18).

In 2017 several acquisitions have been made:

- to consolidate Chocofood's customer base the Group acquired 100% of Foodpanda Kazakhstan LLP (on-line ordering of food delivery) from the international food-tech holding Delivery Hero (Note 3);
- in order to cement leading market position in discount coupons and certificates the Group has purchased business of BeSmart – the competitor of Chocolife.me (Note 3);
- to develop new e-commerce niches the Group has purchased a controlling stake in med-tech project iDoctor – on-line booking of medical appointments (Note 3).

Principal activity. The Group's principal business activity is rendering e-commerce services in the Republic of Kazakhstan.

Subsidiaries

In percent of ownership (%)	**Brand name**	**31 December 2017**	**31 December 2016**
Redprice LLP	Chocolife.me & BeSmart	100%	100%
Internet Tourism LLP	Chocotravel	75%	75%
Foodpanda Kazakhstan LLP	Foodpanda	100%	-
Internet dostavka LLP	Chocofood	100%	100%
Internet optica LLP	Lensmark	66.62%	66.62%
iDoctor.kz LLP	iDoctor	67.4%	-
Internet-retail LLP *	Chocomart	100%	100%

*Internet-retail LLP internet site and brand name were sold in December 2017. Participant interest in the entity remained within the Group (Note 18).

1 Chocofamily Holding LLP and its Operations

Registered address and place of business

The Company's registered address is 280 Baizakova street, A15G7M6 Almaty, Republic of Kazakhstan.

Presentation currency

These consolidated financial statements are presented in Kazakhstani Tenge ("Tenge"), unless otherwise stated.

2 Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5 for new and amended standards adopted by the Group).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

2 Significant Accounting Policies (Continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserves within equity.

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Kazakhstan, Kazkhstani Tenge ("Tenge"). The consolidated financial statements are presented in Tenge, which is the Group's presentation currency.

2 Significant Accounting Policies (Continued)

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss for the year.

At 31 December 2017 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 332.33 (31 December 2016: US Dollar = Tenge 333.29). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Intangible assets other than goodwill

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, websites, mobile phone applications, trademarks and licences.

Acquired computer software licences, websites, mobile phone applications and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

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

	Useful lives in years
Software and program applications	5 years
Websites	5 – 10 years
Trademarks	5 – 7 years
Other	4 – 10 years

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

2 Significant Accounting Policies (Continued)

Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 26.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

2 Significant Accounting Policies (Continued)

Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. The Group's loans and receivables comprise of 'loans issued', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

All other financial assets are included in the *available-for-sale* category.

Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Share-based payments

The Group operates a number of cash-settled and equity-settled share-based compensation plans, under which the entity receives goods or services from employees and third parties as consideration for equity instruments (options or shares) of the Group.

Employee services settled in equity instruments. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss, with a corresponding adjustment to equity. No changes to the charge are made when the expected or actual level of awards vesting differs from the original estimate due to non-attainment of market performance conditions, e.g., the appropriate total shareholder return or share price. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. Cancelled awards are deemed to have vested upon cancellation. Any unamortised expense associated with such awards is charged to profit or loss immediately.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity separate financial statements.

2 Significant Accounting Policies (Continued)

Goods or services settled in cash. Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

2 Significant Accounting Policies (Continued)

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

2 Significant Accounting Policies (Continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2 Significant Accounting Policies (Continued)

Charter capital

The partnership interest in the Company is classified as equity if the Company has an irrevocable right to refuse the repurchase the partnership interest according to the Company's charter and local legislation. In case if the Company has an obligation to repurchase partnership interest from its owners, the equity is classified as financial liability (Note 3).

The assets contributed to the charter capital are recognised at fair value at the time of contribution. Any excess of the fair value of contributed assets over the nominal value of contribution to the charter capital after its legal registration is allocated directly to other reserves within equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Sales of coupons and certificates

The Group generates third-party revenue from transactions in which it acts as a marketing agent, primarily by selling coupons through its on-line sales that can be redeemed for goods or services with third party partners (merchant). Third-party revenue is reported on a net basis as the purchase price received from the customer for the voucher less the portion of the purchase price that is payable to the featured merchant. Revenue is presented on a net basis because the Group is acting as a marketing agent of the merchant in those transactions. Third-party revenue is recognised when the customer purchases a voucher and the voucher has been used by the customer, which is the date of electronic activation of the voucher. At that time, the Group's obligations to the merchant, for which it is serving as a marketing agent, are substantially complete. The Group's remaining obligations, which are limited to remitting payment to the merchant and continuing to make available on its website information about vouchers sold that was previously provided to the merchant, are inconsequential and perfunctory administrative activities. For merchant payment arrangements that are structured under a redemption model, merchants are not paid until the customer redeems the voucher that has been purchased. If a customer does not redeem the voucher under this payment model, the Group retains all of the gross billings. The Group recognises variable consideration from unredeemed vouchers and derecognises the related payable to the customers when its legal obligation expires, which the Group believes is shortly after deal expiration date that have payment arrangements structured under a redemption model.

The Group generates direct revenue from selling coupons and certificates for goods and services fully prepaid by the Group to the merchant. Direct revenue is reported on a gross basis as the purchase price received from the customer. The Group is the primary obligor in those transactions, is subject to general credit risk. Associated purchase costs are recorded in cost of purchased certificates, coupons and tickets. Direct revenue is recognised when those are activated by the customers. Income from non-activated certificates is recognised when legal obligation expires, which is three years after the sale.

Sales commissions

Commission revenue is earned when customers make purchases with retailers using digital coupons accessed through the Group's websites and mobile applications. The Group recognises that commission revenue in the period in which the underlying transactions are completed.

Sales of goods

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

2 Significant Accounting Policies (Continued)

Incentives from partners

The Group earns revenues, which are granted by partners for the sales made on behalf of the partners. Such revenues are recorded on a monthly basis based on the estimated incentives granted by the partners for the preceding month.

Service fees

Service fees are fees collected from the customers for different additional services provided by the Group. The Group recognises that commission revenue in the period in which the underlying transactions are completed.

Other revenue

Advertising revenue is recognised when the advertiser's logo or website link has been included on the Group's websites or in specified email distributions for the requisite period of time as set forth in the agreement with the advertiser. Courier and other services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Deferred income

The Group grants bonuses to its customers for the purchases made. Estimated bonuses are recorded as a reduction of revenue in the period it is granted. The liability for estimated bonuses is included within deferred income in the consolidated statement of financial position. The Group estimates bonuses to be used by the customers using a model that incorporates historical bonus usage experience taking into consideration the fact that the bonuses expire within one year from purchase. The Group assesses the trends that could affect its estimates on an ongoing basis and makes adjustments to the deferred income calculations if it appears that changes in circumstances, including changes to the Group's bonus policies or general economic conditions, may cause future bonuses to differ from its initial estimates. If actual results are not consistent with the estimates or assumptions stated above, the Group may need to change its future estimates, and the effects could be material to the consolidated financial statements.

Barter transactions and mutual cancellations

A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Payroll expense and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employees' salary and transfers them into the united pension fund. Upon retirement of employees, all pension payments are administered by the united pension fund.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

As at 31 December 2017 the Group's current liabilities exceeded its total assets by Tenge 822,193 thousand (31 December 2016: Tenge 876,281 thousand). The Groups net loss in 2017 was equal to Tenge 710,098 thousand (2016: Tenge 285,035 thousand) and cash outflows from operating activities in 2017 were equal to Tenge 405,402 thousand (2016: Tenge 289,747 thousand).

Management takes the following steps to mitigate the risk, and to ensure that the Group continues as a going concern:

- In December 2017 the Group had divested Chocomart from its on-line shop (Note 18) that generated losses and required constant cash injections into its operations. That has led to certain improvement of the Group's cashflow.

- In February 2018 the Group acquired control in Aviata LLP (on-line sale of air/railway tickets and related services) which on combined volumes with Internet Tourism LLP enabled it to improve remuneration terms with Amadeus (a global ticket distribution system) starting from March 2018 (Note 28). Since then the travel division has become profitable and generating sizeable cashflow; it thus can be seen (along with Redprice LLP) as a potential source of funds for the Group.

- In 2018 the Group attracted additional funding (both equity and debt) from its current stakeholders in the amount of over Tenge 850 million to finance acquisitions and working capital needs. In addition the Group had prolonged Tenge 200 million working capital facility from a related party (with original maturity in September 2018) till March 2019, and subsequently until December 2019 with increase in the amount of the facility to Tenge 620 million. This proves the Group's ability to attract funding from its current shareholders as well as willingness of the latter to provide such funding in case of need. The Group will continue to use shareholders' capabilities as a backup source to fund its liquidity gaps should such occur.

- In 2019 the Group plans to establish a revolving working capital facility with local banks.

- In September 2018 the Company's Supervisory Board has approved plans to launch an equity financing round in winter-spring 2019 to sell up to 10% of the Company capital – with all the proceeds to finance the Group's growth potential.

Management believes that above measures would allow the Group to fund its current operations and be sufficient to provide for the development needs.

These consolidated financial statements do not include any adjustments of book value of assets and obligations, income and expenses, and also classifications of statement of financial position which would be necessary in case of impossibility to continue operating activities; such adjustments can be significant.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Business combination under common control

As described in the Note 1 until 2015 there was no Group legal structure in place, i.e. there was no parent company holding interests in all companies within the Group. In 2015 Choco Capital Partners LLP was established and obtained control in five subsidiaries: Chocotravel, Lensmark, Chocomart, Chocofood and Chocolife.me. In 2016 Chocofamily Holding LLP was established and charter capitals of these entities were transferred to the holding entity. Starting from this point the full legal structure of the Group was established.

At 1 January 2016 all entities of the Group were owned and controlled by Choco Capital Partners LLP, which was controlled directly by Mr. Mukhoryapov. Mr. Mukhoryapov also controlled Choco Capital Partners LLP since its establishment in 2015 and until present time. As such all entities of the Group were under ultimate control of Mr. Mukhoryapov since 1 January 2016 and thereafter.

The transfer of subsidiaries owned by the Choco Capital Partners LLP before re-organisation were accounted by the Group as re-organisation as if the subsidiaries were always held by Chocofamily Holding LLP.

Therefore, the Group prepared these consolidated financial statements as of 31 December 2016 and 31 December 2017, accounting for its subsidiaries from 1 January 2016. The assets and liabilities of the entities were incorporated at their pre-combination carrying amounts without fair value uplifts.

BeSmart acquisition

In June 2017 the Group acquired coupon business of BeSmart LLP (an operating entity with established processes, customer base and brand name in on-line sales of discount coupons and certificates for goods and services) by purchasing respective internet site, mobile application, trademark, contracts with merchants and vendors and related fixed assets. Legal entity remained with the prior participants.

BeSmart LLP with the brand name "BeSmart" was the main competitor of Chocolife.me for several years.

The purpose of the acquisition was to obtain processed knowledge, customer base and brand name of BeSmart. The acquisition was aimed to increase the Group's penetration into the chosen e-commerce market and to improve profitability through the economies of scale. The acquisition was accounted for as business combination (Note 23).

Foodpanda acquisition

On 20 April 2017 Brillant 1424. GmbH & Co. 13. Verwaltungs KG ("Seller"), an affiliated party to Foodpanda Gmbh and an indirect subsidiary of Emerging Markets Online Food Delivery Holding S.a.r.l. LLP, and the Group had entered into sale-purchase agreement (SPA), according to which 100% of the participation interest in the charter capital of Foodpanda Kazakhstan LLP (brand name "Foodpanda") was purchased by the Group. Foodpanda was the main competitor of Group's on-line food delivery ordering entity Chocofood for years.

Despite purchase of 100% participation in Foodpanda Kazakhstan LLP by the Group, the SPA prescribed no transfer of IP rights (technology, trademark, etc.) to the buyer. Instead, the Group only received the software license maintenance for a period of six months, domain license www.foodpanda.kz for a period of twelve months and trademark "Foodpanda" in the territory of Kazakhstan for a period of twelve months. During six months period the Group had to execute transition of active customer base to the Chocofood platform which was gradually performed. In addition, during the stated period the Group acquired operational knowledge to apply in its business on Chocofood platform.

Therefore, the acquisition was accounted for as purchase of assets, primary customer base (Note 7). The price was close to the average CPA (cost per acquisition) Chocofood had used to spend on new active buyers multiplied by number of active buyers in Foodpanda Kazakhstan LLP prior to the acquisition date.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

iDoctor acquisition

On 5 June 2017 the Group acquired 40% of the charter capital of iDoctor.kz LLP for Tenge 20,000 thousand. On 19 October 2017 the Group acquired additional 27.4% of interest in charter capital of iDoctor.kz LLP for Tenge 11,872 thousand. At the time of acquisition iDoctor.kz LLP was an operating business which the Group aimed to develop further. The acquisition was treated as an acquisition of business (Note 23). Primary asset acquired included website recorded within intangible assets (Note 7).

Discontinued operations

Chocomart and Intermarket

As part of its strategy to divest its goods selling businesses and focus on offering services (where traditionally the Group was more successful) in December 2017 the Group has sold internet resources Chocomart.kz and Intermarket.kz (on-line ordering of home appliances) to Nursat LLP, a 100% subsidiary of the national telecom operator Kazakhtelecom. The agreement signed on 22 December 2017 prescribed obligation of Internet-retail LLP to transfer its property rights on respective business components of Chocomart.kz and Intermarket.kz (internet sites, trademark and list of fixed assets, contracts with vendors and service providers) (Note 18).

In 2018 the Group has fulfilled all its assets transfer obligations in accordance with the above sale-purchase agreement.

As the entity represented approximately 10% and 20% of the Group (by total assets and revenue, respectively) the transaction was treated as discontinued operations (Note 18).

Charter capital repurchase obligation

Under the charter of Chocofamily Holding LLP the Group is required to redeem its participation interest from its two owners upon their request. The redemption should be done for the amount and under the terms and conditions specified in the charter of Chocofamily Holding LLP. Based on the charter terms the capital injections were classified by the Group as a short-term financial liability denominated in US Dollar within borrowings (Note 12). These liabilities were initially measured at fair value and subsequently carried at amortised cost.

Mr. Abdrakhmanov

In 2016 Mr. Abdrakhmanov acquired 12.25% of the Group for Tenge 272,505 thousand. Under the charter terms Mr. Abdrakhmanov has a right to request the Group to redeem 7.77% of his participation interest for Tenge 272,505 thousand indexed to US Dollar rate and discounted for time value of money at 15% p.a. within four years from the date of interest acquisition. The Group has nine months to repay the obligation after the request of the participant.

At inception the redemption liability was assessed by the Group at Tenge 266,231 thousand calculated as discounted value of Tenge 272,505 thousand for nine months at a market interest rate indexed at required foreign exchange rate. As of the reporting dates the liability was measured at amortised value (Note 12).

DEMUS Capital LLP

DEMUS Capital LLP acquired 7.67% of the Group for Tenge 70,900 thousand. Under the charter terms DEMUS Capital LLP has a right to request the Group to redeem 7.67% of its participation interest for the amount of Tenge 186,770 thousand (redemption liability) indexed to US Dollar rate and discounted for time value of money at 20% p.a. within five years from the date of interest acquisition. The Group has six months to repay the obligation after the request of the participant.

Abovementioned participation share of 7.67% was acquired through the following two transactions:

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

- In 2013 DEMUS Capital LLP provided Tenge 30,000 thousand to Redprice LLP under the terms of subsequent repurchase of the participant interest of the Group, where provided loan should represent part of the contribution discounted at a market interest rate and indexed at the current US Dollar to Tenge exchange rate. Therefore, as of 1 January 2016 the Group recorded the outstanding total financial liability of Tenge 135,729 thousand, being discounted value from 2013 of the borrowing provided. In February 2016 Redprice LLP had fully repaid the loan by transferring 30,000 thousand to the Group as part of the DEMUS Capital contribution in the charter capital of the Group.

- In 2016 DEMUS Capital LLP additionally contributed Tenge 40,900 thousand to the charter capital of the Group. As of 31 December 2016 and 2017, the carrying value of the outstanding total financial liability was equal to Tenge 204,357 thousand and Tenge 249,153 thousand, respectively (Note 12).

Management believes that as at 1 January 2018 both Mr. Abdrakhmanov's option and the option of DEMUS Capital LLP were out of the money instruments since their value was below the market value of comparable participation interests in the Company in accordance with the latest market transactions with the Company's equity.

Share-based payments

Starting from 2016, the Group initiated "share-based payments" Program for its employees (the "Program"). Based on the Program terms the Group has obligation to distribute 10% of its charter capital (as at the Program launch) in options to its employees during five year period. Based on the Group's policy:

- the share options to be distributed will be accrued evenly within five years (approximately two percent a year) based on the decision of the Company's Supervisory Board for each particular year;
- the right to participate in the Program is given to each employee, employed by the Group or its subsidiaries for at least 5 months of the year covered by the Program;
- each particular employee awarded with share options under the Program (based on the performance of each employee, performance results of each subsidiary, value of the Group and its subsidiaries and other criteria) will be able to convert those into share in the Group after minimum of five years of employment from option distribution date;
- the employee has a right to choose the method of the payment (cash or interest in the charter of the Group);
- The Group reserved a right to change terms of the Program unilaterally;

The Group initially recorded its obligation under the Program at fair value based on factual significant sale-purchase transactions of the Company's interest in charter capital with subsequent re-measurement of the fair value at each reporting date.

As of 31 December 2017 and 2016 the charter distribution within the Program was calculated at 3.79% and 2.66% with the fair values of the liability of Tenge 110,043 thousand and Tenge 17,582 thousand, respectively.

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4 First Time Adoption of IFRS

These consolidated financial statements are the Group's first annual consolidated financial statements that comply with IFRS. As allowed by IFRS 1 "First time adoption of International Financial Reporting Standards", the Group applied all standards and interpretations of IFRS retrospectively, as if the Group prepared the financial statements in accordance with IFRS before 1 January 2016, as it applied IFRS from the date of inception. Due to retrospective application of IFRS the Group included to these financial statements the statement of financial position as at 1 January 2016 with respective notes. The Group did not prepare the financial statements for the prior periods therefore these financial statements do not contain reconciliation of equity under the generally accepted accounting principles applied before and equity in accordance with IFRS and related reconciliation of total comprehensive income for the last period in the latest financial statements of the Group.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Group is not expecting a significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

5 New Accounting Pronouncements (Continued)

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

In thousands of Kazakhstani Tenge	Measurement category IAS 39	Measurement category IFRS 9	Carrying value per IAS 39 (closing balance at 31 December 2017)	Effect: Remeasurement ECL	Effect: Remeasurement Other	Effect: Reclassification Mandatory	Effect: Reclassification Voluntary	Carrying value per IFRS 9 (opening balance at 1 January 2018)
Cash and cash equivalents	L&R	AC	183,391	-	-	-	-	183,391
Loans issued	L&R	AC	3,760	-	-	-	-	3,760
Financial assets within trade and other receivables	L&R	AC	182,438	-	-	-	-	182,438
Total financial assets			**369,589**	**-**	**-**	**-**	**-**	**369,589**

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

5 New Accounting Pronouncements (Continued)

In accordance with the transition provisions in IFRS 15 the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year when the Group will apply IFRS 15.

The Group plans to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 will result in changes in accounting policies and adjustments to be recognised in the consolidated financial statements. Based on the analysis of the Group's revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified transition method application, the management of the Group is not expecting a significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.
- IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty.

5 New Accounting Pronouncements (Continued)

- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 1 January 2017, 31 December 2016 and 31 December 2017, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Ultimate controlling party	Other owners	Key management personnel	Other related parties
31 December 2017				
Trade receivables	160	-	765	3,335
Borrowings	-	(773,728)	-	-
31 December 2016				
Trade receivables	160	-	760	100
Borrowings	-	(528,729)	-	-
1 January 2016				
Trade receivables	160	-	767	100
Borrowings	-	(155,314)	-	-

The income and expense items with related parties for the years 2017 and 2016 were as follows:

In thousands of Kazakhstani Tenge	Ultimate controlling party	Other owners	Key management personnel	Other related parties
2017				
Wages and salaries	-	-	(76,002)	-
Market research	-	-	-	(43,539)
Interest expense	-	(58,678)	-	(44,531)
Other	-	-	-	(1,184)
2016				
Wages and salaries	-	-	(76,335)	-
Interest expense	-	(36,317)	-	(43,800)
Other	-	-	(7)	-

7 Intangible Assets

In thousands of Kazakhstani Tenge	Note	Software and program applications	Websites	Trademarks	Other	Total
Cost at 1 January 2016		-	23,412	-	3,523	26,935
Accumulated amortisation		-	(4,093)	-	(1,841)	(5,934)
Carrying amount at 1 January 2016		**-**	**19,319**	**-**	**1,682**	**21,001**
Additions		-	-	-	924	924
Amortisation charge		-	(1,535)	-	(866)	(2,401)
Carrying amount at 31 December 2016		**-**	**17,784**	**-**	**1,740**	**19,524**
Cost at 31 December 2016		-	23,412	-	4,448	27,860
Accumulated amortisation		-	(5,628)	-	(2,708)	(8,336)
Carrying amount at 31 December 2016		**-**	**17,784**	**-**	**1,740**	**19,524**
Acquisitions of businesses	3	150,000	64,697	60,000	-	274,697
Additions		1,493	11,371	-	21,686	34,550
Disposals		-	(18,071)	-	(18)	(18,089)
Amortisation charge		(15,236)	(4,985)	(6,000)	(810)	(27,031)
Carrying amount at 31 December 2017		**136,257**	**70,796**	**54,000**	**22,598**	**283,651**
Cost at 31 December 2017		151,493	81,409	60,000	26,057	318,959
Accumulated amortisation		(15,236)	(10,613)	(6,000)	(3,459)	(35,308)
Carrying amount at 31 December 2017		**136,257**	**70,796**	**54,000**	**22,598**	**283,651**

Acquisitions of businesses include intangible assets received as a result of the acquisitions of BeSmart (Note 3) totalling Tenge 247,500 thousand, comprised of software and program applications in the amount of Tenge 150,000 thousand, website in the amount of Tenge 37,500 thousand and trademarks in the amount of Tenge 60,000 thousand, and acquisition of iDoctor.kz LLP (Note 3), comprised of website in the amount of Tenge 27,197 thousand.

Additions to other category includes acquisition of Foodpanda assets (Note 3) in the amount of Tenge 19,867 thousand.

8 Trade and Other Receivables

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Trade receivables	158,688	264,769	68,524
Receivables from employees	6,264	83,631	94,861
Other financial receivables	27,954	25,314	22,669
Less impairment loss provision	(10,468)	(5,063)	-
Total financial assets within trade and other receivables	**182,438**	**368,651**	**186,054**
Prepayments	408,954	141,119	81,110
Other receivables	25,257	5,244	1,978
Less impairment provision	(7,744)	(7,744)	(4,780)
Total trade and other receivables	**608,905**	**507,270**	**264,362**

Prepayments mostly include prepayments made to the partners for the future deliveries of airline tickets and other services and goods.

Financial assets within trade and other receivables are denominated in the following currencies:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Kazakhstani Tenge	182,438	357,395	185,115
US Dollars	-	9,249	-
Euro	-	1,851	19
Russian Rouble	-	156	920
Total financial assets within trade and other receivables	**182,438**	**368,651**	**186,054**

Movements in the impairment provision for trade and other receivables are as follows:

	2017	2016
Provision for impairment at 1 January	**5,063**	-
Provision for impairment accrued during the year*	5,405	5,063
Provision for impairment at 31 December	**10,468**	**5,063**

*The provision for impairment accrued during the year 2016 differs from the amount presented in profit or loss due to provision accrued for non-recoverable prepayments for the amount of Tenge 2,964 thousand.

8 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables is as follows:

	31 December 2017		31 December 2016		1 January 2016	
In thousands of Kazakhstani Tenge	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired	**135,104**	**34,028**	**251,710**	**107,111**	**65,916**	**115,740**
Past due but not impaired						
- less than 30 days overdue	-	-	-	-	-	-
- 30 to 90 days overdue	5,628	134	4,519	44	1,665	1,790
- 91 to 180 days overdue	2,742	56	1,411	-	683	-
- 181 to 360 days overdue	1,954	-	1,426	-	178	-
- over 360 days overdue	2,792	-	640	1,790	82	-
Total past due but not impaired	**13,116**	**190**	**7,996**	**1,834**	**2,608**	**1,790**
Past due and impaired (gross)						
- less than 30 days overdue	-	-	-	-	-	-
- 30 to 90 days overdue	-	-	-	-	-	-
- 91 to 180 days overdue	893	-	-	-	-	-
- 181 to 360 days overdue	2,641	-	8,461	-	-	-
- over 360 days overdue	8,461	-	-	-	-	-
Total past due and impaired	**11,995**	**-**	**8,461**	**-**	**-**	**-**
Less impairment provision	(11,995)	-	(8,461)	-	-	-
Total trade and other receivables	**148,220**	**34,218**	**259,706**	**108,945**	**68,524**	**117,530**

9 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Cash on hand	22,472	32,661	36,788
Bank balances payable on demand	160,919	59,518	39,828
Total cash and cash equivalents	**183,391**	**92,179**	**76,616**

The credit quality of cash and cash equivalents balances may be summarised as follows:

In thousands of Kazakhstani Tenge	Rating agency	Rating	31 December 2017	31 December 2016	1 January 2016
Kazkommertsbank JSC	Moody's	Ba2	123,963	40,632	35,157
Bank subsidiary of Sberbank JSC	Moody's	Ba3	32,788	2,709	4,406
Kaspi Bank JSC	Moody's	B1	2,445	-	-
Bank RBK JSC	S&P	CCC	732	12,589	-
Altyn Bank JSC	Moody's	Ba2	723	704	-
Nurbank JSC	S&P	B-	154	2,280	171
Halyk Bank of Kazakhstan JSC	Moody's	Ba1	2	588	94
Other	-	-	112	16	-
Bank balances payable on demand			**160,919**	**59,518**	**39,828**

Cash and cash equivalents are denominated in the following currencies:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Kazakhstani Tenge	182,222	91,260	69,191
Russian Roubles	712	337	375
US Dollars	267	262	7,050
Euro	190	320	-
Total cash and cash equivalents	**183,391**	**92,179**	**76,616**

10 Charter Capital

The participants of Chocofamily Holding LLP as of 31 December 2017 and 2016 were as follows:

	31 December 2017		**31 December 2016**	
	%	Tenge thousands	%	Tenge thousands
Choco Capital Partners LLP	64.06%	36,010	79.86%	36,010
Mr. Turlov T.	16.76%	670,000	-	-
Mr. Abdrakhmanov M.	10.77%	6,274	12.25%	6,274
DEMUS Capital	7.32%	-	7.67%	-
Mr. Nurgozhin A.	1.09%	10	-	-
Mr. Makishev N.	-	-	0.22%	10
Total charter capital	**100%**	**712,294**	**100%**	**42,294**

10 Charter Capital (Continued)

As of 1 January 2016, the charter capital of the Group was represented by charter capital of Choco Capital Partners LLP in the amount of Tenge 36,670 thousand. The majority participant interest of 55.3% belonged to Mr. Mukhoryapov. Remaining 12 participants had interests individually less than 10%.

Chocofamily Holding LLP was established in 2016 and investments in subsidiaries of Choco Capital Partners LLP were transferred to the Company (Note 1) at its inception. The transfer of the interests in the charter capitals of subsidiaries was done at cost of Tenge 36,010 thousand in exchange of 79.86% share interest in the charter capital of Chocofamily Holding LLP. Remaining participants made cash injections to acquire their shares in charter capital of Chocofamily Holding LLP.

As described in Note 3, Mr. Abdrakhmanov and DEMUS Capital LLP as of 31 December 2016 and 2017 had rights to request the Group to repurchase their participant interests in the Group, classified as financial liability (Note 12) by the Group.

On 17 April 2017 the Group and Mr. Turlov signed a Joining Agreement whereby Mr. Turlov enters the charter capital of the Group by making injections in the total amount of Tenge 670,000 thousand in exchange for 16.76% of the participant interest in the Group.

11 Share Based Payments

Share options are granted to management and employees under the Program introduced by the Group in 2016 (Note 3). Options are granted to the employees employed by the Group or its subsidiaries for more than 5 months and conditional on the employee achieving certain individual and Group's results and could be utilised upon requirement to complete minimum term of employment in Group or its subsidiaries equal to five years' from the Program participation date (the vesting period). The options are exercisable starting five years from the grant date. At the utilisation date the employee has a right to sell his/her share to the Group at an internal valuation price. The Group has a right to defer payment for 12 month. The fair value of shares and share options has been calculated by reference to the recent sales of the Group's participant interests (Note 3).

During the years 2016 and 2017 shares of 2.66% and 3.79% were allocated for the distribution. As of 31 December 2016 and 31 December 2017 the liability was estimated at to Tenge 17,582 thousand and Tenge 110,043 thousand, respectively. Re-measurement of fair value is recorded in profit and loss for the respective year within finance costs.

12 Borrowings

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**	**1 January 2016**
Obligations under capital repurchase	573,728	484,212	135,729
Term loans	200,000	52,765	45,570
Total borrowings	**773,728**	**536,977**	**181,299**

Obligations under capital repurchase include (Note 3):

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**	**1 January 2016**
DEMUS Capital LLP	249,153	204,357	135,729
Mr. Abdrakhmanov	324,575	279,855	-
Total obligations under capital repurchase	**573,728**	**484,212**	**135,729**

12 Borrowings (Continued)

The Group's borrowings are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
US Dollars	573,728	484,212	168,415
Kazakhstani Tenge	200,000	52,765	12,884
Total borrowings	**773,728**	**536,977**	**181,299**

Term loans

In September 2017 the Group and Mr. Turlov signed a credit line agreement whereby Mr. Turlov agrees to provide a loan for the total amount of Tenge 200 million denominated in Tenge, which can be drawn by tranches of Tenge 10 million each. The loan bears an average interest rate of 20% annually with initial maturity in September 2018, later prolonged till March 2019 in June 2018.

Other loans were provided by various creditors to the Group entities. All loans are repayable within 12 months.

Due to short-term maturities fair values of term loans approximate their carrying values.

Net debt reconciliation

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of Kazakhstani Tenge	Term loans	Obligations under capital repurchase	Total
Net debt at 1 January 2016	**45,570**	**135,729**	**181,299**
Cash flows	4,491	307,131	311,622
Foreign exchange differences	2,704	(38,765)	(36,061)
Other non-cash movements	-	80,117	80,117
Net debt at 31 December 2016	**52,765**	**484,212**	**536,977**
Cash flows	133,217	-	133,217
Foreign exchange differences	-	325	325
Other non-cash movements	14,018	89,191	103,209
Net debt at 31 December 2017	**200,000**	**573,728**	**773,728**

13 Trade and Other Payables

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Trade payables	253,847	278,064	198,967
Total current financial liabilities within trade and other payables	**253,847**	**278,064**	**198,967**
Advances received	621,904	507,806	269,409
Wages and salary payables	44,160	23,965	20,493
Unused vacation reserve	32,462	20,964	2,887
Other	1,316	7,162	4,438
Total trade and other payables	**953,689**	**837,961**	**496,194**

Financial payables within trade and other payables are denominated in the following currencies:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Kazakhstani Tenge	248,139	268,233	192,628
Russian Roubles	5,272	8,525	5,105
US Dollars	203	1,306	1,234
Euro	233	-	-
Total current financial liabilities within trade and other payables	**253,847**	**278,064**	**198,967**

14 Other Taxes Payable

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Personal income tax	29,671	32,118	71,764
Value-added tax	29,291	9,619	96,537
Social taxes and contributions	22,866	25,950	67,325
Pension obligations	18,903	23,157	48,178
Other taxes	6,902	308	335
Total other taxes payable	**107,633**	**91,152**	**284,139**

15 Revenue

In thousands of Kazakhstani Tenge	2017	2016
Sales of coupons and certificates	839,053	705,253
Sales commission	814,578	720,830
Sales of goods	174,420	126,523
Service fees	127,438	13,798
Income from non-activated certificates	126,000	135,000
Marketing services	40,996	27,659
Incentives from partners	133,371	72,107
Courier services	17,352	-
Other	3,358	-
Bonuses accrued	(142,052)	(92,072)
Total revenue	**2,134,514**	**1,709,098**

16 Finance costs

In thousands of Kazakhstani Tenge	2017	2016
Unwinding of discount on obligations under capital repurchase	89,191	80,117
Change in fair value of share-based payments	92,461	17,582
Interest expense on borrowings	14,018	-
Total finance costs	**195,670**	**97,699**

17 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of Kazakhstani Tenge	2017	2016
Current tax	1,480	-
Deferred tax	-	-
Income tax expense for the year	**1,480**	**-**

17 Income Taxes (Continued)

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's 2017 and 2016 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Kazakhstani Tenge	2017	2016
Loss before tax from continuing operations	**(763,155)**	**(230,920)**
Profit / (loss) before tax from discontinued operations	**54,537**	**(54,115)**
Theoretical tax credit at statutory rate of 20%:	(141,724)	(57,007)
Non-deductible expenses	80,736	47,212
Change in unrecognised deferred tax assets	62,468	9,795
Income tax expense for the year	**1,480**	**-**

(c) Tax loss carry forwards

The tax loss carry forwards expire as follows:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Tax loss carry-forwards expiring by the end of:			
- 31 December 2021	59,016	59,016	59,016
- 31 December 2022	112,417	125,485	125,485
- after 31 December 2023	187,121	122,253	112,910
Total tax loss carry forwards	**358,554**	**306,754**	**297,411**

Based on the Kazakhstani legislation the entities have right to carry forward losses for 10 years.

17 Income Taxes (Continued)

(b) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Kazakhstani Tenge	1 January 2016	(Charged)/ credited to profit or loss	31 December 2016	(Charged)/ credited to profit or loss	31 December 2017
Tax effect of deductible / (taxable) temporary differences					
Property, plant and equipment	(3,856)	(199)	(4,055)	(1,265)	(5,320)
Tax loss carry forwards	59,482	1,869	61,351	10,360	71,711
Intangible assets	-	-	-	1,856	1,856
Impairment provision for receivables	956	593	1,549	-	1,549
Taxes payable	16,484	(11,471)	5,013	2,833	7,846
Borrowings	-	8,271	8,271	17,894	26,165
Share-based payments	-	3,516	3,516	18,493	22,009
Deferred income	577	3,616	4,193	2,300	6,493
Other	14,814	3,600	18,414	9,997	28,411
Net deferred tax asset	88,457	9,795	98,252	62,468	160,720
Unrecognised deferred tax asset	(88,457)	(9,795)	(98,252)	(62,468)	(160,720)
Net deferred tax asset	-	-	-	-	-

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

18 Discontinued Operations

As described in Note 3, in December 2017 the Group transferred its internet resources www.chocomart.kz and www.internetmarket.kz for the total contract consideration of Tenge 129,319 thousand consisting of fixed payment of Tenge 99,319 thousand and contingent payment up to Tenge 30 million based on the performance of the Chocomart and Intermarket for the next six months following the date of disposal. The Group received Tenge 99,319 thousand (Tenge 49,319 thousand in December 2017 and 50,000 thousand in February 2018) since agreed KPI's were not achieved in the target period.

An analysis of the result of discontinued operations are as follows:

In thousands of Kazakhstani Tenge	2017	2016
Revenue and other income	434,031	743,831
Expenses	(459,125)	(797,946)
Loss before tax of discontinued operations	(25,094)	(54,115)
Income tax relating to profit before tax of discontinued operations	-	-
Gain from sale of internet resources	79,631	-
Profit / (loss) after tax of discontinued operations	54,537	(54,115)
Profit / (loss) for the year from discontinued operations	**54,537**	**(54,115)**

An analysis of the cash flows of discontinued operations is as follows:

In thousands of Kazakhstani Tenge	2017	2016
Operating cash flows	(67,883)	(40,103)
Investing cash flows	49,319	(558)
Financing cash flows	-	-
Total cash flows	**(18,564)**	**(40,661)**

19 Operating Environment of the Group

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities, ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of the new monetary policy, which is based on an inflation targeting regime, cancellation of exchange rate trading band and transition to a free floating exchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge has varied from 187 to 350 Tenge per 1 US Dollar. As at the date of these financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 376.4 per USD 1, compared to Tenge 332.33 per USD 1 as at 31 December 2017 (31 December 2016: Tenge 333.29 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge, future action of the National Bank and the Government of the Republic of Kazakhstan, and the impact of the factors on the economy of the Republic of Kazakhstan.

19 Operating Environment of the Group (Continued)

In January 2016 the international rating agency Standard & Poor has significantly reduced its oil prices forecasts for the period 2016-2019. As the economy of Kazakhstan is largely dependent on the oil and gas sector, Standard & Poor is now expecting stagnation or a very small increase in GDP, according to a press release. Accordingly, in February 2016, Standard & Poor lowered Kazakhstan's long-term credit ratings on liabilities in foreign and national currencies from BBB + to BBB-. In addition, S&P lowered Kazakhstan's short-term ratings on liabilities in foreign and national currencies from "A-2" to "A-3", and the national scale rating from "kzAA +" to "kzAA".

The outlook on the long-term ratings is "stable". The stable outlook reflects the S&P agency opinion about the fixed financial expenses of the authorities regarding the plans for banking sector recapitalisation and about economic activity that will remain relatively stable through 2020.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the e-commerce sector in the Republic of Kazakhstan is impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

20 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Tax contingencies

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Group. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

20 Contingencies and Commitments (Continued)

Transfer pricing legislation

According to the transfer pricing law, the international business transactions are subject to the government control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international business transactions, including the existence of the documentation supporting the prices and price differentials applied. Additionally, price differentials cannot be applied to the international business transactions with companies registered in offshore countries. In case of deviation of transaction price from market price, tax authorities have the right to adjust taxable base and to impose additional taxes, fines and interest penalties.

The transfer pricing law in some areas lacks detailed clear-cut guidance as to how its rules should be applied in practice (for example, the form and content of documentation supporting the discounts), and determination of the Group's tax liabilities within the context of the transfer pricing regulations requires an interpretation of transfer pricing law.

The Group conducts transactions subject to the state transfer pricing control. The Group's cross-border transactions are set at the market price based on the arms-length principle.

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Not later than 1 year	25,922	1,800	1,500
Later than 1 year and not later than 5 years	49,135	-	-
Later than 5 years	-	-	-
Total operating lease commitments	**75,057**	**1,800**	**1,500**

21 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of Kazakhstani Tenge	Proportion of non-controlling interest	Profit / (loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2017			
Chocotravel (Internet Tourism LLP)	25%	(27,558)	(82,412)
Lensmark (Internet optika LLP)	33.38%	6,817	(136)
iDoctor (iDoctor.kz LLP)	32.6%	(1,270)	455
Year ended 31 December 2016			
Chocotravel (Internet Tourism LLP)	25%	(23,285)	(54,854)
Lensmark (Internet optika LLP)	33.38%	(5,466)	(6,953)
As at 1 January 2016			
Chocotravel (Internet Tourism LLP)	25%	-	(31,569)
Lensmark (Internet optika LLP)	33.38%	-	(1,487)

21 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

In thousands of Kazakhstani Tenge	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income / (loss)	Cash flows
31 December 2017								
Chocotravel (Internet Tourism LLP)	214,146	6,508	550,308	-	236,212	(110,231)	(110,231)	67,635
Lensmark (Internet LLP)	72,336	133	63,751	-	174,420	21,903	21,903	(1,312)
iDoctor (iDoctor.kz LLP)	2,187	1,971	2,764	-	1,498	(3,896)	(3,896)	(2,975)
31 December 2016								
Chocotravel (Internet Tourism LLP)	161,004	5,163	385,586	-	80,294	(93,141)	(93,141)	17,835
Lensmark (Internet optika LLP)	22,124	448	34,276	-	126,523	(16,376)	(16,376)	2,731
1 January 2016								
Chocotravel (Internet Tourism LLP)	30,851	304	157,433	-	-	-	-	-
Lensmark (Internet optika LLP)	29,291	324	24,942	-	-	-	-	-

22 Principal Subsidiaries

Subsidiaries

In percent of ownership (%)	Country of incorporation	Principal activity	31 December 2017	31 December 2016
Redprice LLP (Chocolife.me & BeSmart)	Kazakhstan	On-line sales of discount coupons and certificates for goods and services	100%	100%
Internet Tourism LLP (Chocotravel)	Kazakhstan	On-line booking of air/railway tickets and related services	75%	75%
Foodpanda Kazakhstan LLP (Foodpanda)	Kazakhstan	On-line ordering of food delivery	100%	-
Internet dostavka LLP (Chocofood)	Kazakhstan	On-line ordering of food delivery	100%	100%
Internet optica LLP (Lensmark)	Kazakhstan	On-line ordering of ophthalmology goods	66.62%	66.62%
iDoctor.kz LLP (iDoctor)	Kazakhstan	On-line booking of medical appointments	67.4%	-
Internet-retail LLP (Chocomart)*	Kazakhstan	On-line ordering of home appliances	100%	100%

*Chocomart internet resources were sold in December 2017 (Note 18).

23 Business Combinations

As described in Note 3 in 2017 the Group acquired coupon business of BeSmart LLP and on-line booking of medical appointments business iDoctor.kz LLP.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In thousands of Kazakhstani Tenge	*BeSmart*	*iDoctor.kz*
Total cash consideration paid	350,000	31,872
Less payments for training and technical support and maintenance of the website	(100,000)	-
Total purchase consideration	**250,000**	**31,872**

BeSmart

The Group acquired rights to the website (domain name www.besmart.kz, website design, layout, content, software, source codes of the Internet resource, database, registration groups on social networks and Android and IOS mobile applications, including the list of users who installed them), the trademark (BeSmart) and the property (furniture, computer and office equipment). In July 2017, the seller transferred a complex of property rights (exclusive rights) to the website, the trademark and the property to the Group, and rendered services on training of the Group's personnel in management and use of the website and technical support and maintenance of the website. In addition to the transfer of the above, the Seller transferred to the Group the entitlement to key contracts with the seller's partners and payment system services.

The purchase price represented the fair value of the acquired business. Allocation of the purchase consideration was done based on the relative fair value of the assets acquired. Payments for training and technical support and maintenance of the website include training the Group's personnel to manage and use the website in the amount of Tenge 35,000 thousand and technical support and maintenance of the website in the amount of Tenge 65,000 thousand, which were included to expenses in 2017. Total purchase consideration was allocated to the acquired assets: program application, brand name and website in the amounts of Tenge 150,000 thousand, Tenge 60,000 thousand and Tenge 37,500 thousand, respectively.

23 Business Combinations (Continued)

iDoctor.kz LLP

As described in the Note 3 the Group acquired on-line booking of medical appointments services business iDoctor.kz LLP. The purchase price represented fair value of the acquired business. Allocation of the purchase consideration was done based on the relative fair value of the assets acquired and included to the intangible assets (Note 7).

Details of the assets and liabilities acquired are as follows:

In thousands of Kazakhstani Tenge	**19 October 2017**
Cash and cash equivalents	3,011
Property, plant and equipment	255
Intangible assets	27,197
Other assets	2,422
Trade and other payables	362
Other liabilities	350
Fair value of identifiable net assets of subsidiary	**33,597**
Less: non-controlling interest	(1,725)
Total purchase consideration and previously held interest in the acquiree	**31,872**
Less: Cash and cash equivalents of subsidiary acquired	3,011
Outflow of cash and cash equivalents on acquisition	**28,861**

24 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets.

24 Financial Risk Management (Continued)

The Group's maximum exposure to credit risk by class of assets:

In thousands of Kazakhstani Tenge	31 December 2017	31 December 2016	1 January 2016
Loans issued	3,760	12,138	19,929
Financial assets within trade and other receivables	182,438	368,651	186,054
Bank balances payable on demand and cash on hand	183,391	92,179	76,616
Total maximum exposure to credit risk	**369,589**	**472,968**	**282,599**

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 8.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total. The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2017			At 31 December 2016			1 January 2016		
In thousands of Kazakhstani Tenge	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	267	(573,931)	(573,664)	9,511	(485,518)	(476,007)	7,050	(169,649)	(162,599)
Russian Roubles	712	(5,272)	(4,560)	493	(8,525)	(8,032)	1,295	(5,105)	(3,810)
Euros	190	(233)	(43)	2,171	-	2,171	19	-	19
Total	**1,169**	**(579,436)**	**(578,267)**	**12,175**	**(494,043)**	**(481,868)**	**8,364**	**(174,754)**	**(166,390)**

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

24 Financial Risk Management (Continued)

A 10% weakening and 10% strengthening of Tenge against other foreign currencies as at 31 December 2017 (2016: 15%) would increase (decrease) equity and profit or loss after tax by the amounts shown below.

In thousands of Kazakhstani Tenge	2017	2016
US Dollar strengthening by 10% (2016: 15%)	(45,893)	(57,121)
US Dollar weakening by 10% (2016: 15%)	45,893	57,121
Russian Roubles strengthening by 10% (2016: 15%)	(365)	(964)
Russian Roubles weakening by 10% (2016: 15%)	365	964
Euros strengthening by 10% (2016: 15%)	(3)	(261)
Euros weakening by 10% (2016: 15%)	3	261

Interest rate risk

The Group does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Group's business.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payable. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below shows liabilities at 31 December 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

24 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Term loans (Note 12)	-	-	204,347	-	-	204,347
Trade payables (Note 13)	253,847	-	-	-	-	253,847
Obligations under capital repurchase (Note 12)	573,728	-	-	-	-	573,728
Share-based payments (Note 11)	-	-	-	110,043	-	110,043
Total future payments, including future principal and interest payments	**827,575**	**-**	**204,347**	**110,043**	**-**	**1,141,965**

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Term loans (Note 12)	-	-	52,765	-	-	52,765
Trade payables (Note 13)	278,064	-	-	-	-	278,064
Obligations under capital repurchase (Note 12)	484,212	-	-	-	-	484,212
Share-based payments (Note 11)	-	-	-	17,582	-	17,582
Total future payments, including future principal and interest payments	**762,276**	**-**	**52,765**	**17,582**	**-**	**832,623**

The maturity analysis of financial liabilities at 1 January 2016 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Term loans (Note 12)	-	-	45,570	-	-	45,570
Trade payables (Note 13)	198,967	-	-	-	-	198,967
Obligations under capital repurchase (Note 12)	135,729					135,729
Total future payments, including future principal and interest payments	**334,696**	**-**	**45,570**	**-**	**-**	**380,266**

25 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to sustain future development of the business. Capital includes all capital and reserves of the Group as recorded in the consolidated statement of financial position. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilisation; and

- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

The Group follows the shareholder's policy on borrowings and financial stability.

26 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. Share-based payments are carried in the statement of financial position at their fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. Fair values of held-to-maturity investments were determined based on quoted bid prices.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

27 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables represent a separate category.

Loans and receivables category of the Group include loans issued, cash and cash equivalents and financial trade and other receivables.

All of the Group's financial liabilities except for share-based payments are carried at amortised cost. Share-based payments belong to the fair value through profit or loss measurement category.

28 Events After the Reporting Period

Acquisition of Aviata

On 18 February 2018 the Group consolidated its position in on-line travel services having acquired a majority ownership in Aviata LLP ("Aviata") (the market leader in on-line booking of air/railway tickets and a longtime rival of Chocotravel at the time). Consolidation was executed by three counter transactions – 1) purchase by the Group of participation interest in Aviata from its founders, 2) increase of charter capital of Aviata by the Group and 3) increase of charter capital in Internet Tourism LLP by Aviata founders. All that resulted in a mirror ownership structure in both Aviata and Chocotravel where the Group received 53.01% stake in the united business and obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board. The Group has also received a right to increase its stake in both companies for up to additional 20% at a predetermined price starting from the year following the deal.

The Group transferred Tenge 450,000 thousand to founders and previous owners of Aviata and made contribution to the charter capital of Aviata in the amount Tenge 50,000 thousand. As part of the transaction Aviata founders and previous owners made contribution to the charter capital of Chocotravel in the amount of Tenge 50,000 thousand. By these contributions the Group obtained 53.01% of the participant interest in Aviata and previous owners of Aviata obtained 46.99% of the participant interest in Chocotravel.

Management views Aviata and Chocotravel as one project pursuing two different strategies - Aviata operates in a premium segment while Chocotravel provides low price offers. The merger aimed to cement leading position in on-line sales of air and railway tickets while joining forces to defend the local market against foreign rivals by further improving the quality of IT product as well as efficiency of operations.

Starting from March 2018 based on the combined sales Chocotravel and Aviata managed to improve remuneration terms with Amadeus, a global ticket distribution system, by signing a respective three year agreement.

28 Events After the Reporting Period (Continued)

Financing from related parties

In February and June 2018 current stakeholders injected additional Tenge 850 million to the charter capital of the Group to finance acquisitions and working capital needs. The financing was executed as follows:

- the Group has the right (and if not realised by 1 August 2019 – liability if claimed so by stakeholders) to buy out respective participation interests for the amount of up to Tenge 500 million (indexed to US Dollars and discounted for the holding period at 15% rate) thus turning it to debt;
- the financing stakeholders have the right to retain the second tranche (Tenge 350 million) in the form of equity and (if that will not realise by 1 March 2019) the Group gets an option till 1 August 2019 to buy out the respective participation shares for the tranche amount indexed to US Dollars and discounted for the holding period at 15% rate.

In June 2018 the Group has signed a prolongation of Tenge 200 million working capital facility from a related party till March 2019 (initially was to expire in September 2018). In February 2019 the Group additionally increased the amount of financing up to Tenge 620 million and prolonged payment term until December 2019 under condition that principal (if not repaid till maturity date) can be converted by lender into charter capital of the Group at a pre-agreed value.

Launch of Rahmet project

In April 2018 the Group has launched a new project Rahmet – the application providing QR based payment of goods and services by means of smartphone at merchants' sites as well as possibility for merchants to offer customers customised loyalty programs (cashbacks, direct communication, statistics, etc.). To accommodate operations of Rahmet in February 2018 the Group established a 100% subsidiary - Internet loyalnost LLP.

Sales of participation interest to Mr. Turlov

On 22 August 2018 Choco Capital Partners LLP has signed a preliminary agreement with Mr. Turlov (Note 10) to sell him a 1.98% stake in the Company for selling price of US Dollars 594 thousand. As at the date of these financial statements Mr. Turlov had fully prepaid the purchase amount while the final agreement is to be signed during the year 2019.

Chocofamily Holding LLP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2018

Contents

Independent Auditor's Report

To the Owners and Management of Chocofamily Holding LLP:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chocofamily Holding LLP and its subsidiaries (together - the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Material uncertainty relating to going concern

We draw attention to note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of Tenge 1,315,440 thousand during the year ended 31 December 2018 and, as at that date, the Group's current liabilities exceeded its total assets by Tenge 319,782 thousand. As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of management for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

4 November 2020
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director
PricewaterhouseCoopers LLP
(General State License of the Ministry
of Finance of the Republic of Kazakhstan
№0000005 dated 21 October 1999)

Signed by:

Azamat Konratbaev
Audit partner
(The Association of Chartered Certified
Accountants Certificate №00770863
dated 8 May 2003)

Signed by:

Svetlana Belokurova
Auditor in charge
(Qualified Auditor's Certificate №0000357
dated 21 February 1998)

In thousands of Kazakhstani Tenge	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		116,592	60,603	23,516
Intangible assets	6	825,548	283,651	19,524
Goodwill	21	750,184	-	-
Other non-current assets		3,069	10	-
Total non-current assets		**1,695,393**	**344,264**	**43,040**
Current assets				
Inventories		16,571	18,196	26,742
Trade and other receivables	7	1,197,689	608,905	507,270
Loans issued		43,891	3,760	12,138
Current income tax prepayments		2,733	564	513
Cash and cash equivalents	8	154,145	183,391	92,179
Total current assets		**1,415,029**	**814,816**	**638,842**
TOTAL ASSETS		**3,110,422**	**1,159,080**	**681,882**
EQUITY				
Charter capital	9	1,062,294	712,294	42,294
Accumulated deficit		(2,063,960)	(1,272,138)	(701,578)
Equity attributable to the Group's owners		**(1,001,666)**	**(559,844)**	**(659,284)**
Non-controlling interest		**296,049**	**(82,093)**	**(61,807)**
TOTAL EQUITY		**(705,617)**	**(641,937)**	**(721,091)**
LIABILITIES				
Non-current liabilities				
Share-based payments	10	242,299	110,043	17,582
Deferred tax liability	16	143,536	-	-
Total non-current liabilities		**385,835**	**110,043**	**17,582**
Current liabilities				
Borrowings	11	1,735,738	773,728	536,977
Trade and other payables	12	1,045,050	503,253	526,586
Other taxes payable	13	209,639	107,633	91,152
Current income tax payable		46,844	4,171	-
Contract liability		392,933	302,189	230,676
Total current liabilities		**3,430,204**	**1,690,974**	**1,385,391**
TOTAL LIABILITIES		**3,816,039**	**1,801,017**	**1,402,973**
TOTAL LIABILITIES AND EQUITY		**3,110,422**	**1,159,080**	**681,882**

Approved for issue and signed on 4 November 2020.

Nikolai Mazentcev
Chairman of the Management Board

Anvar Bakiyev
Financial Director

In thousands of Kazakhstani Tenge	**Note**	**2018**	**2017 (Restated)**
Continuing operations:			
Revenue	14	**3,643,552**	**1,651,861**
Other income		15,309	15,284
Wages and salaries		(1,683,600)	(784,676)
Advertising		(940,792)	(385,624)
Bank and payment systems commissions		(573,456)	(191,897)
Cost of purchased certificates, coupons and tickets		(54,675)	(67,011)
Depreciation and amortisation		(209,978)	(40,029)
Foreign exchange losses less gains		(210,216)	(16,464)
Courier services		(200,566)	(59,727)
Cost of materials		(199,642)	(132,642)
Share-based payments compensation	10	(132,256)	(92,461)
Rent expenses		(77,693)	(47,329)
Fines and penalties		(54,685)	(2,418)
IT third party support		(43,498)	(78,941)
Expected credit losses provision		(15,312)	(5,405)
Consulting services		(13,187)	(23,822)
Taxes other than income		(11,495)	(29,281)
Repairs		(4,899)	(12,745)
Losses less gains on disposals of property, plant and equipment		(1,106)	(914)
Market research		-	(52,000)
Other operating expenses		(281,791)	(185,068)
Operating loss		**(1,049,986)**	**(541,309)**
Finance income		7,769	-
Finance costs	15	(229,563)	(103,209)
Share of results of associates		-	(1,110)
Loss before income tax		**(1,271,780)**	**(645,628)**
Income tax expense	16	(43,660)	(1,480)
Loss for the year from continuing operations		**(1,315,440)**	**(647,108)**
Discontinued operations:			
Profit for the year from discontinued operations	17	-	54,537
LOSS FOR THE YEAR		**(1,315,440)**	**(592,571)**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,315,440)**	**(592,571)**
Loss is attributable to:			
- Owners of the Company		(1,296,570)	(570,560)
- Non-controlling interest		(18,870)	(22,011)

In thousands of Kazakhstani Tenge	**Note**	**Attributable to owners of the Group** Charter capital	**Accumulated deficit**	**Total**	**Non-controlling interest**	**Total equity**
Previously reported balance at 31 December 2016		**42,294**	**(874,350)**	**(832,056)**	**(61,807)**	**(893,863)**
Correction of error	2	-	172,772	172,772	-	172,772
Adjusted at 1 January 2017		**42,294**	**(701,578)**	**(659,284)**	**(61,807)**	**(721,091)**
Loss for the year		-	(688,087)	(688,087)	(22,011)	(710,098)
Correction of error	2	-	117,527	117,527	-	117,527
Adjusted loss for the year		-	(570,560)	(570,560)	(22,011)	(592,571)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 2017 (Restated)		-	(570,560)	(570,560)	(22,011)	(592,571)
Additional contributions to charter capital	9	670,000	-	670,000	-	670,000
Acquisition of subsidiary		-	-	-	1,725	1,725
Adjusted balance at 31 December 2017		**712,294**	**(1,272,138)**	**(559,844)**	**(82,093)**	**(641,937)**
Loss for the year		-	(1,296,570)	(1,296,570)	(18,870)	(1,315,440)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 2018		-	(1,296,570)	(1,296,570)	(18,870)	(1,315,440)
Additional contributions to charter capital	9	350,000	-	350,000	-	350,000
Transaction with non-controlling interest	21	-	598,418	598,418	14,252	612,670
Disposal of non-controlling interest in subsidiaries	21	-	(93,670)	(93,670)	93,670	-
Non-controlling interest arising on the acquisition of the subsidiaries	21	-	-	-	289,090	289,090
Balance at 31 December 2018		**1,062,294**	**(2,063,960)**	**(1,001,666)**	**296,049**	**(705,617)**

In thousands of Kazakhstani Tenge	Note	2018	2017 (Restated)
Cash flows from operating activities			
Loss before income tax: continuing operations		(1,271,780)	(645,628)
Profit before income tax: discontinued operations		-	54,537
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		209,978	40,029
Expected credit losses		15,312	5,405
Losses less gains on disposals of property, plant and equipment		7,507	914
Change in value of share-based payments		132,256	92,461
Finance costs		229,563	103,209
Gain from sale of internet resources	17	-	(79,631)
Other non-cash operating costs		208,793	325
Operating cash flows before working capital changes		**(468,371)**	**(428,379)**
Increase in trade and other receivables		(422,617)	(48,595)
Decrease in inventories		1,625	8,546
Increase in trade and other payables		371,089	2,566
Increase in taxes payable		102,006	10,481
Increase in contract liabilities		90,744	49,979
Changes in working capital			
Income taxes paid		(3,156)	-
Net cash used in operating activities		**(328,680)**	**(405,402)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(72,320)	(50,999)
Purchases of intangible assets		(6,425)	(34,440)
Acquisition of subsidiaries	21	(452,285)	(278,861)
Proceeds from disposal of subsidiaries, net of disposed cash	17	-	49,319
Loans repayments		(40,131)	8,378
Acquisition of investments		(3,059)	-
Net cash used in investing activities		**(574,220)**	**(306,603)**
Cash flows from financing activities			
Proceeds from borrowings		589,600	334,342
Repayment of borrowings		(65,946)	(201,125)
Additional contribution to the charter capital		350,000	670,000
Net cash from financing activities		**873,654**	**803,217**
Net (decrease)/increase in cash and cash equivalents		**(29,246)**	**91,212**
Cash and cash equivalents at the beginning of the year		183,391	92,179
Cash and cash equivalents at the end of the year	8	**154,145**	**183,391**

1 Chocofamily Holding LLP and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018 for Chocofamily Holding LLP (the “Company”) and its subsidiaries (the “Group”).

The Company was incorporated and is domiciled in the Republic of Kazakhstan. The Company is a limited liability partnership and was set up in accordance with Kazakhstani regulations in February 2016. Holding structure was aimed to provide efficiency in corporate governance procedures and ensure transparency of shareholding.

Since inception the Group is ultimately controlled by Mr. Ramil Mukhoryapov: before October 2015 - through direct participation in businesses and after 30 October 2015 – through Choco Capital Partners LLP, an entity established to represent rights of Group founders and top management.

In February 2016 Choco Capital Partners LLP transferred participant interests in the subsidiaries to the Company as part of investment to the charter capital of Chocofamily Holding LLP. Shareholding structure of the Group is described in the Note 9.

Business operations of the Group commenced in 2011 by starting up on-line sales of discount coupons and certificates for goods and services through legal entity Redprice LLP with a brand name Chocolife.me and by launching on-line sales of ophthalmology goods through Internet optica LLP operating under the brand name Lensmark.

Later in 2012 the Group started Chocotravel – a project for on-line sales of air tickets through legal entity Internet Tourism LLP.

In 2013 the Group initiated Chocofood (legal name – Internet dostavka LLP) and Chocomart (legal name – Internet-retail LLP), on-line ordering of food delivery and on-line sales of home appliances respectively. Chocomart was sold in December 2017 (Note 17).

In 2018 the following events took place relating to the Group structure:

- On 18 February 2018 the Group consolidated its position in on-line travel services having acquired a majority ownership in Aviata LLP (“Aviata”) (the market leader in on-line booking of air/railway tickets and a longtime rival of Chocotravel at the time). Consolidation was executed by three counter transactions – 1) purchase by the Group of participation interest in Aviata from its founders, 2) increase of charter capital of Aviata by the Group and 3) increase of charter capital in Internet Tourism LLP by Aviata founders. All that resulted in a mirror ownership structure in both Aviata and Chocotravel where the Group received 53.01% participants share in the charter capital in the united business and obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board (Note 21).
- In April 2018 the Group has launched a new project Rahmet – the application providing QR based payment of goods and services by means of smartphone at merchants’ sites as well as possibility for merchants to offer customers customised loyalty programs (cashbacks, direct communication, statistics, etc.). To accommodate operations of Rahmet in February 2018 the Group established a 100% subsidiary - Internet loyalnost LLP.

Principal activity

The Group’s principal business activity is rendering e-commerce services in the Republic of Kazakhstan.

1 Chocofamily Holding LLP and its Operations (Continued)

Subsidiaries

In percent of ownership (%)	Brand name	Principal activity	31 December 2018	31 December 2017
Redprice LLP	Chocolife.me & BeSmart	On-line sales of discount coupons and certificates for goods and services	100%	100%
Internet Tourism LLP	Chocotravel	On-line booking of air/railway tickets and related services	53.01%	75%
Aviata LLP*	Aviata	On-line booking of air/railway tickets and related services	53.01%	-
Foodpanda Kazakhstan** LLP*	Foodpanda	On-line ordering of food delivery	100%	100%
Internet dostavka LLP	Chocofood	On-line ordering of food delivery	100%	100%
Internet optica LLP	Lensmark	On-line ordering of ophthalmology goods	66.62%	66.62%
iDoctor.kz LLP	iDoctor	On-line booking of medical appointments	67.4%	67.4%
Internet-retail LLP***	Chocomart	On-line ordering of home appliances	100%	100%
Internet loyalnost LLP****	Rahmet	QR payments and loyalty programs	100%	-

* Acquisition of Aviata LLP is described in the Note 21.

** Foodpanda Kazakhstan LLP is not operational since November 2017 when deal related (software/trademark/internet domain license) agreements with global Foodpanda companies expired.

*** Internet-retail LLP internet site and brand name Chocomart were sold in December 2017. Participant interest in the entity remained within the Group (Note 17).

**** Internet loyalnost LLP was established in March 2018 to accommodate new project Rahmet.

All subsidiaries are incorporated in the Republic of Kazakhstan.

Registered address and place of business

The Company's registered address is 280 Baizakova street, A15G7M6 Almaty, Republic of Kazakhstan.

Presentation currency

These consolidated financial statements are presented in Kazakhstani Tenge ("Tenge"), unless otherwise stated.

2 Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4 for new and amended standards adopted by the Group).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2 Significant Accounting Policies (Continued)

Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserves within equity.

2 Significant Accounting Policies (Continued)

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge"). The consolidated financial statements are presented in Tenge, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss for the year.

At 31 December 2018 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 384.20 (31 December 2017: US Dollar = Tenge 332.33). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Intangible assets other than goodwill

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, websites, mobile phone applications, trademarks and licences.

Acquired computer software licences, websites, mobile phone applications and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

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

	Useful lives in years
Software and program applications	2-5 years
Websites	2 – 10 years
Trademarks	2 – 7 years
Customer list	
Other	4 – 10 years

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

2 Significant Accounting Policies (Continued)

Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

2 Significant Accounting Policies (Continued)

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events and current conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

2 Significant Accounting Policies (Continued)

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, change in the currency denomination or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2 Significant Accounting Policies (Continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate and new conversion features attached to the instrument are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL

The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Share-based payments

The Group operates a number of cash-settled share-based compensation plans, under which the entity receives goods or services from employees and third parties as consideration for equity instruments (options or shares) of the Group (Note 3).

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The Group measures the value of the goods and services by reference to the fair value of the equity instruments granted at the date on which the equity instruments are granted. The goods or services obtained by the Group are recognised over the vesting period based on the share-based payment arrangement that requires an employee to complete a five year period of service before its equity instruments vest. . The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of options that are expected to become exercisable. . This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

2 Significant Accounting Policies (Continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

2 Significant Accounting Policies (Continued)

Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Charter capital

The partnership interest in the Company is classified as equity if the Company has an irrevocable right to refuse the repurchase the partnership interest according to the Company's charter and local legislation. In case if the Company has an obligation to repurchase partnership interest from its owners, such interest is classified as financial liability (Note 3).

The assets contributed to the charter capital are recognised at fair value at the time of contribution. Any excess of the fair value of contributed assets over the nominal value of contribution to the charter capital after its legal registration is allocated directly to other reserves within equity.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, certain bonuses provided and value added taxes.

Sales of coupons

The Group derives revenue from sales of coupons by selling it through its on-line stores that can be redeemed for goods or services with third party partners (merchant). The coupons provide rights to the customers to purchase goods or services from the merchants at a discounted price. The Group generates revenue from selling coupons for goods and services. Revenue is recognised at coupon value when those are sold to the customers. The Group believes that the performance obligation to the merchant is satisfied, when coupon is sold.

2 Significant Accounting Policies (Continued)

Sales of certificates

The Group generates revenue from transactions in which it acts as a marketing agent, primarily by selling vouchers ("certificates") through its online local commerce marketplaces that can be redeemed for goods or services with third party merchants. The Group believes that the sale of certificate is a separate performance obligation as it can be sold or exchanged by the customers separately from the service. Therefore, this revenue is reported on a net basis as the purchase price received from the customer for the voucher less the portion of the purchase price that is payable to the featured merchant. Revenue is presented on a net basis because the Group is acting as a marketing agent of the merchant in those transactions. The primary obligor to deliver the service is merchant. The revenue is recognised when the certificate is sold to the customer. At that time, the Group's performance obligations to the merchant, for which it is serving as a marketing agent, are substantially complete. The Group's remaining obligations, which are limited to remitting payment to the merchant and continuing to make available on its website information about vouchers sold that was previously provided to the merchant, are inconsequential and perfunctory administrative activities.

The Group generates revenue from selling certificates for services fully prepaid by the Group to the merchant. For merchant payment arrangements that are structured under a redemption model, merchants are paid the agreed amount before customers purchase and redeem vouchers. Such direct revenue is reported on a gross basis as the purchase price received from the customer. The sale of such certificates is considered a single performance obligation and the Group is considered a primary obligor in those transactions. Associated purchase costs are recorded in cost of purchased certificates, coupons and tickets. Revenue is recognised when those are activated by the customers.

Sales commissions

Commission revenue is earned when customers make purchases using the Group's websites and mobile applications. Commission is earned as a percentage of sales from each transaction/order made by the customers. The Group believes that it acts as an agent in such transactions as the Group does not bear the responsibility for the delivery of the goods/services itself. The Group recognises that commission monthly based on the number of sales made in the particular month.

Sales of goods

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Incentives from partners

The Company provides services on behalf of the partners. The Group earns revenues, which are granted by partners for the sales made on behalf of the partners. Such revenue is calculated based on the volume of sales made by the Group to the customers. Such revenues are recorded on a monthly basis based on the estimated incentives granted by the partners.

Service fees

Service fees are fees collected from the customers for different additional services provided by the Group. The Group recognises revenue from service fees at point in time when service is provided (tickets sold, exchanged etc.).

2 Significant Accounting Policies (Continued)

Other revenue

The Group provides services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Contract liability (bonuses)

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire twelve months after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognised at the time of the sale.

Changes in the presentation

Acquisition of BeSmart

During the year, the Group has changed its classification of expenses within the consolidated statement of profit or loss and other comprehensive income. The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes was as follows on amounts of 2017:

In thousands of Kazakhstani Tenge	**As originally presented**	**Reclassification**	**As reclassified**
Acquisition of BeSmart	100,000	(100,000)	-
IT third party support	13,941	65,000	78,941
Other operating expenses	150,068	35,000	185,068

Change in fair value of share-based payments

During the year, the Group has changed its classification of expenses related to the share-based payments fair value revaluation within the consolidated statement of profit or loss and other comprehensive income. The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes was as follows on amounts of 2017:

In thousands of Kazakhstani Tenge	**As originally presented**	**Reclassification**	**As reclassified**
Change in fair value of share-based payments	92,461	(92,461)	-
Share-based payments compensation	-	92,461	92,461

Changes in revenue recognition

During the year, the Group revised its approach in the date of recognition of revenue. In previous periods the Group recognised revenue, when coupons and certificates were activated. The Group recognised revenue from unredeemed coupons and certificates when legal obligation expired, which is three years after the sale, as the merchants are not paid until the customer redeems the coupon and certificate. In these financial statements the Group restated prior year financial statements to recognise revenue, when coupons and certificates are sold, as it is believed that at this point the performance obligation of the Group before the merchants is satisfied.

2 Significant Accounting Policies (Continued)

In previous periods the Group presented the revenue from selling of deposit certificates for services fully prepaid by the Group to the merchant on a gross basis, as the Group was considered a primary obligor in those transactions having certain latitude to establish price. While preparing the financial statements for 2018 the Group concluded that the sale of deposit certificates represents the performance obligation to the merchant where the Group acts as an agent and does not bear primarily responsibility for fulfilling the promise to provide the specified service to the final customer.

As a result of the above changes the comparative information in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income, as of 1 January and 31 December 2017 and for the year then ended were amended as follows:

In thousands of Kazakhstani Tenge	**As originally presented**	**Adjustment**	**Adjusted**
1 January 2017			
Accumulated deficit	(874,350)	172,772	(701,578)
Trade and other payables	837,961	(311,375)	526,586
Contract liability	92,073	138,603	230,676
31 December 2017			
Accumulated deficit	(1,562,437)	290,299	(1,272,138)
Trade and other payables	953,689	(450,436)	503,253
Contract liability	142,052	160,137	302,189
Revenue	2,134,514	(482,653)	1,651,861
Cost of purchased certificates, coupons and tickets	(667,191)	600,180	(67,011)

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

As at 31 December 2018 the Group's current liabilities exceeded its total assets by Tenge 319,782 thousand (31 December 2017: Tenge 531,894 thousand). The Group's net loss in 2018 was equal to Tenge 1,315,440 thousand (2017: Tenge 592,571 thousand) and cash outflows from operating activities in 2018 were equal to Tenge 328,680 thousand (2017: Tenge 405,402 thousand).

The Group was also negatively affected in 2020 by the COVID 19 pandemic. Further information is provided in the Note 25.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Management takes the following steps to mitigate the risk, and to ensure that the Group continues as a going concern:

- In February 2018 the Group acquired control in Aviata LLP (on-line sale of air/railway tickets and related services) which on combined volumes with Internet Tourism LLP enabled it to improve remuneration terms with Amadeus (a global ticket distribution system) starting from March 2018 (Note 21). Since then the travel division has become profitable and generating sizeable cashflow; it thus can be seen (along with Redprice LLP) as a potential source of funds for the Group.
- In 2019 the Group attracted additional debt funding from its current (and new) stakeholders (subsequently increased later in 2020 to compensate the negative effect of COVID-19 on the Group operations) in the amount of over Tenge 1,790 million to replace the maturing debt and to finance working capital needs; this debt has maturity date of 1 November 2020. In addition, the Group had prolonged Tenge 620 million working capital facility from a related party (by including into above general stakeholders' facility) until 1 November 2020. During 2020 the loan was increased to Tenge 3,690 million and it was prolonged until 31 December 2020 (Note 25).
- In addition, 2019 the Group increased its charter capital by Tenge 1,950 million to finance its investment transactions to Tenge 3,569 million as of the date of these consolidated financial statements and in 2019-2020 increased the volume of its credit facilities from the stakeholders to Tenge 2,978 million as of the date of these consolidated financial statements. This proves the Group's ability to attract funding from its current shareholders as well as willingness of the latter to provide such funding in case of need. The Group will continue to use shareholders' capabilities as a backup source to fund its liquidity gaps should such occur.
- In 2020 the Group (Internet tourism LLP and Aviata LLP as co-borrowers) obtained a Tenge 250 million credit line with local bank. The credit line is available until June 2021.
- In September 2018 the Company's Supervisory Board has approved plans to launch an equity financing round in 2019-2020 to sell up to 10% of the Company capital - with all the proceeds to replace debt and finance the Group's growth potential.

Management believes that above measures would allow the Group to fund its current operations and be sufficient to provide for the development needs.

Management does not have an intention to liquidate the Group or cease trading, and has considered that the going concern assumptions is justifiable despite the existence of the material uncertainty.

These consolidated financial statements do not include any adjustments to carrying value of assets and obligations, income and expenses, and also any impact on classifications in the statement of financial position which might be necessary in case of the going concern basis of accounting would not be appropriate; such adjustments might be significant.

Business combination under common control

As described in the Note 1 until 2015 there was no Group legal structure in place, i.e. there was no parent company holding interests in all companies within the Group. In 2015 Choco Capital Partners LLP was established and obtained control in five subsidiaries: Chocotravel, Lensmark, Chocomart, Chocofood and Chocolife.me. In 2016 Chocofamily Holding LLP was established and charter capitals of these entities were transferred to the holding entity. Starting from this point the full legal structure of the Group was established.

At 1 January 2016 all entities of the Group were owned and controlled by Choco Capital Partners LLP, which was controlled directly by Mr. Mukhoryapov. Mr. Mukhoryapov also controlled Choco Capital Partners LLP since its establishment in 2015 and until present time. As such all entities of the Group were under ultimate control of Mr. Mukhoryapov since 1 January 2016 and thereafter.

The transfer of subsidiaries owned by the Choco Capital Partners LLP before re-organisation were accounted by the Group as re-organisation as if the subsidiaries were always held by Chocofamily Holding LLP.

Therefore, the Group prepared these consolidated financial statements as of 31 December 2018, accounting for its subsidiaries from 1 January 2016. The assets and liabilities of the entities were incorporated at their pre-combination carrying amounts without fair value uplifts.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Fair value measurement for Aviata acquisition

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets and the liabilities and contingent liabilities acquired through a business combination at their acquisition-date fair values. Fair values are determined on the basis of external appraisal report.

The determination of fair values involves significant assumptions and judgement over future cash flows and other inputs used in the valuation.

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts reported assets and liabilities and future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

Fair value measurements applied in accounting for business combinations had a significant impact on the Group's assets as of 31 December 2018. The goodwill recognised as a result of business combination amounted to Tenge 829,482 million as of 31 December 2018.

Further information on business combinations is presented in Note 21.

BeSmart acquisition

In June 2017 the Group acquired coupon business of BeSmart LLP (an operating entity with established processes, customer list and brand name in on-line sales of discount coupons and certificates for goods and services) by purchasing respective internet site, mobile application, trademark, contracts with merchants and vendors and related fixed assets. Legal entity remained with the prior participants.

BeSmart LLP with the brand name "BeSmart" was the main competitor of Chocolife.me for several years.

The purpose of the acquisition was to obtain processed knowledge, customer list and brand name of BeSmart. The acquisition was aimed to increase the Group's penetration into the chosen e-commerce market and to improve profitability through the economies of scale. The acquisition was accounted for as business combination (Note 21).

Foodpanda acquisition

On 20 April 2017 Brillant 1424. GmbH & Co. 13. Verwaltungs KG ("Seller"), an affiliated party to Foodpanda Gmbh and an indirect subsidiary of Emerging Markets Online Food Delivery Holding S.a.r.l. LLP, and the Group had entered into sale-purchase agreement (SPA), according to which 100% of the participation interest in the charter capital of Foodpanda Kazakhstan LLP (brand name "Foodpanda") was purchased by the Group for the amount of Euro 81,815 (Tenge equivalent 27,983 thousand). Foodpanda was the main competitor of Group's on-line food delivery ordering entity Chocofood for years.

Despite purchase of 100% participation in Foodpanda Kazakhstan LLP by the Group, the SPA prescribed no transfer of IP rights (technology, trademark, etc.) to the buyer. Instead, the Group only received the software license maintenance for a period of six months, domain license www.foodpanda.kz for a period of twelve months and trademark "Foodpanda" in the territory of Kazakhstan for a period of twelve months. During six months period the Group had to execute transition of active customer list to the Chocofood platform which was gradually performed. In addition, during the stated period the Group acquired operational knowledge to apply in its business on Chocofood platform.

Therefore, the acquisition was accounted for as purchase of assets, primary customer list (Note 6). The price was close to the average CPA (cost per acquisition) Chocofood had used to spend on new active buyers multiplied by number of active buyers in Foodpanda Kazakhstan LLP prior to the acquisition date.

iDoctor acquisition

On 5 June 2017 the Group acquired 40% of the charter capital of iDoctor.kz LLP for Tenge 20,000 thousand. On 19 October 2017 the Group acquired additional 27.4% of interest in charter capital of iDoctor.kz LLP for Tenge 11,872 thousand. At the time of acquisition iDoctor.kz LLP was an operating business which the Group aimed to develop further. The acquisition was treated as an acquisition of business (Note 21). Primary asset acquired included website recorded within intangible assets (Note 6).

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Discontinued operations

Chocomart and Intermarket

As part of its strategy to divest its goods selling businesses and focus on offering services (where traditionally the Group was more successful) in December 2017 the Group has sold internet resources Chocomart.kz and Intermarket.kz (on-line ordering of home appliances) to Nursat LLP, a 100% subsidiary of the national telecom operator Kazakhtelecom. The agreement signed on 22 December 2017 prescribed obligation of Internet-retail LLP to transfer its property rights on respective business components of Chocomart.kz and Intermarket.kz (internet sites, trademark and list of fixed assets, contracts with vendors and service providers) (Note 17).

In 2018 the Group has fulfilled all its assets transfer obligations in accordance with the above sale-purchase agreement.

As the entity represented approximately 10% and 20% of the Group (by total assets and revenue, respectively) the transaction was treated as discontinued operations (Note 17).

Charter capital repurchase obligation

Under the charter of Chocofamily Holding LLP the Group is required to redeem its participation interest from its two owners upon their request. The redemption should be done for the amount and under the terms and conditions specified in the charter of Chocofamily Holding LLP. Based on the charter terms the capital injections were classified by the Group as a short-term financial liability denominated in US Dollar within borrowings (Note 11). These liabilities were initially measured at fair value and subsequently carried at amortised cost.

Mr. Abdrakhmanov

a) In February 2016 Mr. Abdrakhmanov acquired 12.25% of the Group for Tenge 272,505 thousand. Under the charter terms Mr. Abdrakhmanov has a right to request the Group to redeem 7.77% of his participation interest for Tenge 272,505 thousand indexed to US Dollar rate and compound for time value of money at 15% p.a. within four years from the date of interest acquisition. The Group has nine months to repay the obligation after the request of the participant.

b) In February 2018 Mr. Abdrakhmanov acquired additional 8.38% of the Group by injecting Tenge 450,000 thousand into charter capital. Under the charter terms Mr. Abdrakhmanov had a right to request the Group to redeem the whole 8.38% (subject to possible dilutions) of his participation interest for Tenge 450,000 thousand indexed to US Dollar rate and compound for the holding period at 15% p.a. rate if the share is not repurchased by the Group under the same terms by 1 August 2019. The Group has repurchased the whole participation interest under this option in August 2019 (Note 25).

c) In June 2018 Mr. Abdrakhmanov acquired additional 5.2369% of the Group by injecting Tenge 300,000 thousand into charter capital. Under the charter terms the Group had a right to obligate Mr. Abdrakhmanov to sell the whole 5.2369% (subject to possible dilutions) of his participation interest for Tenge 300,000 thousand indexed to US Dollar rate and compounded for the holding period at 15% p.a. rate by 1 August 2019. The Group has repurchased the whole participation interest under this option in August 2019 (Note 25).

DEMUS Capital LLP

a) DEMUS Capital LLP acquired 7.67% of the Group for Tenge 70,900 thousand. Under the charter terms DEMUS Capital LLP has a right to request the Group to redeem 7.67% of its participation interest for the amount of Tenge 186,770 thousand (redemption liability) indexed to US Dollar rate and compound for time value of money at 20% p.a. within five years from the date of interest acquisition. The Group has six months to repay the obligation after the request of the participant.

b) In February 2018 DEMUS Capital acquired additional 0.93% of the Group by injecting Tenge 50,000 thousand into charter capital. Under the charter terms DEMUS Capital has a right to request the Group to redeem the whole 0.93% (subject to possible dilutions) of his participation interest for Tenge 50,000 thousand indexed to US Dollar rate and compounded for the holding period at 15% p.a. rate if the stake is not repurchased by the Group under the same terms by 1 August 2019. The Group has repurchased the whole participation interest under this option in August 2019.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

c) In June 2018 DEMUS Capital acquired additional 0.8819% of the Group by injecting Tenge 50,000 thousand into charter capital. Under the charter terms the Group had a right to obligate DEMUS Capital to sell the whole 0.8819% (subject to possible dilutions) of his participation interest for Tenge 50,000 thousand indexed to US Dollar rate and compounded for the holding period at 15% p.a. rate by 1 August 2019. The Group has repurchased the whole participation interest under this option in August 2019 (Note 25).

As of the reporting date the liabilities a) and b) to DEMUS Capital were measured at amortised value (Note 11).

Share-based payments

Starting from 2016, the Group initiated "share-based payments" program for its management and employees (the “Program”). Based on the Program terms the Group has obligation to distribute approximately 10% of its charter capital (as at the Program launch) to its employees during five-year period. Based on the Group's policy:

- the share options to be distributed will be accrued evenly within five years (approximately two percent a year) based on the decision of the Company’s Supervisory Board for each particular year;
- the right to participate in the Program is given to each employee, employed by the Group or its subsidiaries for at least 5 months of the year covered by the Program and conditional on the employee achieving certain individual and Group’s results and could be utilised upon requirement to complete minimum term of employment in Group or its subsidiaries equal to five years’ from the Program participation date (the vesting period);
- each particular employee awarded with share options under the Program (based on the performance of each employee, performance results of each subsidiary, value of the Group and its subsidiaries and other criteria) will be able to convert those into share in the Group after minimum of five years of employment from option distribution date;
- At the utilisation date the employee has a right to sell his/her share to the Group at an internal valuation price and the Group has a right to defer payment for 12 month.
- the employee has a right to choose the method of the payment (cash or interest in the charter of the Group);
- the Group reserved a right to change terms of the Program unilaterally.

The Group believes that the share-based payments obligation in substance represents liability and therefore recorded it as such in its consolidated statement of financial position. The Group initially recorded its obligation under the Program based on the fair value. The fair value was determined based on factual significant sale-purchase transactions of the Company’s interest in charter capital multiplied by the percentage distributed as of the reporting date. Share-based payments are recognised during the vesting period, which is considered to be five years. The liability is re-measured to the fair value at each reporting date and change in fair value is recognised in the consolidated statement of profit or loss.

As of 31 December 2018 the charter distribution within the Program was calculated at 3.60% (2017: 3.79%) with the fair values of the liability of Tenge 242,299 thousand (2017: 110,043 thousand).

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Based on the most recent business plan and management expectations no deferred tax asset was recognised in the consolidated financial statements as it is believed that realisation of the related tax benefit is not considered probable.

4 New Accounting Pronouncements

Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standard, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 26.

All classes of cash and cash equivalents and trade receivables were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

At 31 December 2018, all of the Group's financial liabilities were carried at AC. There were no changes to the classification and measurement of financial liabilities.

Adoption of IFRS 15 "Revenue from Contracts with Customers". The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method.

The adoption of IFRS 15 did not result in significant changes in accounting policies and adjustments to the consolidated financial statements.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 - "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

4 New Accounting Pronouncements (Continued)

The Group decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

As at 31 December 2018 the Group has short-term leases and low values leases in the amount of Tenge 5,080 thousand which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately Tenge 86,778 thousands on 1 January 2019, lease liabilities of Tenge 81,778 thousands (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

In thousands of Kazakhstani Tenge	**Carrying amount at 31 December 2018**	**IFRS 16 adjustments**	**Carrying amount at 1 January 2019**
Lease guarantee	5,000	(5,000)	-
Right-to-use asset	-	101,872	101,872
Lease liability	-	96,872	96,872

The Group expects that net profit / (loss) for the year-ending 31 December 2019 year will decrease / (increase) by approximately Tenge 9,174 thousands as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately Tenge 28,925 thousands as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty.
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument.
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Group is currently assessing the impact of the amendments on its financial statements.
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur.

4 New Accounting Pronouncements (Continued)

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs.
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

An amendment has been issued that is mandatory for the annual periods beginning on or after 1 June 2020 or later, and which the Group has not early adopted.

- Covid-19-Related Rent Concessions - Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 and 2022 or later, and which the Group has not early adopted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

4 New Accounting Pronouncements (Continued)

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Classification of liabilities as current or non-current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Proceeds before intended use, Onerous contracts - cost of fulfilling a contract, Reference to the Conceptual Framework - narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Ultimate controlling party represents Mr. Mukhoryapov. Other significant shareholder represents Mr. Abdrakhmanov who obtained significant influence in 2018. Other related parties include: entities controlled by key management personnel or their close relatives and other shareholders.

At 31 December 2018 and 31 December 2017, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Note**	**Ultimate controlling party**	**Other significant shareholder**	**Key management personnel**	**Other related parties**
31 December 2018					
Trade receivables		-	-	-	524
Trade payables		-	-	(1,495)	(589)
Share-based payments		-	-	(48,092)	-
Borrowings	11	(14,966)	(1,048,773)	(251,837)	(420,162)
31 December 2017					
Trade receivables		160	-	765	3,335
Share-based payments		-	-	(66,219)	-
Borrowings	11	-	(324,575)	(200,000)	(249,153)

5 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the years 2018 and 2017 were as follows:

In thousands of Kazakhstani Tenge	**Note**	**Ultimate controlling party**	**Other significant shareholder**	**Key management personnel**	**Other related parties**
2018					
Revenue		-	-	-	582
Wages and salaries		(13,092)	-	(81,361)	-
Consulting services		-	-	-	(3,250)
Interest expense	11	-	(121,093)	(43,149)	(65,321)
Share-based payments compensation		-	-	(18,127)	-
Other		-	-	-	(134)
2017					
Wages and salaries		-	-	(76,002)	-
Market research		-	-	-	(43,539)
Interest expense	11	-	(49,281)	(9,397)	(44,531)
Share-based payments compensation		-	-	(38,221)	-
Other		-	-	-	(1,184)

As disclosed in Note 21 in February 2018 the transaction with non-controlling owner took place for the purpose of the re-organisation of Chocotravel holding structure.

During the year 2018 the Group obtained loans from its related parties. These transactions disclosed in Note 11.

In addition, the Group's minority owners contributed additional investments to the charter capital of the Group, which are disclosed in the Note 9.

6 Intangible Assets

In thousands of Kazakhstani Tenge	Note	Software and program applications	Websites	Trade-marks	Client list	Other	Total
Cost at 1 January 2017		-	23,412	-	-	4,448	27,860
Accumulated amortisation		-	(5,628)	-	-	(2,708)	(8,336)
Carrying amount at 1 January 2017		**-**	**17,784**	**-**	**-**	**1,740**	**19,524**
Acquisitions of businesses		150,000	64,697	60,000	-	-	274,697
Additions		1,493	11,371	-	19,867	1,819	34,550
Disposals		-	(18,071)	-	-	(18)	(18,089)
Amortisation charge		(15,236)	(4,985)	(6,000)	-	(810)	(27,031)
Carrying amount at 31 December 2017		**136,257**	**70,796**	**54,000**	**19,867**	**2,731**	**283,651**
Cost at 31 December 2017		151,493	81,409	60,000	19,867	6,190	318,959
Accumulated amortisation		(15,236)	(10,613)	(6,000)	-	(3,459)	(35,308)
Carrying amount at 31 December 2017		**136,257**	**70,796**	**54,000**	**19,867**	**2,731**	**283,651**
Acquisitions of businesses	3	64,616	-	354,182	298,880	1,077	718,755
Additions		-	-	-	-	6,425	6,425
Disposals		-	(5,297)	-	-	-	(5,297)
Amortisation charge		(97,734)	(32,887)	(39,000)	(6,622)	(1,743)	(177,986)
Carrying amount at 31 December 2018		**103,139**	**32,612**	**369,182**	**312,125**	**8,490**	**825,548**
Cost at 31 December 2018		216,109	76,109	414,182	318,747	13,695	1,038,842
Accumulated amortisation		(112,970)	(43,500)	(45,000)	(6,622)	(5,202)	(213,294)
Carrying amount at 31 December 2018		**103,139**	**32,609**	**369,182**	**312,125**	**8,493**	**825,548**

Acquisitions of businesses in 2017 include intangible assets received as a result of the acquisitions of BeSmart (Note 21) totalling to Tenge 247,500 thousand, comprised of software and program applications in the amount of Tenge 150,000 thousand, website in the amount of Tenge 37,500 thousand and trademarks in the amount of Tenge 60,000 thousand, and acquisition of iDoctor.kz LLP (Note 3), comprised of website in the amount of Tenge 27,197 thousand.

Acquisitions of businesses in 2018 comprise intangible assets received as a result of the acquisitions of Aviata (Note 23) totalling to Tenge 615,780 thousand, including software, trade-mark and client base in the amounts of Tenge 61,599 thousand, Tenge 240,344 thousand and Tenge 312,760 thousand (Note 21).

7 Trade and Other Receivables

In thousands of Kazakhstani Tenge	31 December 2018	31 December 2017
Trade receivables	548,950	158,688
Other financial receivables	29,586	34,218
Less expected credit losses	(20,288)	(10,468)
Total financial assets within trade and other receivables	**558,248**	**182,438**
Prepayments	647,471	408,954
Other receivables	29,904	25,257
Less impairment provision	(37,934)	(7,744)
Total trade and other receivables	**1,197,689**	**608,905**

Prepayments mostly include prepayments made to the partners for the future deliveries of airline tickets and other services and goods.

Financial assets within trade and other receivables are denominated in the following currencies.

In thousands of Kazakhstani Tenge	31 December 2018	31 December 2017
Kazakhstani Tenge	527,425	182,438
Euro	28,246	-
US Dollars	1,806	-
Russian Roubles	771	-
Total financial assets within trade and other receivables	**558,248**	**182,438**

The expected credit loss for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

In % of gross value	Gross carrying amount	ECL	Net balance
Trade receivables			
- current	492,508	-	492,508
- less than 30 days overdue	15,217	-	15,217
- 30 to 90 days overdue	15,960	-	15,960
- 91 to 180 days overdue	4,977	-	4,977
- 181 to 360 days overdue	968	(968)	-
- over 360 days overdue	19,320	(19,320)	-
Total trade receivables	**548,950**	**(20,288)**	**528,662**
Other financial receivables			
- current	28,091	-	28,091
- less than 30 days overdue	1,493	-	1,493
- 30 to 90 days overdue	-	-	-
- 91 to 180 days overdue	-	-	-
- 181 to 360 days overdue	-	-	-
- over 360 days overdue	2	-	2
Total other financial receivables	**29,586**	**-**	**29,586**

7 Trade and Other Receivables (Continued)

Analysis by credit quality of trade and other receivables is as follows:

	31 December 2017	
In thousands of Kazakhstani Tenge	**Trade receivables**	**Other financial receivables**
Neither past due nor impaired	**135,104**	**34,028**
Past due but not impaired		
- less than 30 days overdue	-	-
- 30 to 90 days overdue	5,628	134
- 91 to 180 days overdue	2,742	56
- 181 to 360 days overdue	1,954	-
- over 360 days overdue	2,792	-
Total past due but not impaired	**13,116**	**190**
Past due and impaired (gross)		
- less than 30 days overdue	-	-
- 30 to 90 days overdue	-	-
- 91 to 180 days overdue	893	-
- 181 to 360 days overdue	2,641	-
- over 360 days overdue	6,934	-
Total past due and impaired	**10,468**	**-**
Less impairment provision	(10,468)	-
Total trade and other receivables	**148,220**	**34,218**

Movements in the impairment provision for trade and other receivables are as follows:

In thousands of Kazakhstani Tenge	**2018**	**2017**
Credit loss allowance at 1 January	10,468	5,063
Changes in estimates and assumptions	(5,492)	-
Provision for impairment accrued during the year	15,312	5,405
Credit loss allowances for trade receivables as of 31 December	**20,288**	**10,468**

The Group fulfils check of credit quality of the debtors based on an internal estimation of sustainability and evaluates expected credit losses on basis of work experience with this type of debtors and their payments schedule. The Group considers the following factors: events of default in the past, sustainability of these debtors and history of payments delays. As of 31 December 2018 and 2017 the Group does not have significant amount of trade receivables which are substantially past due. The trade receivable balance is assessed as reliable as it consists of debtors without default history or substantial delays in payments.

8 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2017**
Cash on hand	6,584	22,472
Bank balances payable on demand	67,531	160,919
Overnight deposits	80,030	-
Total cash and cash equivalents	**154,145**	**183,391**

The credit quality of cash and cash equivalents balances may be summarised as follows:

In thousands of Kazakhstani Tenge	**Rating agency**	**Rating**	**31 December 2018**	**31 December 2017**
Halyk Bank of Kazakhstan JSC	Moody's	Ba1	94,184	2
Bank subsidiary of Sberbank JSC	Moody's	Ba1	21,695	32,788
Bank CenterCredit JSC	S&P	B	19,467	-
Alfa-Bank JSC	S&P	BB-/B	6,890	-
Altyn Bank JSC	Moody's	Ba1	4,132	723
Nurbank JSC	S&P	BB-	1,186	154
Bank RBK JSC	S&P	BB	7	732
Kazkommertsbank JSC	Moody's	Ba2	-	123,963
Kaspi Bank JSC	Moody's	Ba2	-	2,445
Other	-	-	-	112
Total bank balances			**147,561**	**160,919**

Cash and cash equivalents are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017**
Kazakhstani Tenge	145,838	182,222
Russian Roubles	797	712
US Dollars	234	267
Euro	7,276	190
Total cash and cash equivalents	**154,145**	**183,391**

9 Charter Capital

The participants of Chocofamily Holding LLP as of 31 December 2018 and 2017 were as follows:

	31 December 2018		**31 December 2017**	
	%	Tenge thousands	%	Tenge thousands
Choco Capital Partners LLP	56.0899%	36,010	64.06%	36,010
Mr. Turlov T.	13.4133%	670,000	16.76%	670,000
Mr. Abdrakhmanov M.	21.7116%	306,274	10.77%	6,274
DEMUS Capital LLP	7.9129%	50,000	7.32%	-
Mr. Nurgozhin A.	0.8723%	10	1.09%	10
Total charter capital	**100%**	**1,062,294**	**100%**	**712,294**

9 Charter Capital (Continued)

Chocofamily Holding LLP was established in 2016 and investments in subsidiaries of Choco Capital Partners LLP were transferred to the Company (Note 1) at its inception. The transfer of the interests in the charter capitals of subsidiaries was done at cost of Tenge 36,010 thousand in exchange of 79.86% share interest in the charter capital of Chocofamily Holding LLP. Remaining participants made cash injections to acquire their shares in charter capital of Chocofamily Holding LLP.

On 17 April 2017 the Group and Mr. Turlov signed a Joining Agreement whereby Mr. Turlov entered the charter capital of the Group by making injections in the total amount of Tenge 670,000 thousand in exchange for 16.76% of the participant interest in the Group.

In February and June 2018 Mr. Abdrakhmanov and DEMUS Capital increased their stakes in the share capital of the Group by injecting in total Tenge 850,000 thousand:

- The February tranche equals to Tenge 500,000 thousand consisting of Tenge 450,000 thousand provided by Mr. Abdrakhmanov and Tenge 50,000 thousand given by DEMUS Capital. In accordance with conditions stipulated in the Charter the Group had the right to buy out respective participation interests till 1 August 2019 for the amounts provided indexed to US Dollars and compounded for the holding period at 15% rate. Within one month from 1 August 2019 in case the Group does not exercise the buy out, Mr. Abdrakhmanov and DEMUS Capital had the right to request the Group repurchase their respective stakes at the same terms and the Group has one month from the request date to fulfil the repurchase. The whole participation interest of Mr. Abdrakhmanov and DEMUS Capital under this tranche was repurchased by the Group in accordance with charter terms in August 2019. This tranche was therefore classified as financial liability of the Group in the financial statements;
- The June tranche totalling Tenge 350,000 thousand was comprised of Tenge 300,000 thousand injected by Mr. Abdrakhmanov and Tenge 50,000 thousand provided by DEMUS Capital in return for 5.2369% and 0.8819% interest in the Group's charter capital, respectively. Under the Charter terms the Group has a right to request Mr. Abdrakhmanov and DEMUS Capital to sell back stated interest percentages to the Group. In order this right to be realised the Group should formally make a request from 2 March 2019 until 1 August 2019, at the amount of the initial investments indexed to US Dollars and compounded for the holding period at 15% rate. In case this request is not made the financing stakeholders had the right to retain stated interest shares in the Group's equity. In August 2019 the Group has repurchased the whole participation interest of Mr. Abdrakhmanov and DEMUS Capital under this tranche. The financing stakeholders did not have the right to request the buyback therefore the whole second tranche was classified as equity in the financial statements.

As described in this section and in Note 3, Mr. Abdrakhmanov and DEMUS Capital LLP as of 31 December 2017 and 2018 had rights to request the Group to repurchase their participant interests in the Group, classified as financial liability (Note 11) by the Group.

10 Share Based Payments

In thousands of Kazakhstani Tenge	**2018**	**2017**
Share-based payments as of 31 December	110,043	17,582
Granted during the year	73,557	44,481
Forfeited during the year	(36,646)	(1,063)
Diluted during the year	(14,536)	(2,944)
Change in fair value	109,881	51,987
Share-based payments as of 31 December	**242,299**	**110,043**

Share-based payments become due on 31 December 2020 and the Group has one year for repayment.

11 Borrowings

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017**
Obligations under capital repurchase	1,468,935	573,728
Term loans	266,803	200,000
Total borrowings	**1,735,738**	**773,728**

Obligations under capital repurchase include (Note 3):

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017**
Mr. Abdrakhmanov	1,048,773	324,575
DEMOS Capital LLP	420,162	249,153
Total obligations under capital repurchase	**1,468,935**	**573,728**

The Group's borrowings are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017**
US Dollars	1,468,935	573,728
Kazakhstani Tenge	266,803	200,000
Total borrowings	**1,735,738**	**773,728**

Term loans

In September 2017 the Group and Mr. Turlov signed a credit line agreement whereby Mr. Turlov agrees to provide a loan for the total amount of Tenge 200 million denominated in Tenge, which can be drawn by tranches of Tenge 10 million each. The loan bears an average interest rate of 20% annually with maturity on 31 December 2019 (initial maturity was in September 2018, later prolonged till March 2019 and finally till 31 December 2019).

Other loans were provided by various creditors to the Group entities. All loans are repayable within 12 months. Due to short-term maturities fair values of term loans approximate their carrying values.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of Kazakhstani Tenge	**Term loans**	**Obligations under capital repurchase**	**Total**
Liabilities from financing activities at 1 January 2017	**52,765**	**484,212**	**536,977**
Cash flows	133,217	-	133,217
Foreign exchange differences	-	325	325
Finance costs	14,018	89,191	103,209
At 31 December 2017	**200,000**	**573,728**	**773,728**
Cash flows	23,654	500,000	523,654
Foreign exchange differences	-	208,793	208,793
Finance costs	43,149	186,414	229,563
At 31 December 2018	**266,803**	**1,468,935**	**1,735,738**

12 Trade and Other Payables

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017 (Restated)**	**1 January 2017 (Restated)**
Trade payables	540,776	253,847	278,065
Total current financial liabilities within trade and other payables	**540,776**	**253,847**	**278,065**
Advances received	270,235	171,468	196,430
Unused vacation reserve	74,238	32,462	20,964
Wages and salary payables	66,215	44,160	23,965
Other	93,586	1,316	7,162
Total trade and other payables	**1,045,050**	**503,253**	**526,586**

Financial payables within trade and other payables are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017 (Restated)**	**1 January 2017 (Restated)**
Kazakhstani Tenge	532,126	248,139	268,233
Russian Roubles	8,133	5,272	8,525
Great Britain Pounds	319	-	-
Euro	198	233	-
US Dollars	-	203	1,306
Total current financial liabilities within trade and other payables	**540,776**	**253,847**	**278,064**

13 Other Taxes Payable

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017**
Value-added tax	116,091	29,291
Personal income tax	34,538	29,671
Social taxes and contributions	31,735	22,866
Pension obligations	26,567	18,903
Other taxes	708	6,902
Total other taxes payable	**209,639**	**107,633**

14 Revenue

In thousands of Kazakhstani Tenge	**2018**	**2017 (Restated)**
Sales of coupons and certificates	902,174	345,906
Incentives from partners	825,277	133,371
Sales commission	748,984	782,970
Service fees	569,437	27,488
Sales of goods	225,353	174,420
Income from non-activated certificates	128,898	126,000
Marketing services	160,901	40,996
Courier services	81,185	17,352
Other	1,343	3,358
Total revenue	**3,643,552**	**1,651,861**

Revenue includes bonuses accrued under the Group's loyalty programs in the amount of Tenge 241,968 thousand and Tenge 142,052 thousand in 2018 and 2017, respectively.

15 Finance Costs

In thousands of Kazakhstani Tenge	**2018**	**2017**
Finance costs on obligations under capital repurchase	186,414	89,191
Interest expense on borrowings	43,149	14,018
Total finance costs	**229,563**	**103,209**

16 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of Kazakhstani Tenge	**2018**	**2017**
Current tax	43,660	1,480
Deferred tax	-	-
Income tax expense for the year	**43,660**	**1,480**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's 2018 and 2017 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Kazakhstani Tenge	**2018**	**2017 (Restated)**
Loss before tax from continuing operations	**(1,271,780)**	**(645,628)**
Profit before tax from discontinued operations	**-**	**54,537**
Theoretical tax credit at statutory rate of 20%:	(254,356)	(118,218)
Non-deductible expenses	112,109	84,392
Unrecognised deferred tax assets	198,964	35,306
Utilisation of previously unrecognised tax loss carry forwards	(13,057)	-
Income tax expense for the year	**43,660**	**1,480**

17 Income Taxes (Continued)

(c) Tax loss carry forwards

The tax loss carry forwards expire as follows:

In thousands of Kazakhstani Tenge	**31 December 2018**	**31 December 2017 (Restated)**	**1 January 2017 (Restated)**
Tax loss carry-forwards expiring by the end of:			
- 31 December 2021	2	2	2
- 31 December 2022	-	5,671	18,739
- after 31 December 2023	496,040	62,032	114,791
Total tax loss carry forwards	**496,042**	**67,705**	**133,532**

Based on the Kazakhstani legislation the entities have right to carry forward losses for 10 years.

(d) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Kazakhstani Tenge	**1 January 2017 (Restated)**	**(Charged)/ credited to profit or loss (Restated)**	**31 December 2017 (Restated)**	**(Charged)/ credited to profit or loss**	**Business combina-tions**	**31 December 2018**
Tax effect of deductible/(taxable) temporary differences						
Property, plant and equipment	(4,055)	(1,265)	(5,320)	23,342	-	18,022
Tax loss carry forwards	26,706	(13,166)	13,540	85,668	-	99,208
Taxes payable	5,013	2,833	7,846	444	-	8,290
Borrowings	8,271	17,894	26,165	37,733	-	63,898
Share-based payments	3,516	18,493	22,009	26,451	-	48,460
Bonuses accrued	18,415	9,995	28,410	14,620	-	43,030
Other	5,741	4,158	9,899	(2,351)	-	7,548
Net deferred tax asset	63,607	38,942	102,549	185,907	-	288,456
Unrecognised deferred tax asset	(63,607)	(38,942)	(102,549)	(185,907)	-	(288,456)
Recognised deferred tax asset	-	-	-	-	-	-
Intangible assets	-	-	-	-	(143,536)	(143,536)
Recognised deferred tax liability	-	-	-	-	(143,536)	(143,536)
Net deferred tax liability	**-**	**-**	**-**	**-**	**(143,536)**	**(143,536)**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

17 Discontinued Operations

As described in Note 3, in December 2017 the Group transferred its internet resources www.chocomart.kz and www.internetmarket.kz for the total contract consideration of Tenge 129,319 thousand consisting of fixed payment of Tenge 99,319 thousand and contingent payment up to Tenge 30,000 thousand based on the performance of the Chocomart and Intermarket for the next six months following the date of disposal. The Group received Tenge 99,319 thousand (Tenge 49,319 thousand in December 2017 and 50,000 thousand in February 2018) since agreed KPI's were not achieved in the target period.

An analysis of the result of discontinued operations are as follows:

In thousands of Kazakhstani Tenge	**2017**
Revenue and other income	434,031
Expenses	(459,125)
Loss before tax of discontinued operations	(25,094)
Income tax relating to profit before tax of discontinued operations	-
Gain from sale of internet resources	79,631
Profit after tax of discontinued operations	54,537
Profit for the year from discontinued operations	**54,537**

An analysis of the cash flows of discontinued operations is as follows:

In thousands of Kazakhstani Tenge	**2017**
Operating cash flows	(67,883)
Investing cash flows	49,319
Financing cash flows	-
Total cash flows	**(18,564)**

18 Operating Environment of the Group

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of the new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and transition to a free floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the tenge exchange rate and to ensure financial stability.

As at the date of issue of these consolidated financial statements the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 403.83 per USD 1, compared to Tenge 384.20 per USD 1 as at 31 December 2018 (31 December 2017: Tenge 332.33 per USD 1). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of the National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

19 Operating Environment of the Group (Continued)

In September 2018 Standard & Poor's, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan - "BBB-" and short-term foreign and local currency sovereign credit ratings - "A-3", and the Kazakhstan national scale - "kzAAA". The outlook is stable (long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, e-commerce sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control.

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Group's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

COVID-19

We see how the spread of coronavirus ("COVID-19") impacts people, families, businesses and society in general. Our absolute priority is the health and safety of our employees and customers. We continue rendering services necessary for our customers and public. The Group is in the process of assessing COVID-19 impact on the Group's operating activities and financial position. The situation is unstable and as it is still developing, we are ready to make every effort to provide critical infrastructure and communication. Management takes all necessary actions to ensure the Group's business continuity (Note 25).

19 Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Tax contingencies

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Group. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

20 Contingencies and Commitments (Continued)

Transfer pricing legislation

According to the transfer pricing law, the international business transactions are subject to the government control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international business transactions, including the existence of the documentation supporting the prices and price differentials applied. Additionally, price differentials cannot be applied to the international business transactions with companies registered in offshore countries. In case of deviation of transaction price from market price, tax authorities have the right to adjust taxable base and to impose additional taxes, fines and interest penalties.

The transfer pricing law in some areas lacks detailed clear-cut guidance as to how its rules should be applied in practice (for example, the form and content of documentation supporting the discounts), and determination of the Group's tax liabilities within the context of the transfer pricing regulations requires an interpretation of transfer pricing law.

The Group conducts transactions subject to the state transfer pricing control.

20 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of Kazakhstani Tenge	**Proportion of non-controlling interest**	**Profit/(loss) attributable to non-controlling interest**	**Accumulated non-controlling interest in the subsidiary**
Year ended 31 December 2018			
Chocotravel (Internet Tourism LLP)	46.99%	(44,802)	(19,292)
Aviata (Aviata LLP)	46.99%	53,807	342,897
Lensmark (Internet optika LLP)	33.38%	(3,123)	(3,259)
iDoctor (iDoctor.kz LLP)	32.6%	(24,752)	(24,297)
Year ended 31 December 2017			
Chocotravel (Internet Tourism LLP)	25%	(27,558)	(82,412)
Lensmark (Internet optika LLP)	33.38%	6,817	(136)
iDoctor (iDoctor.kz LLP)	32.6%	(1,270)	455

The summarised financial information of these subsidiaries was as follows:

In thousands of Kazakhstani Tenge	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Profit/ (loss)**	**Total compre-hensive income/ (loss)**	**Cash flows**
31 December 2018								
Chocotravel (Internet Tourism LLP)	447,579	14,434	503,069	-	812,133	(86,396)	(86,396)	(54,973)
Aviata (Aviata LLP)	543,767	744,532	415,040	143,536	1,404,912	114,510	114,510	27,637
Lensmark (Internet LLP)	13,932	369	24,064	-	202,152	(9,356)	(9,356)	6,029
iDoctor (iDoctor.kz LLP)	1,179	22,966	98,676	-	6,619	(67,015)	(67,015)	607
31 December 2017								
Chocotravel (Internet Tourism LLP)	214,146	6,508	550,308	-	236,212	(110,231)	(110,231)	67,635
Lensmark (Internet LLP)	72,336	133	63,751	-	174,420	21,903	21,903	(1,312)
iDoctor (iDoctor.kz LLP)	2,187	1,971	2,764	-	1,498	(3,896)	(3,896)	(2,975)

21 Business Combinations

Acquisition of Aviata

On 18 February 2018, the Group acquired, from an unrelated party, 53.01% of the charter capital of Aviata LLP ("Aviata") (the market leader in on-line booking of air/railway tickets and a longtime rival of Chocotravel at the time) and obtained control through its ability to cast a majority of votes in the general meeting of owners. The acquired subsidiary will increase the Group's market share of its on-line booking of air/railway tickets business and is expected to improve profitability through the economies of scale.

Acquisition was executed by following transactions – 1) purchase by the Group of participation interest in Aviata from its founders, 2) transfer to the Aviata founders of 46.99% interest in Chocotravel (non-controlling interest in the subsidiary of the Group), 3) increase of charter capital of Aviata by the Group, and 4) increase of charter capital in Chocotravel (Internet Tourism LLP) by the Aviata founders. All that resulted in a mirror ownership structure in both Aviata and Chocotravel where the Group received 53.01% stake in the Aviata business and obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board and at the same time Group has disposed 46.99% of interest in Chocotravel (the subsidiary of the Group previously 100% owned) retaining control over Chocotravel. The Group has also received a right to increase its stake in both companies for up to additional 20% at a variable price based on the Company's performance starting from the year following the deal.

The Group transferred Tenge 463,640 thousand (in cash) to founders and previous owners of Aviata and made contribution to the charter capital of Aviata in the amount Tenge 50,000 thousand. As part of the transaction Aviata founders and previous owners made contribution to the charter capital of Chocotravel in the amount of Tenge 50,000 thousand. The contribution was made after the acquisition date.

As a result of all these transactions, the Group obtained 53.01% of the participant interest in Aviata and previous owners of Aviata obtained 46.99% of the participant interest in Chocotravel.

Management views Aviata and Chocotravel as one project. The merger aimed to cement leading position in on-line sales of air and railway tickets while joining forces to defend the local market against foreign rivals by further improving the quality of IT product as well as efficiency of operations.

Starting from March 2018 based on the combined sales Chocotravel and Aviata managed to improve remuneration terms with Amadeus, a global ticket distribution system, by signing a respective three year agreement.

The acquisition-date fair value of the total purchase consideration and its components were as follows:

In thousands of Tenge	
Cash consideration paid	463,640
Receivable from Chocofamily resulting from share capital increase	50,000
Cash invested by founders of Aviata to Chocotravel charter capital	(50,000)
Fair value of 46.99% interest in Chocotravel transferred to the founders of Aviata	612,670
Total purchase consideration transferred	**1,076,310**

The consideration transferred by the Group included the element of the non-cash consideration which is 46.99% interest in Chocotravel business which was transferred to the founders of Aviata (the founders of Aviata after the transaction became non-controlling shareholder in Chocotravel). The fair value of 46.99% interest in Chocotravel was based on results of an external appraisal of the acquiree's business taken as a whole.

In accordance with IFRS 3 "Business Combinations", the Group must account for acquisitions based on the fair values of the acquired identifiable assets acquired and liabilities and contingent liabilities assumed. The excess of: (a) the consideration transferred and the value of NCI in Aviata over (b) fair value of the net assets acquired, is recognised as goodwill.

21 Business Combinations (Continued)

Details of the assets and liabilities acquired and goodwill arising are as follows:

In thousands of Tenge	**Fair value**
Cash and cash equivalents	11,355
Property, plant and equipment	17,871
Intangible assets	718,755
Receivable from Chocofamily resulting from share capital increase	50,000
Other assets	131,479
Trade and other payables	139,805
Other liabilities	30,903
Deferred tax liability	143,536
Fair value of identifiable net assets of subsidiary	**615,216**
Less: non-controlling interest measured at the proportional share in the fair value of net assets (46.99%)	289,090
Goodwill arising from the acquisition	750,184
Total purchase consideration	**1,076,310**
Less: Non-cash consideration	612,670
Less: Cash and cash equivalents of subsidiary acquired	11,355
Outflow of cash and cash equivalents on acquisition	**452,285**

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest.

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report the following items were included in the purchase price allocation:

- Trademark valued at Tenge 354,182 thousand;
- Software valued at Tenge 64,616 thousand; and
- Client list valued at Tenge 298,880 thousand.

The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise. The goodwill will not be deductible for tax purposes in future periods.

The acquired subsidiary contributed revenue of Tenge 1,404,912 thousand and profit of Tenge 114,510 thousand to the Group for the period from the date of acquisition to 31 December 2018. If the acquisition had occurred on 1 January 2018, Group revenue for 2018 would have been Tenge 1,466,971 thousand higher, and loss for 2018 would have been Tenge 121,020 thousand higher.

In February 2018 prior to the disposal of the Chocotravel interest the re-organisation of the Chocotravel holding structure was performed by the Group's shareholders. The Group shareholders exchanged 5.68% interest in the charter capital of the higher level controlling party – Choco Capital Partners LLP plus Tenge 100 thousand for 25% interest in the charter capital of Chocotravel plus Tenge 100 thousand. As a result of this re-organisation the Group obtained 100% interest in Chocotravel charter capital. As a result of this transaction the Group's non-controlling interest in the amount of Tenge 93,670 thousand as of that date has been disposed.

The disposal of 46.99% interest in Chocotravel to the founders of Aviata was accounted for as transaction with non-controlling interest with the gain on the disposal being recognised in equity:

In thousands of Tenge	
Non-controlling interest arising on this transaction (46.99% of net assets of Chocotravel)	14,252
Fair value of the disposed interest	598,418
Gain on the transaction with NCI recognised in equity	**612,670**

21 Business Combinations (Continued)

BeSmart and iDoctor.kz acquisitions

In 2017 the Group acquired coupon business of BeSmart LLP and on-line booking of medical appointments business iDoctor.kz LLP.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In thousands of Kazakhstani Tenge	***BeSmart***	***iDoctor.kz***
Total cash consideration paid	350,000	31,872
Less payments for training and technical support and maintenance of the website	(100,000)	-
Total purchase consideration	**250,000**	**31,872**

BeSmart

The Group acquired rights to the website (domain name www.besmart.kz, website design, layout, content, software, source codes of the Internet resource, database, registration groups on social networks and Android and IOS mobile applications, including the list of users who installed them), the trademark (BeSmart) and the property (furniture, computer and office equipment). In July 2017, the seller transferred a complex of property rights (exclusive rights) to the website, the trademark and the property to the Group, and rendered services on training of the Group's personnel in management and use of the website and technical support and maintenance of the website. In addition to the transfer of the above, the Seller transferred to the Group the entitlement to key contracts with the seller's partners and payment system services.

The purchase price represented the fair value of the acquired business. Allocation of the purchase consideration was done based on the relative fair value of the assets acquired. Payments for training and technical support and maintenance of the website include training the Group's personnel to manage and use the website in the amount of Tenge 35,000 thousand and technical support and maintenance of the website in the amount of Tenge 65,000 thousand, which were included to expenses in 2017. Total purchase consideration was allocated to the acquired assets: program application, brand name and website in the amounts of Tenge 150,000 thousand, Tenge 60,000 thousand and Tenge 37,500 thousand, respectively.

iDoctor.kz LLP

As described in the Note 3 the Group acquired on-line booking of medical appointments services business iDoctor.kz LLP. The purchase price represented fair value of the acquired business. Allocation of the purchase consideration was done based on the relative fair value of the assets acquired and included to the intangible assets (Note 6).

Details of the assets and liabilities acquired are as follows:

In thousands of Kazakhstani Tenge	**19 October 2017**
Cash and cash equivalents	3,011
Property, plant and equipment	255
Intangible assets	27,197
Other assets	2,422
Trade and other payables	362
Other liabilities	350
Fair value of identifiable net assets of subsidiary	33,597
Less: non-controlling interest	(1,725)
Total purchase consideration and previously held interest in the acquiree	**31,872**
Less: Cash and cash equivalents of subsidiary acquired	3,011
Outflow of cash and cash equivalents on acquisition	**28,861**

22 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets:

In thousands of Kazakhstani Tenge	31 December 2018	31 December 2017
Loans issued	43,891	3,760
Financial assets within trade and other receivables	558,248	182,438
Cash and cash equivalents	154,145	183,391
Total maximum exposure to credit risk	**756,284**	**369,589**

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2018			At 31 December 2017		
In thousands of Kazakhstani Tenge	US Dollars	Russian Roubles	Euros	US Dollars	Russian Roubles	Euros
Monetary financial assets	2,040	1,568	35,522	267	712	190
Monetary financial liabilities	(1,468,935)	(8,133)	(198)	(573,931)	(5,272)	(233)
Net balance sheet position	**(1,466,895)**	**(6,565)**	**35,324**	**(573,664)**	**(4,560)**	**(43)**
Tenge strengthening by 10% (2017: 10%)	117,352	525	(2,826)	45,893	365	3
Tenge weakening by 10% (2017: 10%)	(117,352)	(525)	2,826	(45,893)	(365)	(3)

22 Financial Risk Management (Continued)

The Group is exposed to currency risk on borrowings which are mostly denominated in US Dollars. In that respect the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

Interest rate risk

The Group does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Group's business.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payable. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Term loans (Note 11)	-	-	316,822	-	-	316,822
Trade payables (Note 12)	540,776	-	-	-	-	540,776
Obligations under capital repurchase (Note 11)	672,244	-	1,029,490	-	-	1,701,734
Total future payments, including future principal and interest payments	**1,213,020**	**-**	**1,346,312**	**-**	**-**	**2,559,332**

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Term loans (Note 11)	-	-	230,000	-	-	230,000
Trade payables (Note 12)	253,847	-	-	-	-	253,847
Obligations under capital repurchase (Note 11)	788,029	-	-	-	-	788,029
Total future payments, including future principal and interest payments	**1,041,876**	**-**	**230,000**	**-**	**-**	**1,271,876**

23 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to sustain future development of the business. Capital includes all capital and reserves of the Group as recorded in the consolidated statement of financial position. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilisation; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

24 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. Fair values of held-to-maturity investments were determined based on quoted bid prices.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

Financial assets at AC category of the Group include loans issued, cash and cash equivalents and financial trade and other receivables.

All of the Group's financial liabilities are carried at amortised cost.

25 Events After the Reporting Period

Increase of stake in Aviata

In November 2019 current owners has provided additional equity in the amount of Tenge 1,950 million, to finance consolidation of 100% control in Internet Tourism LLP and Aviata LLP. The minority stakes were purchased for purchase price of Tenge 1,779 million with all obligations of the Group fulfilled by the report date.

Increase of stake in iDoctor

In February 2019 at the general participants meeting of iDoctor LLP it was decided to increase charter capital of the project by additional Tenge 80,000 thousand whereby the Group has injected Tenge 63,457 thousand and Mr. Tashbayev (currently Director of iDoctor LLP) provided Tenge 16,543 thousand. As a result the Group increased its share to 75.13% whereby Mr. Tashbayev's share changed to 21.35%. The proceeds were used by iDoctor to repay the outstanding debt to the Group.

25 Events After the Reporting Period (Continued)

Sales of participation interest to Mr. Rakhimbayev

On 26 June 2019 Choco Capital Partners LLP, DEMUS Capital LLP and Mr. Nurgozhin (Note 9) have signed an agreement with Mr. Rakhimbayev to sell 3.0719%, 4.5843% and 0.8723% in the Group respectively for total selling price of US Dollars 4,500 thousand. As per the sale-purchase agreement the selling price is to be paid in specified monthly instalments till September 2019. As at the date of these financial statements, Mr. Rakhimbayev had fully paid the purchase amount in accordance with the schedule.

Financing from related parties

In 2019 the Group attracted additional debt funding from its current (and new) stakeholders (subsequently increased later in 2020 to compensate the negative effect of COVID-19 on the Group operations) in the amount of Tenge 3,690 million (as at 30 September 2020) to replace the maturing debt (including capital share repurchase from Mr. Abdrakhmanov and DEMUS Capital (see Note 3 and 10) and to finance working capital needs. This debt has maturity date of 31 December 2020 and includes Tenge 620 million working capital facility from a related party that had initial maturity in March 2019 which was prolonged further by including into a general shareholders facility till 31 December 2020. The financing in most cases is provided at 14% p.a. indexed to US dollar exchange rate - for USD tranches and at 22.5% - for Tenge tranches. Additional agreement was signed to increase financing in the amount of Tenge 400 million.

Based on the results of the ongoing negotiations with the interested investors management believes it will be able to close equity round by selling 10% stake in the Group in 2020 and to attract sufficient resources to fully repay outstanding debt to related parties and to secure medium term liquidity to fund growth of its projects.

Mr. Abdrakhmanov

As described in Note 3 in February and June 2018 Mr. Abdrakhmanov acquired additional 8.38% and 5.2369% of the Group charter capital by injecting Tenge 450,000 thousand and Tenge 300,000 thousand, respectively. The Group has repurchased the stated participation interest under this option on 21 August 2019 for Tenge 1,089,313 thousand.

DEMUS

As described in Note 3 in February and June 2018 DEMUS Capital acquired additional 0.93% and 0.8819% of the Group charter capital by injecting Tenge 50,000 thousand and 50,000 thousand, respectively. The Group has repurchased the stated participation interest under this option on 21 August 2019 for Tenge 145,780 thousand, respectively.

Financing from RBK Bank JSC

In June 2020 Aviata LLP and Internet Tourism LLP received the credit line from JSC “RBK Bank” in the amount of Tenge 250 million for the purpose of financing prepayments to airline companies and its operating costs. The Group has provided 49% of shares in Aviata LLP, Internet Dostavka LLP and Internet Tourism LLP to the Bank as a security. Also Redprice LLP, Internet Dostavka LLP and Internet Loyalnost LLP have provided financial guarantees to the bank. The credit line was opened for the 12 month and with an interest rate of 8% p.a.

Operating environment

On 21 February 2020 Fitch Ratings has affirmed Kazakhstan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' with a Stable Outlook. Kazakhstan's 'BBB' IDRs balance large fiscal and external buffers, underpinned by accumulated oil-related fiscal revenues and a strong sovereign net foreign asset position, against high commodity dependence, a weak banking sector relative to peers, and lower governance scores than 'BBB' medians.

Official estimates indicate real GDP growth picked up slightly to 4.5% in 2019 (2018: 4.1%), driven by domestic demand and supported by public sector social programmes and hydrocarbon, infrastructure and residential investment projects. Fitch forecasted growth to slow slightly to 3.9% in 2020 and 4.0% in 2021, stronger than the 'BBB' median of 2.8% and Kazakhstan's five-year average of 2.9%.

Stable oil production and oil prices during 2019, low unemployment and rising wages supported a modest growth of the economy in 2019. This operating environment has a significant impact on the Group’s operations and financial position.

25 Events After the Reporting Period (Continued)

COVID-19

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organisation declared the outbreak of a new type of coronavirus COVID-19 a pandemic. According to the decree of the President of the Republic of Kazakhstan dated 15 March 2020 No. 285 "On the introduction of a state of emergency in the Republic of Kazakhstan", a state of emergency was introduced for the period from 16 March 2020 until 15 April 2020. Many cities of Kazakhstan fell under the quarantine regime; also, from 30 March to 5 April of the current year, the activities of enterprises were suspended. The Group's activities for the period of quarantine were not suspended, the work of office employees was organised remotely.

At the same time, on 9 March 2020 oil quotes dropped amid the collapse of the OPEC deal, the price of Brent crude in March fell below $ 25 per barrel. The depreciation of tenge against the US dollar since the beginning of the year 2019 amounted to 9%. The National Bank of the Republic of Kazakhstan on 10 March 2020 raised the base rate from 9.25% to 12%.

The COVID-19 epidemic is spreading globally, with a sharp negative effect on the entire global economy. Management considers this outbreak to be a non-adjusting event after the reporting date.

As of the date of the issuance of these financial statements, the situation is still developing. Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business, however:

- downtime/quarantine due to a pandemic will lead to a slowdown in business activity in general, which will affect the financial performance of the Group in the future;
- depreciation of tenge against the US dollar will negatively affect the financial results of the Group due to the fact that 35% of the Group's obligations comprises balances denominated in hard currencies;
- From March to May 2020 due to international borders closure and quarantine regime, the Group has lost about 70% of its turnover in comparison with the three-month period prior to March 2020. The Group significantly reduced its investment in marketing, and staff optimisation was also carried out. By agreement with the employees, the salary of employees was reduced for the period of the emergency. The Group expects that turnover will fully recover to pre COVID-19 level in autumn-winter 2020;
- Revenue of the Group for the year 2019 and nine-month period ended 30 September 2020 amounted to Tenge 6,438,819 thousand and Tenge 3,094,063 thousand, respectively. Net loss for the year 2019 and nine-month period ended 30 September 2020 amounted to Tenge 1,775,610 thousand and Tenge 705,052 thousand, respectively;
- Decrease in revenue starting from April 2020 was noted in Chocotravel and Aviata. Total revenue and net income from this business stream for the nine- months period ended 30 September 2020 amounted to Tenge 1,273,538 thousand and Tenge 230,222 thousand, respectively. Total revenue and net income for 2019 was equal to Tenge 3,764,930 thousand and Tenge 424,265 thousand, respectively. The Group exercised the return of the tickets after reimbursement received from the airlines. Starting from June 2020 the sales increased as a result of sales of tickets for travelling inside Kazakhstan;
- Increase in revenues was noted in Chocofood and Lensmark, as a result of increased demand for delivery services. Revenue from Chocofood and Lensmark for the nine-months period ended 30 September 2020 amounted to Tenge 830,117 thousand and Tenge 367,754 thousand, respectively. Net income/(loss) from Chocofood and Lensmark for the nine-months months period ended 30 September 2020 amounted to Tenge (329,778) thousand and Tenge 11,188 thousand, respectively. Chocofood and Lensmark revenue for the year 2019 was equal to Tenge 669,848 thousand and Tenge 222,841 thousand, respectively. Net income/(loss) of Chocofood and Lensmark for the year 2019 was equal to Tenge (471,051) thousand and Tenge 4,697 thousand, respectively;
- Sales of Chocolife and Rahmet decreased significantly as many partners had to suspend provision of their services. Revenue from Chocolife and Rahmet for the nine-months period ended 30 September 2020 amounted to Tenge 336,311 thousand and Tenge 170,682 thousand, respectively. Net loss from Chocolife and Rahmet for the nine-months period ended 30 September 2020 amounted to Tenge (163,250) thousand and Tenge (391,792) thousand, respectively. Chocolife and Rahmet revenue for the year 2019 was equal to Tenge 1,398,276 thousand and Tenge 118,763 thousand, respectively. Net loss of Chocolife and Rahmet for the year 2019 was equal to Tenge 6,467 thousand and Tenge 694,895 thousand, respectively;
- To cover effect of COVID-19 the Group increased financing and as of 30 September 2020 the borrowings from related parties amounted to Tenge 3,690,623 thousand. In addition, the Group increased its capital by additional investments by the owners to the amount of Tenge 3,568,613 thousand as of the stated date.

26 Accounting Policies Before 1 January 2018

Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 24.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. The Group's loans and receivables comprise of 'loans issued', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

26 Accounting policies before 1 January 2018 (Continued)

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

All other financial assets are included in the *available-for-sale* category.

Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Sales of coupons and certificates

The Group generates third-party revenue from transactions in which it acts as a marketing agent, primarily by selling coupons through its on-line sales that can be redeemed for goods or services with third party partners (merchant). Third-party revenue is reported on a net basis as the purchase price received from the customer for the voucher less the portion of the purchase price that is payable to the featured merchant. Revenue is presented on a net basis because the Group is acting as a marketing agent of the merchant in those transactions. Third-party revenue is recognised when the customer purchases a voucher and the voucher has been used by the customer, which is the date of electronic activation of the voucher. At that time, the Group's obligations to the merchant, for which it is serving as a marketing agent, are substantially complete. The Group's remaining obligations, which are limited to remitting payment to the merchant and continuing to make available on its website information about vouchers sold that was previously provided to the merchant, are inconsequential and perfunctory administrative activities. For merchant payment arrangements that are structured under a redemption model, merchants are not paid until the customer redeems the voucher that has been purchased. If a customer does not redeem the voucher under this payment model, the Group retains all of the gross billings. The Group recognises variable consideration from unredeemed vouchers and derecognises the related payable to the customers when its legal obligation expires, which the Group believes is shortly after deal expiration date that have payment arrangements structured under a redemption model.

The Group generates direct revenue from selling coupons and certificates for goods and services fully prepaid by the Group to the merchant. Direct revenue is reported on a gross basis as the purchase price received from the customer. The Group is the primary obligor in those transactions, is subject to general credit risk. Associated purchase costs are recorded in cost of purchased certificates, coupons and tickets. Direct revenue is recognised when those are activated by the customers. Income from non-activated certificates is recognised when legal obligation expires, which is three years after the sale.

Sales commissions

Commission revenue is earned when customers make purchases with retailers using digital coupons accessed through the Group's websites and mobile applications. The Group recognises that commission revenue in the period in which the underlying transactions are completed.

Sales of goods

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

26 Accounting policies before 1 January 2018 (Continued)

Incentives from partners

The Group earns revenues, which are granted by partners for the sales made on behalf of the partners. Such revenues are recorded on a monthly basis based on the estimated incentives granted by the partners for the preceding month.

Service fees

Service fees are fees collected from the customers for different additional services provided by the Group. The Group recognises that commission revenue in the period in which the underlying transactions are completed.

Other revenue

Advertising revenue is recognised when the advertiser's logo or website link has been included on the Group's websites or in specified email distributions for the requisite period of time as set forth in the agreement with the advertiser. Courier and other services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Chocofamily Holding LLP

Consolidated Financial Statements

For the year ended 31 December 2019

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CHOCOFAMILY HOLDING LLP

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The management of Chocofamily Holding LLP (hereinafter – the "Company") and its subsidiaries (together – the "Group") is responsible for the preparation of the consolidated financial statements, that fairly present, in all material respects, financial position of the Group as at 31 December 2019, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting of proper accounting principles and its consistent application;
- presenting information, including accounting policies, in a manner that provides relevance, reliability, comparability and understandability of such information;
- using of reasonable and appropriate estimates and assumptions;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the consolidated financial statements to understand the impact of particular transactions, as well as other events and conditions on the consolidated financial position and financial results of the Group's operation; and
- assessment of the Group's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining the effective and reliable functionality of the internal control system;
- maintaining adequate accounting system, allowing the preparation of information about the Group's consolidated financial position at any time with reasonable accuracy, and to ensure compliance of the consolidated financial statements with IFRS;
- maintaining accounting records in accordance with the legislation of the Republic of Kazakhstan;
- adopting measures within its competence to safeguard assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2019 were approved by the management of the Group on 10 November 2020.

Chairman of the Management Board ______________ Mazencev N.

Financial Director ______________ Bakiyev A.A.

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INDEPENDENT AUDITOR'S REPORT

To the Owners and management of Chocofamily Holding LLP

Opinion

We have audited the consolidated financial statements of Chocofamily Holding LLP (hereinafter – the "Company") and its subsidiaries (together – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – "ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding the Going Concern

We draw attention to Note 3 to the consolidated financial statements, which indicates that as at 31 December 2019 the Group's accumulated deficit amounted to 6,455,002 thousand tenge (31 December 2018: 2,063,960 thousand tenge) and its current liabilities exceeded its current assets by 4,365,603 thousand tenge (31 December 2018: 2,015,175 thousand tenge). The Group incurred a net loss of 2,758,465 thousand tenge during the year ended 31 December 2019 (for year ended 31 December 2018: 1,315,440 thousand tenge) and cash outflows from operating activities in 2019 were equal to 1,001,444 thousand tenge (2018: 328,680 thousand tenge). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year then ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 4 November 2020.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Chocofamily Holding LLP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Chocofamily Holding LLP and its subsidiaries.

Grant Thornton LLP

Yerzhan Dossymbekov

Engagement Partner / General Director
Grant Thornton LLP

Certified Auditor of the Republic of Kazakhstan
Certificate No. MF–0000069 on 20 January 2012
The Republic of Kazakhstan

State license for providing audit services on the territory of the Republic of Kazakhstan #18015053, issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated 3 August 2018 (the date of primary issue – 27 July 2011)

10 November 2020

Almaty, the Republic of Kazakhstan

CHOCOFAMILY HOLDING LLP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

In thousands of tenge	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property and equipment	6	140,561	116,592
Right-of-use assets	3	70,190	–
Intangible assets	7	629,282	825,548
Goodwill	26	750,184	750,184
Investments in associate		3,069	3,069
Other non-current assets		356	–
Total non-current assets		**1,593,642**	**1,695,393**
Current assets			
Inventories		20,845	16,571
Trade and other receivables	8	629,559	893,032
Advances paid	9	572,536	304,657
Loans issued		2,325	43,891
Current income tax prepayments		–	2,733
Cash and cash equivalents	10	372,565	154,145
Total current assets		**1,597,830**	**1,415,029**
TOTAL ASSETS		**3,191,472**	**3,110,422**
EQUITY			
Charter capital	11	2,731,483	1,062,294
Accumulated deficit		(6,455,002)	(2,063,960)
Equity attributable to the Group's owners		**(3,723,519)**	**(1,001,666)**
Non-controlling interest	25	**(41,820)**	**296,049**
TOTAL EQUITY DEFICIT		**(3,765,339)**	**(705,617)**
LIABILITIES			
Non-current liabilities			
Share-based payments	12	820,920	242,299
Deferred tax liability	22	120,874	143,536
Long-term lease liability	13	51,553	–
Long-term payables		31	–
Total non-current liabilities		**993,378**	**385,835**
Current liabilities			
Borrowings	14	3,501,664	1,735,738
Trade and other payables	15	1,166,352	774,815
Contract liability	17	943,981	663,168
Other taxes payable	16	198,435	209,639
Current income tax payable		128,637	46,844
Short-term lease liability	13	24,364	–
Total current liabilities		**5,963,433**	**3,430,204**
TOTAL LIABILITIES		**6,956,811**	**3,816,039**
TOTAL LIABILITIES AND EQUITY		**3,191,472**	**3,110,422**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Chairman of the Management Board ____________________ Mazencev N.E.

Financial Director ____________________ Bakiyev A.A.

10 November 2020
Almaty, the Republic of Kazakhstan

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Notes	2019	2018
Revenue	18	4,895,080	3,643,552
Expenses	19	(6,200,409)	(4,099,446)
Foreign exchange losses		(1,592)	(210,216)
Shared based payments	12	(578,621)	(132,256)
Other expenses, net	20	(149,103)	(251,620)
Operating loss		**(2,034,645)**	**(1,049,986)**
Finance income		24,446	7,769
Finance costs	21	(643,798)	(229,563)
Loss before income tax		**(2,653,997)**	**(1,271,780)**
Corporate income tax expense	22	(104,468)	(43,660)
Loss for the year		**(2,758,465)**	**(1,315,440)**
Other comprehensive income for the year		–	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,758,465)**	**(1,315,440)**
Loss attributable to:			
- Owners of the Group		(2,744,201)	(1,296,570)
- Non-controlling interest	25	(14,264)	(18,870)

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Chairman of the Management Board ____________________ Mazencev N.E.

Financial Director ____________________ Bakiyev A.A.

10 November 2020
Almaty, the Republic of Kazakhstan

CHOCOFAMILY HOLDING LLP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Notes	Attributable to owners of the Group			Non-controlling interest	Total equity
		Charter capital	Accumulated deficit	Total		
As at 1 January 2018		**712,294**	**(1,272,138)**	**(559,844)**	**(82,093)**	**(641,937)**
Loss for the year		–	(1,296,570)	**(1,296,570)**	(18,870)	**(1,315,440)**
Other comprehensive income for the year		–	–	–	–	–
Total comprehensive loss for 2018		–	**(1,296,570)**	**(1,296,570)**	**(18,870)**	**(1,315,440)**
Additional contribution to charter capital	11	350,000	–	350,000	–	**350,000**
Transaction with minority	26	–	598,418	598,418	14,252	**612,670**
Disposal of non-controlling interest in subsidiaries	26	–	(93,670)	(93,670)	93,670	–
Non-controlling interest arising on the acquisition of the subsidiaries	26	–	–	–	289,090	**289,090**
As at 31 December 2018		**1,062,294**	**(2,063,960)**	**(1,001,666)**	**296,049**	**(705,617)**
Loss for the year		–	(2,744,201)	(2,744,201)	(14,264)	**(2,758,465)**
Other comprehensive income for the year		–	–	–	–	–
Total comprehensive loss for 2019		–	**(2,744,201)**	**(2,744,201)**	**(14,264)**	**(2,758,465)**
Additional contributions to charter capital	11	1,951,215	–	1,951,215	–	**1,951,215**
Reduction of charter capital	11	(282,026)	–	(282,026)	–	**(282,026)**
Acquisition of non-controlling interest in controlled subsidiaries	26	–	(1,646,841)	(1,646,841)	(323,605)	**(1,970,446)**
As at 31 December 2019		**2,731,483**	**(6,455,002)**	**(3,723,519)**	**(41,820)**	**(3,765,339)**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Chairman of the Management Board ____________________ Mazencev N.E.

Financial Director ____________________ Bakiyev A.A.

10 November 2020
Almaty, the Republic of Kazakhstan

CHOCOFAMILY HOLDING LLP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of tenge	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(2,653,997)	(1,271,780)
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets, depreciation of right-of-use assets		258,492	209,978
Impairment of trade and other receivables	8	215,915	15,312
Change in share-based payments	12	578,621	132,256
Finance costs		643,798	229,563
Gain from sale of internet resources		–	7,507
Other non-cash operating costs		31	208,793
Operating cash flows before working capital changes		**(957,140)**	**(468,371)**
Changes in working capital:			
Increase in trade and other receivables, and advances paid		(220,321)	(422,617)
(Increase) / decrease in inventories		(4,274)	1,625
Increase in trade and other payables		398,700	371,089
(Decrease) / increase in taxes payable		(11,204)	102,006
Increase in contract liabilities		82,266	90,744
Changes in working capital			
Interest paid		(246,867)	–
Income taxes paid		(42,604)	(3,156)
Net cash used in operating activities		**(1,001,444)**	**(328,680)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(108,771)	(72,320)
Purchases of intangible assets		(8,327)	(6,425)
Acquisition of subsidiaries	26	–	(452,285)
Proceeds from disposal of property and equipment and intangible assets		40,945	–
Proceeds from intangible assets		16,640	
Loans issued		–	(40,131)
Acquisition of non-controlling interest in controlled subsidiaries		(1,779,062)	–
Receipt from repayments of loans issued		41,210	–
Acquisition of investments		–	(3,059)
Net cash used in investing activities		**(1,797,365)**	**(574,220)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	14	2,088,991	589,600
Repayment of obligations under equity repurchase		(719,996)	(65,946)
Repayment of principal of lease liability	14	(20,955)	–
Additional contribution to the charter capital	11	1,951,215	350,000
Reduction of the charter capital	11	(282,026)	–
Net cash from financing activities		**3,017,229**	**873,654**
Net increase/(decrease) in cash and cash equivalents		**218,420**	**(29,246)**
Cash and cash equivalents at the beginning of the year		154,145	183,391
Cash and cash equivalents at the end of the year	10	**372,565**	**154,145**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Chairman of the Management Board — Mazencev N.E.

Financial Director — Bakiyev A.A.

10 November 2020
Almaty, the Republic of Kazakhstan

1. GENERAL INFORMATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for Chocofamily Holding LLP (the "Company") and its subsidiaries (together - the "Group").

Chocofamily Holding LLP was incorporated and is domiciled in the Republic of Kazakhstan. The Company is a limited liability partnership and was set up in accordance with Kazakhstani regulations in February 2016 under BIN 160240014721.

The Group is ultimately controlled by Mr. Ramil Mukhoryapov, a citizen of the Republic of Kazakhstan, through Choco Capital Partners LLP, an entity registered in the Republic of Kazakhstan. Shareholding structure of the Group is described in the Note 11.

Principal activity

The Group's principal business activity is rendering e-commerce services in the Republic of Kazakhstan.

Subsidiaries

In percent of ownership (%)	**Brand name**	**Principal activity**	**31 December 2019**	**31 December 2018**
Redprice LLP	Chocolife.me & BeSmart	On-line sales of discount coupons and certificates for goods and services	100.00%	100.00%
Internet Tourism LLP	Chocotravel	On-line booking of air/railway tickets and related services	100.00%	53.01%
Aviata LLP*	Aviata	On-line booking of air/railway tickets and related services	100.00%	53.01%
Foodpanda Kazakhstan LLP**	N/A	Dormant	100.00%	100.00%
Internet dostavka LLP	Chocofood	On-line ordering of food delivery	100.00%	100.00%
Internet optica LLP	Lensmark	On-line ordering of ophthalmology goods	66.62%	66.62%
iDoctor.kz LLP	iDoctor	On-line booking of medical appointments	75.13%	67.40%
Internet-retail LLP***	N/A	Dormant	100.00%	100.00%
Internet loyalnost LLP****	Rahmet	QR payments and loyalty programs	100.00%	100.00%
Payment Processing LLP	Ioka	Bank cards processing	80.00%	–
Chocofamily Service LLP	N/A	The Group's service company	100.00%	–

*Acquisition of Aviata LLP and Internet Tourism LLP is described in the Note 26.
**Foodpanda Kazakhstan LLP is not operational since November 2017 when deal related (software/trademark/internet domain license) agreements with global Foodpanda companies expired.
***Internet-retail LLP: internet site and brand name Chocomart were sold in December 2017. Ownership interest in the entity remained within the Group .
**** Internet loyalnost LLP was established in March 2018 to develop new project Rahmet.

All subsidiaries are incorporated in the Republic of Kazakhstan.

Business operations of the Group commenced in 2011 by starting up on-line sales of discount coupons and certificates for goods and services through legal entity Redprice LLP with a brand name Chocolife.me and by launching on-line sales of ophthalmology goods through Internet optica LLP operating under the brand name Lensmark.

Later in 2012 the Group started Chocotravel – a project for on-line sales of air tickets through legal entity Internet Tourism LLP.

1. GENERAL INFORMATION (CONTINUED)

In 2013 the Group initiated Chocofood (legal entity – Internet dostavka LLP) and Chocomart (legal entity – Internet-retail LLP), on-line ordering of food delivery and on-line sales of home appliances respectively. Chocomart was sold in December 2017.

On 18 February 2018 the Group consolidated its position in on-line travel services having acquired a majority ownership in Aviata LLP ("Aviata") (the market leader in on-line booking of air/railway tickets and a longtime rival of Chocotravel in the past). Consolidation was executed by three counter transactions – 1) purchase by the Group of ownership interest in Aviata from its founders, 2) increase of charter capital of Aviata by the Group and 3) increase of charter capital in Internet Tourism LLP by Aviata founders. All that resulted in a mirror ownership structure in both Aviata and Chocotravel where the Group received 53.01% ownership share in the charter capital in the combined business and obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board.

In April 2018 the Group has launched a new project Rahmet – the application providing QR based payment of goods and services by means of smartphone at merchants' sites as well as possibility for merchants to offer customers customised loyalty programs (cashbacks, direct communication, statistics, etc.). To accommodate operations of Rahmet in February 2018 the Group established 100% owned subsidiary - Internet loyalnost LLP.

In February 2019 the Group increased charter capital of iDoctor.kz LLP by additional 80,000 thousand tenge whereby the Group has injected 63,457 thousand tenge and Mr. Tashbayev (currently Director of iDoctor LLP) provided 16,543 thousand tenge. As a result, the Group increased its share to 75.13% (2018: 67.40%) whereby Mr. Tashbayev's share changed to 24.87% (2018: 32.6%). The proceeds were used by iDoctor to repay the outstanding debt to the Group.

On 1 November 2019 current owners has provided additional equity in the amount of 1,950,000 thousand tenge, to finance consolidation of 100% control in Internet tourism LLP and Aviata LLP (Note 26).

In December 2019, the Group established 80% owned subsidiary Payment Processing LLP – the online service for accepting electronic payments; and 100% owned subsidiary Chocofamily Service LLP – provider of services for the Group (rent, utilities and other). The remaining 20% in Payment Processing LLP belong to Mr. Zhumashev M. A., citizen of the Republic of Kazakhstan.

Registered address and place of business

The Company's registered address is Baizakova street, 280, A15G7M6 Almaty, the Republic of Kazakhstan. Total number of personnel is 658 employees. (2018: 522).

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3 for new and amended standards adopted by the Group). The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Acquisitions and disposals of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity and such transactions do not result in any change of the carrying amount of assets (including goodwill) or liabilities. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

2. BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge"). The consolidated financial statements are presented also in Tenge, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains or losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss for the year.

Weighted average exchange rates prevailing on Kazakhstan Stock Exchange (hereinafter – "KASE") are used as official exchange rates in the Republic of Kazakhstan.

Currency exchange rates of KASE used by the Group in preparing these consolidated financial statements are as follows:

Currency	**31 December 2019**	31 December 2018
US Dollar	**382.59**	384.20
Euro	**429.00**	439.37

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, where required. Historical cost comprises construction cost or purchase price, including import duties and non-refundable taxes, financing charges, and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The individual significant parts of an item of property and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

At each reporting date the management assess whether there is any indication of impairment of property and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of: 1) an asset's fair value less costs to sell and 2) its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

If no indication of impairment of property and equipment exist, the criteria of original historical cost less accumulated depreciation is maintained to represent the recoverable amount of property and equipment.

Construction in progress of construction are transferred to respective property and equipment accounts when they are ready for use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss in the year the asset derecognised.

The cost of property and equipment is depreciated on a straight-line basis, starting from the month following the date of acquisition, over the estimated economic useful lives of each class of asset.

Class of assets	Useful lives in years
Machinery and equipment	4 years
Computers	2 – 3 years
Other	4 – 10 years

Intangible assets other than goodwill

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, websites, mobile phone applications, trademarks and licences.

Acquired computer software licences, websites, mobile phone applications and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

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

Group of intangible assets	Useful lives in years
Software and program applications	2 – 5 years
Websites	2 – 10 years
Trademarks	2 – 10 years
Client base	15 years
Other	4 – 10 years

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

Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the acquiree's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 29.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – key measurement terms (continued)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight-line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets – classification and subsequent measurement – business model (continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events and current conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, change in the currency denomination or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate and new conversion features attached to the instrument are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities at amortized cost (borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings (Note 14), contract liabilities (Note 17) and trade accounts payable (Note 15).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Share-based payments

The Group operates a number of cash-settled and equity-settled share-based compensation plans, under which the entity receives goods or services from employees and third parties as consideration for equity instruments (options or shares) of the Group.

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The Group measures the value of the goods and services by reference to the fair value of the equity instruments granted at the date on which the equity instruments are granted. The goods or services obtained by the Group are recognised over the vesting period based on the share-based payment arrangement that requires an employee to complete a five-year period of service before its equity instruments vest. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories

Inventories are recorded at the lower of cost or net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Prepayments or advances paid

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Charter capital

The partnership interest in the Group is classified as equity if the Group has an irrevocable right to refuse the repurchase the partnership interest according to the Group 's charter and local legislation. In case if the Group has an obligation to repurchase partnership interest from its owners, such interest is classified as financial liability (Note 4).

The assets contributed to the charter capital are recognised at fair value at the time of contribution. Any excess of the fair value of contributed assets over the nominal value of contribution to the charter capital after its legal registration is allocated directly to other reserves within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, certain bonuses provided and value added taxes.

Sales of coupons

The Group derives revenue from sales of coupons by selling it through its on-line stores that can be redeemed for goods or services with third party partners (merchant). The coupons provide rights to the customers to purchase goods or services from the merchants at a discounted price. The Group generates revenue from selling coupons for goods and services. Revenue is recognised at coupon value when those are sold to the customers. The Group believes that the performance obligation to the merchant is satisfied, when coupon is sold.

Sales of certificates

The Group generates revenue from transactions in which it acts as a marketing agent, primarily by selling vouchers ("certificates") through its online local commerce marketplaces that can be redeemed for goods or services with third party merchants. The Group believes that the sale of certificate is a separate performance obligation as it can be sold or exchanged by the customers separately from the service. Therefore, this revenue is reported on a net basis as the purchase price received from the customer for the voucher less the portion of the purchase price that is payable to the featured merchant. Revenue is presented on a net basis because the Group is acting as a marketing agent of the merchant in those transactions. The primary obligor to deliver the service is merchant. The revenue is recognised when the certificate is sold to the customer. At that time, the Group's performance obligations to the merchant, for which it is serving as a marketing agent, are substantially complete. The Group's remaining obligations, which are limited to remitting payment to the merchant and continuing to make available on its website information about vouchers sold that was previously provided to the merchant, are inconsequential and perfunctory administrative activities.

The Group generates revenue from selling certificates for services fully prepaid by the Group to the merchant. For merchant payment arrangements that are structured under a redemption model, merchants are paid the agreed amount before customers purchase and redeem vouchers. Such direct revenue is reported on a gross basis as the purchase price received from the customer. The sale of such certificates is considered a single performance obligation and the Group is considered a primary obligor in those transactions. Associated purchase costs are recorded in cost of purchased certificates, coupons and tickets. Revenue is recognised when those are activated by the customers.

Sales commissions

Commission revenue is earned when customers make purchases using the Group's websites and mobile applications. Commission is earned as a percentage of sales from each transaction/order made by the customers. The Group believes that it acts as an agent in such transactions as the Group does not bear the responsibility for the delivery of the goods/services itself. The Group recognises that commission monthly based on the number of sales made in the particular month.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sales of goods

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Incentives from partners

The Group provides services on behalf of the partners. The Group earns revenues, which are granted by partners for the sales made on behalf of the partners. Such revenue is calculated based on the volume of sales made by the Group to the customers. Such revenues are recorded on a monthly basis based on the estimated incentives granted by the partners.

Service fees

Service fees are fees collected from the customers for different additional services provided by the Group. The Group recognises revenue from service fees at point in time when service is provided (tickets sold, exchanged etc.).

Other revenue

The Group provides services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Contract liability

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire twelve months after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognised at the time of the sale.

Changes in accounting policies

For the first time, the Group has applied IFRS 16. The nature and impact of changes resulting from the application of this new accounting standard are described below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

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

IFRS 16 Leases

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

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 had no impact for leases where the Group is the lessor.

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

The effect of adoption IFRS 16 as at 1 January 2019 is as follows (increase/(decrease):

In thousands of tenge	
Assets	
Right-of-use assets	96,872
Total assets	**96,872**
Liabilities	
Long-term lease liabilities	96,872
Total liabilities	**96,872**

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

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

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

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- “Right-of-use assets” in the amount of 96,872 thousand tenge were recognized and presented as part of “Property and equipment”;
- “Lease liabilities” in the amount of 96,872 thousand tenge were recognised;

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	**173,221**
Weighted average incremental borrowing rate as at 1 January 2019	12.4%
Discounted operating lease commitments at 1 January 2019	**154,112**
Less:	
Short-term lease contractual obligations	(52,240)
Lease guarantee	(5,000)
Lease commitments for 1 January 2019	**96,872**

Group as a lessee

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

Right-of-use assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., up to 1,921 thousand tenge). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognised in the consolidated statement of financial position, consolidated statement of profit and losses and consolidated statement of cash flows

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

In thousands of tenge	Right-of-use assets	Lease liabilities
As at 1 January 2019	**96,872**	**96,872**
Depreciation expense	(26,682)	–
Interest expense	–	6,781
Payments	–	(27,736)
As at 31 December 2019	**70,190**	**75,917**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

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

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

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

IAS 23 Borrowing Costs

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations not yet adopted

The Group did not adopt the following new and revised IFRSs and Interpretations (issued, but not yet effective):

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1];
- IFRS 17 Insurance Contracts;
- Definition of a Business – Amendments to IFRS 3 Business Combinations;
- Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

[1] *Effective for annual periods beginning on or after January 1, 2020, with permission of early adoption.*

The management of the Group believes that amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, IFRS 17 Insurance Contracts, Amendments to IFRS 3- Definition of a Business and Amendments to IAS 1 and IAS 8 - Definition of Material are not applicable to the Group and will not have a significant impact on the consolidated financial statements of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

As at 31 December 2019 the Group's accumulated loss amounted to 6,455,002 thousand tenge (31 December 2018: 2,063,960 thousand tenge) and its current liabilities exceeded its current assets by 4,365,603 thousand tenge (31 December 2018: 2,015,175 thousand tenge). The Group incurred a net loss of 2,758,465 thousand tenge during the year ended 31 December 2019 (for year ended 31 December 2018: 1,315,440 thousand tenge) and cash outflows from operating activities in 2019 were equal to 1,001,444 thousand tenge (2018: 328,680 thousand tenge).

The Group was also negatively affected in 2020 by the COVID 19 pandemic. Further information is provided in the Note 30.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern in foreseeable future.

Management takes the following steps to mitigate the risk, and to ensure that the Group continues as a going concern:

- In 2019 the Group attracted additional debt funding from its current (and new) stakeholders (subsequently increased later in 2020 to compensate the negative effect of COVID-19 on the Group operations) in the amount of over 1,790,000 thousand tenge to replace the maturing debt and to finance working capital needs; this debt has maturity date of 1 November 2020. In addition, the Group had prolonged 620,000 thousand tenge working capital facility from a related party (by including into above general stakeholders' facility) until 1 November 2020. During 2020 the loan was increased to 3,153,328 thousand tenge and it was prolonged until 31 December 2020 (Note 30).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- In addition, in 2019 the Group increased its charter capital by 1,950,000 thousand tenge to finance its investment transactions to 3,569,000 thousand tenge as of the date of these consolidated financial statements and in 2019-2020 increased the volume of its credit facilities from the stakeholders to 3,153,329 thousand tenge as of the date of these consolidated financial statements. This proves the Group's ability to attract funding from its current stakeholders as well as willingness of the latter to provide such funding in case of need. The Group will continue to use stakeholders' capabilities as a backup source to fund its liquidity gaps should such occur.
- In 2020 the Group (Internet tourism LLP and Aviata LLP as co-borrowers) obtained a 250,000 thousand tenge credit line with local bank. The credit line is available until June 2021 (Note 30).
- In September 2018 the Group's Supervisory Board has approved plans to launch an equity financing round in 2019-2020 to sell up to 10% of the Group's capital - with all the proceeds to replace debt and finance the Group's growth potential.

Management believes that above measures would allow the Group to fund its current operations and be sufficient to provide financing for development needs. Management does not have an intention to liquidate the Group or cease trading and has considered that the going concern assumptions is justifiable despite the existence of the material uncertainty.

These consolidated financial statements do not include any adjustments to book value of assets and obligations, income and expenses, and also classifications of statement of financial position which would be necessary in case of impossibility to continue operating activities; such adjustments can be significant.

Fair value measurement for Aviata acquisition

In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets and the liabilities and contingent liabilities acquired through a business combination at their acquisition-date fair values. Fair values are determined on the basis of external appraisal report.

The determination of fair values involves significant assumptions and judgement over future cash flows and other inputs used in the valuation. The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts reported assets and liabilities and future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

Further information on business combinations is presented in Note 26.

In accordance with IFRS 10 Consolidation, the Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity and such transactions do not result in any change of the carrying amount of assets (including goodwill) or liabilities. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Obligation under equity repurchase

Under the charter of Chocofamily Holding LLP the Group is required to redeem its ownership interest from its two owners upon their request. The redemption should be done for the amount and under the terms and conditions specified in the charter of Chocofamily Holding LLP. Based on the charter terms the capital injections were classified by the Group as a short-term financial liability denominated in US Dollar within borrowings (Note 14). These liabilities were initially measured at fair value and subsequently carried at amortised cost.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Obligation under equity repurchase (continued)

Mr. Abdrakhmanov M.A.

a) In February 2016 Mr. Abdrakhmanov M.A. acquired 12.25% ownership interest of the Group for 272,505 thousand tenge. Under the charter terms Mr. Abdrakhmanov M.A. has a right to request the Group to redeem 7.77% of his ownership interest for 272,505 thousand tenge indexed to US Dollar exchange rate and with accrued interest rate of 15% p.a. within four years from the date of ownership interest acquisition. The Group has nine months to repay the obligation after the request of the owner.

b) In February 2018 Mr. Abdrakhmanov M.A. acquired additional 7.8553% ownership interest of the Group by injecting 450,000 thousand tenge into charter capital. Under the charter terms Mr. Abdrakhmanov M.A. had a right to request the Group to redeem the whole 7.8553% (subject to possible dilutions) of his ownership interest for 450,000 thousand tenge indexed to US Dollar exchange rate and discounted with accrued interest rate for the holding period at 15% p.a. if the ownership interest is not repurchased by the Group under the same terms by 1 August 2019. The Group has repurchased the ownership interest under this option in August 2019.

c) In June 2018 Mr. Abdrakhmanov M.A. acquired additional 5.2369% ownership interest of the Group by injecting 300,000 thousand tenge into charter capital. Under the charter terms the Group had a right to obligate Mr. Abdrakhmanov M.A. to sell the whole 5.2369% (subject to possible dilutions) of his ownership interest for 300,000 thousand tenge indexed to US Dollar exchange rate and with accrued interest rate for the holding period at 15% p.a. by 1 August 2019. The Group has repurchased the ownership interest under this option in August 2019.

As at the reporting dates the liabilities a) and b) to Mr. Abdrakhmanov M.A. were measured at amortised value (Note 11 and 14).

DEMUS Capital LLP

a) DEMUS Capital LLP acquired 7.67% ownership interest of the Group for 70,900 thousand tenge. Under the charter terms DEMUS Capital LLP has a right to request the Group to redeem 7.67% of its ownership interest for the amount of 186,770 thousand tenge (redemption liability) indexed to US Dollar exchange rate and with accrued interest at 20% p.a. within five years from the date of ownership interest acquisition. The Group has six months to repay the obligation after the request of the owner. Abovementioned ownership interest of 7.67% was acquired through the following two transactions:

   - In 2013 DEMUS Capital LLP provided 30,000 thousand tenge to Redprice LLP under the terms of subsequent repurchase of the ownership interest of the Group, where provided loan should represent part of the contribution with at a market interest rate and indexed at the current US Dollar to Tenge exchange rate. Therefore, as at 1 January 2016 the Group recorded the outstanding total financial liability of 135,729 thousand tenge, being recalculated value from 2013 of the borrowing provided.

   - In 2016 DEMUS Capital LLP additionally contributed 40,900 thousand tenge to the charter capital of the Group. As at 31 December 2018 and 2019, the carrying value of the outstanding total financial liability was equal to 420,162 thousand tenge and 427,166 thousand tenge, respectively (Note 11 and 14).

b) In February 2018 DEMUS Capital acquired additional 0.8860% ownership interest of the Group by injecting 50,000 thousand tenge into charter capital. Under the charter terms DEMUS Capital has a right to request the Group to redeem the whole 0.8860% (subject to possible dilutions) of its ownership interest for 50,000 thousand tenge indexed to US Dollar exchange rate and with accrued interest for the holding period at 15% p.a. rate, if this ownership interest is not repurchased by the Group under the same terms by 1 August 2019. The Group has repurchased this ownership interest under this option in August 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Obligation under equity repurchase (continued)

DEMUS Capital LLP (continued)

c) In June 2018 DEMUS Capital acquired additional 0.8819% ownership interest of the Group by injecting 50,000 thousand tenge into charter capital. Under the charter terms the Group had a right to obligate DEMUS Capital to sell the whole 0.8819% (subject to possible dilutions) of its ownership interest for 50,000 thousand tenge indexed to US Dollar exchange rate and with accrued interest for the holding period at 15% p.a. rate by 1 August 2019. The Group has repurchased this ownership interest under this option in August 2019.

As at the reporting dates the liabilities a) and b) to DEMUS Capital were measured at amortised value (Note 11 and 14).

Share-based payments

Starting from 2016, the Group initiated “Share-based payments program” for its employees (the “Program”). Based on the Program terms the Group has obligation to distribute up to 10% of its charter capital (as at the Program launch) in options to its employees during five-year period. Based on the Group's policy:

- the share options to be distributed will be accrued evenly within five years (approximately two percent a year) based on the decision of the Group’s Supervisory Board for each particular year;

- the right to participate in the Program is given to each employee, employed by the Group or its subsidiaries for at least 5 months of the year covered by the Program and conditional on the employee achieving certain individual and the Group’s results and could be utilised upon requirement to complete minimum term of employment in the Group or its subsidiaries equal to five years from the Program participation date (the vesting period);

- each particular employee awarded with share options under the Program (based on the performance of each employee, performance results of each subsidiary, value of the Group and its subsidiaries and other criteria) will be able to convert those into ownership interest in the Group after minimum of five years of employment from option distribution date;

- the employee has a right to choose the method of the payment (cash or ownership interest in the charter of the Group);

- the Group reserved a right to change terms of the Program unilaterally.

The Group believes that the share-based payments obligation in substance represents liability and therefore recorded it as such in its consolidated statement of financial position. The Group initially recorded its obligation under the Program based on the fair value. The fair value was determined based on factual significant sale-purchase transactions of the Group’s ownership interest in charter capital multiplied by the percentage distributed as at the reporting date. Share-based payments are recognised during the vesting period, which is considered to be five years. The liability is re-measured to the fair value at each reporting date and change in fair value is recognised in the consolidated statement of profit or loss.

As at 31 December 2019 the charter distribution within the Program was calculated at 3.32% (2018: 1.80%) with the fair values of the liability of 820,920 thousand tenge (2018: 242,299 thousand tenge).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Lease - estimation of the rate of raising additional borrowed funds

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects “what the Group would have to pay”, which requires estimation when no observable rates are available.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2019 and 2018, the outstanding balances with related parties were as follows:

In thousands of tenge	**Ultimate controlling party**	**Other owners**	**Key management personnel**	**Other related parties**
31 December 2019				
Share-based payments	–	–	(191,897)	–
Borrowings	(510,400)	(2,991,264)	–	–
31 December 2018				
Trade receivables	–	–	–	524
Trade payables	–	–	(1,495)	(589)
Share-based payments	–	–	(48,092)	–
Borrowings	(14,966)	(1,048,773)	(251,837)	(420,162)

The income and expense items with related parties for the years 2019 and 2018 were as follows:

In thousands of tenge	**Ultimate controlling party**	**Other owners**	**Key management personnel**	**Other related parties**
2019				
Wages and salaries	–	–	(81,476)	–
Consulting services	(1,000)	–	–	–
Interest expense	(26,497)	(1,136,536)	–	–
Share-based payments	–	–	(38,837)	–
2018				
Revenue	–	–	–	582
Wages and salaries	(13,092)	–	(81,361)	–
Consulting services	–	–	–	(3,250)
Interest expense	–	(121,093)	(43,149)	(65,321)
Share-based payments		–	(18,127)	–
Other	–	–	–	(134)

6. PROPERTY AND EQUIPMENT

In thousands of tenge	**Machines and equipment**	**Computers**	**Other**	**Total**
Cost				
As at 1 January 2018	**21,308**	**53,805**	**37,190**	**112,303**
Additions	22,638	79,171	19,743	121,552
Disposals	(18,493)	(38,010)	(6,524)	(63,027)
As at 31 December 2018	**25,453**	**94,966**	**50,409**	**170,828**
Additions	25,488	64,129	19,154	108,771
Disposals	(14,875)	(39,202)	(5,234)	(59,311)
As at 31 December 2019	**36,066**	**119,893**	**64,329**	**220,288**
Accumulated depreciation				
As at 1 January 2018	**6,583**	**22,244**	**5,063**	**33,890**
Depreciaton charge for the year	9,479	29,192	6,966	45,637
Disposals	(7,643)	(14,202)	(3,446)	(25,291)
As at 31 December 2018	**8,419**	**37,234**	**8,583**	**54,236**
Depreciaton charge for the year	4,996	29,568	9,293	43,857
Disposals	(2,189)	(13,448)	(2,729)	(18,366)
As at 31 December 2019	**11,226**	**53,354**	**15,147**	**79,727**
Net book value				
As at 31 December 2018	**17,034**	**57,732**	**41,826**	**116,592**
As at 31 December 2019	**24,840**	**66,539**	**49,182**	**140,561**

As at 31 December 2019, the fully depreciated property and equipment amounted to 14,473 thousand tenge (31 December 2018: 10,654 thousand tenge).

7. INTANGIBLE ASSETS

In thousands of tenge	**Software and program applications**	**Websites**	**Trade-marks**	**Client base**	**Other**	**Total**
Cost						
As at 1 January 2018	**151,493**	**81,409**	**60,000**	**19,867**	**6,190**	**318,959**
Acquisitions of businesses	64,616	–	354,182	298,880	1,077	**718,755**
Additions	–	–	–	–	6,425	**6,425**
Disposals	–	(5,297)	–	–	–	**(5,297)**
As at 31 December 2018	**216,109**	**76,112**	**414,182**	**318,747**	**13,692**	**1,038,842**
Additions	–	7,969	358	–	–	**8,327**
Disposals	–	(16,542)	–	–	(98)	**(16,640)**
As at 31 December 2019	**216,109**	**67,539**	**414,540**	**318,747**	**13,594**	**1,030,529**
Accumulated amortisation						
As at 1 January 2018	**(15,236)**	**(10,613)**	**(6,000)**	**–**	**(3,459)**	**(35,308)**
Amortisation expense for the year	(97,734)	(32,887)	(39,000)	(6,622)	(1,743)	(177,986)
Disposals	–	–	–	–	–	–
As at 31 December 2018	**(112,970)**	**(43,500)**	**(45,000)**	**(6,622)**	**(5,202)**	**(213,294)**
Amortisation expense for the year	(49,570)	(15,151)	(79,933)	(40,503)	(2,796)	(187,953)
Disposals	–	–	–	–	–	–
As at 31 December 2019	**(162,540)**	**(58,651)**	**(124,933)**	**(47,125)**	**(7,998)**	**(401,247)**
Cost at 31 December 2018	216,109	76,112	414,182	318,747	13,692	**1,038,842**
Accumulated amortisation	(112,970)	(43,500)	(45,000)	(6,622)	(5,202)	**(213,294)**
Carrying amount at 31 December 2018	**103,139**	**32,612**	**369,182**	**312,125**	**8,490**	**825,548**
Cost at 31 December 2019	216,109	67,539	414,540	318,747	13,594	1,030,529
Accumulated amortisation	(162,540)	(58,651)	(124,933)	(47,125)	(7,998)	(401,247)
Carrying amount at 31 December 2019	**53,569**	**8,888**	**289,607**	**271,622**	**5,596**	**629,282**

Acquisitions of businesses in 2018 comprise intangible assets received as a result of the acquisition of Aviata LLP totalling to 717,678 thousand tenge, including software, trademark and client base in the amounts of 64,616 thousand tenge, 354,182 thousand tenge and 298,880 thousand tenge, respectively (Note 26).

As at 31 December 2019, the fully depreciated intangible assets amounted to 252,850 thousand tenge (31 December 2018: 3,066 thousand tenge).

8. TRADE AND OTHER RECEIVABLES

In thousands of tenge	**31 December 2019**	**31 December 2018**
Trade receivables	529,765	548,950
Other financial receivables	7,732	29,586
Less expected credit losses	(38,036)	(20,288)
Total financial assets within trade and other receivables	**499,461**	**558,248**
Prepayments	109,963	304,880
Other receivables	20,135	29,904
Total trade and other receivables	**629,559**	**893,032**

Movement in expected credit losses on financial assets within trade and other receivables is presented as follows:

In thousands of tenge	**2019**	**2018**
At the beginning of the year	(20,288)	(10,468)
Accrual	(17,748)	(15,312)
Reversal	–	5,492
At the end of the year	**(38,036)**	**(20,288)**

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group fulfils check of credit quality of the debtors based on an internal estimation of sustainability and evaluates expected credit losses on basis of work experience with this type of debtors and their payments schedule. The Group considers the following factors: events of default in the past, sustainability of these debtors and history of payments delays.

As at 31 December 2019 and 2018 the Group does not have significant amount of trade receivables which are substantially past due. The trade receivable balance is assessed as reliable as it consists of debtors without default history or substantial delays in payments.

Financial assets within trade and other receivables are denominated in the following currencies.

In thousands of tenge	**31 December 2019**	**31 December 2018**
Kazakhstani Tenge	497,511	527,425
Euro	1,950	28,246
US Dollars	–	1,806
Russian Roubles	–	771
Total	**499,461**	**558,248**

9. ADVANCES PAID

In thousands of tenge	**31 December 2019**	**31 December 2018**
Advances paid	808,637	342,591
Less: impairment provision	(236,101)	(37,934)
Total	**572,536**	**304,657**

Advances paid mostly include prepayments made to the partners for the future deliveries of airline tickets and other services and goods.

As a result of Bek Air airplane crash near Almaty on 27 December 2018, Bek Air JSC was recognized as bankrupt. The Group recognized 100% impairment on advances paid to Bek Air JSC in total amount of 160,297 thousand tenge.

Movement in impairment provision on advances paid is presented as follows:

In thousands of tenge	**2019**	**2018**
At the beginning of the year	(37,934)	(12,414)
Accrual	(198,167)	(25,520)
At the end of the year	**(236,101)**	**(37,934)**

10. CASH AND CASH EQUIVALENTS

In thousands of tenge	**31 December 2019**	**31 December 2018**
Current bank deposits	236,519	80,030
Bank balances payable on demand	127,673	67,531
Cash on hand	8,373	6,584
Total	**372,565**	**154,145**

10. CASH AND CASH EQUIVALENTS (CONTINUED)

The credit quality of cash and cash equivalents balances may be summarised as follows:

In thousands of tenge	Rating agency	Rating 2019	Rating 2018	31 December 2019	31 December 2018
Halyk Savings Bank of Kazakhstan JSC	Moody's	Ba1	Ba1	348,313	94,184
Subsidiary Bank Sberbank of Russia JSC	Moody's	Ba1	Ba3	4,150	21,695
Bank CenterCredit JSC	S&P	B	B	7,743	19,467
Subsidiary Bank Alfa-Bank JSC	S&P	BB-	BB-	2,812	6,890
Altyn Bank JSC	Moody's	Ba1	Ba1	1,174	4,132
Nurbank JSC	S&P	B-	B-	–	1,186
Bank RBK JSC	S&P	B-	B-	–	7
Total				**364,192**	**147,561**

Cash and cash equivalents are denominated in the following currencies:

In thousands of tenge	31 December 2019	31 December 2018
Kazakhstani Tenge	280,386	145,838
Euro	91,964	7,276
Russian Roubles	215	797
US Dollars	–	234
Total	**372,565**	**154,145**

11. CHARTER CAPITAL

The owners of Chocofamily Holding LLP as at 31 December 2019 and 2018 were as follows:

In thousands of tenge	31 December 2019		31 December 2018	
	% of ownership	Amount	% of ownership	Amount
Choco Capital Partners LLP	52.3647%	36,010	56.0899%	36,010
Mr. Turlov T.R.	19.9587%	1,320,000	13.4133%	670,000
Mr. Abdrakhmanov M.A.	13.0100%	707,800	21.7116%	306,274
Mr. Rakhimbaev A.Zh.	12.9166%	650,010	–	–
DEMUS Capital LLP	1.7500%	17,663	7.9129%	50,000
Mr. Nurgozhin A.E.	–	–	0.8723%	10
Total	**100%**	**2,731,483**	**100%**	**1,062,294**

The majority ownership interest in Choco Capital Partners LLP of 55.3% belongs to Mr. Mukhoryapov R.R., a citizen of the Republic of Kazakhstan. Remaining 12 owners have interests individually less than 10%.

During 2019 the changes in charter capital were the following:

- On 30 July 2019 the owners of the Group decided to decrease charter capital of the Group by 14.84% equivalent to nominal amount of 282,026 thousand tenge.

- According to the additional agreement to the Charter signed on 5 November 2019, there was a decision to increase charter capital of the Group by making additional contributions from Mr. Abdrakhmanov M.A., Mr. Rakhimbayev A. Zh. and Mr. Turlov T.R. by 650,000 thousand tenge each totaling to 1,950,000 thousand tenge.

- According to the additional agreement to the Charter signed on 26 June 2019, DEMUS Capital LLP made an additional contribution to the charter capital of the Group in the amount of 1,215 thousand tenge.

- In June 2019 Choco Capital Partners LLP, DEMUS Capital LLP and Mr. Nurgozhin has signed an agreement with Mr. Rakhimbayev to sell him 3.0719%, 4.5843% and 0.8723% in the Group, respectively, for total selling price of 4,500 thousand US Dollars. As per the sale-purchase agreement, the selling price is to be paid in specified monthly instalments till September 2019. Mr. Rakhimbayev had fully paid the purchase amount in accordance with the schedule.

11. CHARTER CAPITAL (CONTINUED)

In February 2016 Mr. Abdrakhmanov M.A. acquired 12.25% ownership interest of the Group for 272,505 thousand tenge. Under the charter terms Mr. Abdrakhmanov M.A. has a right to request the Group to redeem 7.77% of his ownership interest for 272,505 thousand tenge indexed to US Dollar exchange rate and with accrued interest rate of 15% p.a. within four years from the date of ownership interest acquisition. The Group has nine months to repay the obligation after the request of the owner.

DEMUS Capital LLP acquired 7.67% ownership interest of the Group for 70,900 thousand tenge. Under the charter terms DEMUS Capital LLP has a right to request the Group to redeem 7.67% of its ownership interest for the amount of 186,770 thousand tenge (redemption liability) indexed to US Dollar exchange rate and with accrued interest at 20% p.a. within five years from the date of ownership interest acquisition. The Group has six months to repay the obligation after the request of the owner. Abovementioned ownership interest of 7.67% was acquired through the following two transactions:

- In 2013 DEMUS Capital LLP provided 30,000 thousand tenge to Redprice LLP under the terms of subsequent repurchase of the ownership interest of the Group, where provided loan should represent part of the contribution with at a market interest rate and indexed at the current US Dollar to Tenge exchange rate. Therefore, as at 1 January 2016 the Group recorded the outstanding total financial liability of 135,729 thousand tenge, being recalculated value from 2013 of the borrowing provided.

- In 2016 DEMUS Capital LLP additionally contributed 40,900 thousand tenge to the charter capital of the Group. As at 31 December 2018 and 2019, the carrying value of the outstanding total financial liability was equal to 420,162 thousand tenge and 427,166 thousand tenge, respectively (Note 14).

In February 2018 and June 2018, Mr. Abdrakhmanov M. A. and DEMUS Capital increased their stakes in the share capital of the Group by injecting in total 850,000 thousand tenge:

- The February 2018 tranche equals to 500,000 thousand tenge consisting of 450,000 thousand tenge provided by Mr. Abdrakhmanov M. A. (7.8553% ownership interest of the Group) and 50,000 thousand tenge provided by DEMUS Capital (0.8860% ownership interest of the Group). In accordance with terms stipulated in the Charter, the Group had the right to buy out respective ownership interests till 1 August 2019 for the amounts provided indexed to US Dollars and with accrual of interest for the holding period at the rate of 15% p.a. Within one month from 1 August 2019 in case the Group does not exercise the buyout, Mr. Abdrakhmanov M. A. and DEMUS Capital had the right to request the Group repurchase their respective stakes at the same terms and the Group has one month from the request date to fulfil the repurchase. The whole ownership interest of Mr. Abdrakhmanov M. A. and DEMUS Capital under this tranche was repurchased by the Group in accordance with charter terms in August 2019. As at 31 December 2018 this tranche is therefore classified as financial liability and finance costs amounting to 218,326 thousand tenge was recognised in these consolidated financial statements (Note 21). The Group has repurchased the ownership interest under this tranche in August 2019 for 667,867 thousand tenge from Mr. Abdrakhmanov M.A. and 75,980 thousand tenge from DEMUS Capital;

- The June 2018 tranche totalling 350,000 thousand tenge was comprised of 300,000 thousand tenge provided by Mr. Abdrakhmanov M. A. (5.2369% ownership interest) and 50,000 thousand tenge provided by DEMUS Capital (0.8819% ownership interest of the Group). Under the Charter terms the financing stakeholders had the right to retain in the form of equity and (if that will not realise by 1 March 2019) the Group got an option till 1 August 2019 to buy out the respective owners interest for the tranche amount indexed to US Dollars and with accrual of interest for the holding period at the rate of 15% p.a. As a result the stakeholders did not opt to retain in the form of equity by 1 March 2019 and the ownership interest of Mr. Abdrakhmanov M.A and DEMUS Capital under the second tranche was repurchased by the Group in accordance with charter terms in August 2019. As the financing stakeholders did not have the right to request the buyback therefore as at 31 December 2018 the this tranche is classified as equity in the financial statements. The Group has repurchased the ownership interest under this tranche in August 2019 for 421,446 thousand tenge from Mr. Abdrakhmanov M.A. and 69,780 thousand tenge from DEMUS Capital.

12. SHARE-BASED PAYMENTS

Ownership share options are granted to management and employees under the Program introduced by the Group in 2016: up to 10% ownership interest of the Group may be granted under this Program. Options are granted to the employees employed by the Company or its subsidiaries for more than 5 months and conditional on the employee achieving certain individual and the Group's results and could be utilised upon requirement to work minimum term of employment in the Group or its subsidiaries equal to five years from the Program participation date (the vesting period). The options are exercisable starting after four years from the grant date. At the utilisation date the employee has a right to sell his/her share to the Group at a valuation price. The Group has a right to defer payment for 12 months. The fair value of ownership shares and share options has been calculated by reference to the recent sales of the Group's ownership interests.

During 2019 and 2018 shares of 3.32% and 1.80% were allocated for the distribution. The employee has a right to choose the method of the payment (cash or interest in the charter of the Group) and the Group estimated that the fair value of each settlement alternative is the same, therefore, the fair value of the equity component will be zero. Re-measurement of fair value of liability is recorded in profit and loss for the respective year within finance costs.

In thousands of tenge	2019	2018
At the beginning of the year	**242,299**	**110,043**
Granted during the year	420,378	73,557
Forfeited during the year	(53,145)	(36,646)
Effect of reduction of charter capital/(dilution) during the year	9,952	(14,536)
Change in fair value	201,436	109,881
At the end of the year	**820,920**	**242,299**

13. LEASE LIABILITY

On 5 May 2017, the Group concluded a lease agreement with SmArt.Point Almaty LLP on the rental of non-residential premises. The term of the lease is 5 years. The Group's obligations under its leases are not secured or guaranteed. Lease contracts do not include any financial ratios, extension and termination options or variable lease payments.

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

In thousands of tenge	Lease liability
As at 1 January 2019	**96,872**
Lease payments	(27,736)
Finance costs (Note 21)	6,781
As at 31 December 2019	**75,917**

In thousands of tenge	31 December 2019	1 January 2019
Current portion	24,364	20,955
Non-current portion	51,553	75,917
Total	**75,917**	**96,872**

14. BORROWINGS

In thousands of tenge	31 December 2019	31 December 2018
Term loans (Note 30)	2,558,752	266,803
Obligations under equity repurchase (Note 3, Note 11)	942,912	1,468,935
Total	**3,501,664**	**1,735,738**

Obligations under capital repurchase include:

In thousands of tenge	31 December 2019	31 December 2018
Mr. Abdrakhmanov M. A.	515,746	1,048,773
DEMUS Capital LLP	427,166	420,162
Total	**942,912**	**1,468,935**

Term loans include:

In thousands of tenge	Date of agreement	Interest rate	Maturity	31 December 2019	31 December 2018
Mr. Turlov T. R.	04.09.2017	22.5%	01.11.2020	722,923	200,000
Mr. Abdrakhmanov M. A.	07.08.2019	22.5%	01.11.2020	620,457	−
Mr. Usatov E. V.	07.08.2019	22.5%	01.11.2020	564,942	−
Choco Capital Partners LLP	07.08.2019	14.0%	01.11.2020	440,000	−
Mr. Nurgozhin A. E.	07.08.2019	14.0%	01.07.2020	124,499	−
Choco Capital Partners LLP	02.09.2019	22.5%	31.12.2020	70,400	−
Mr. Tashbayev D. D.	30.10.2019	22.5%	01.07.2020	15,531	−
Mr. Kim G. U.	26.09.2018	15.0%	29.11.2019	−	36,871
Mr. Mazentsev N. E.	26.09.2018	15.0%	26.05.2019	−	14,966
Mr. Mukhoryapov R. R.	28.09.2018	15.0%	26.05.2019	−	14,966
Total				**2,558,752**	**266,803**

14. BORROWINGS (CONTINUED)

The Group's borrowings are denominated or indexed in following currencies:

In thousands of tenge	31 December 2019	31 December 2018
US Dollars	942,912	1,468,935
Kazakhstani Tenge	2,558,752	266,803
Total	**3,501,664**	**1,735,738**

For 2019 the Group incurred interest expenses amounting to 418,691 thousand tenge (2018: 43,149 thousand tenge). As at 31 December 2019, the amount of interest due on term loans amounted to 69,234 thousand tenge (31 December 2018: 2,203 thousand tenge).

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

In thousands of tenge	Borrowings	Obligations under equity repurchase	Total
Liabilities from financing activities at 1 January 2018	**200,000**	**573,728**	**773,728**
Cash flows	23,654	500,000	523,654
Foreign exchange differences	–	208,793	208,793
Other non-cash movements	43,149	186,414	229,563
Liabilities from financing activities at 31 December 2018	**266,803**	**1,468,935**	**1,735,738**
Cash flows	2,088,991	–	2,088,991
Repayment	–	(719,996)	(719,996)
Foreign exchange differences	–	(5,175)	(5,175)
Other non-cash movements	202,958	199,148	402,106
Liabilities from financing activities at 31 December 2019	**2,558,752**	**942,912**	**3,501,664**

15. TRADE AND OTHER PAYABLES

In thousands of tenge	31 December 2019	31 December 2018
Trade payables	776,335	540,776
Total current financial liabilities within trade and other payables	**776,335**	**540,776**
Unused vacation reserve	126,442	74,238
Wages and salary payables	92,330	66,215
Other	171,245	93,586
Total	**1,166,352**	**774,815**

Financial liabilities within trade and other payables are denominated in the following currencies:

In thousands of tenge	31 December 2019	31 December 2018
Kazakhstani Tenge	707,832	532,126
Euro	66,597	198
Russian Roubles	1,789	8,133
Great Britain Pound	117	319
Total	**776,335**	**540,776**

16. OTHER TAX PAYABLE

In thousands of tenge	**31 December 2019**	**31 December 2018**
Value-added tax	72,787	116,091
Personal income tax	46,162	34,538
Pension obligations	40,849	26,567
Social taxes and contributions	38,425	31,735
Other taxes	212	708
Total	**198,435**	**209,639**

17. CONTRACT LIABILITY

In thousands of tenge	**31 December 2019**	**31 December 2018**
Contract liability – loyalty program	475,199	392,933
Advances received from customer	468,782	270,235
Total	**943,981**	**663,168**

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire twelve months after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognised at the time of the sale.

18. REVENUE

In thousands of tenge	**2019**	**2018**
Service fees	1,563,297	569,437
Incentives from partners	1,454,304	825,277
Sales commission	669,485	748,984
Sales of coupons and certificates	447,748	902,174
Marketing services	309,108	160,901
Sales of goods	219,409	225,353
Income from non-activated certificates	119,840	128,898
Courier services	101,936	81,185
Other	9,953	1,343
Total	**4,895,080**	**3,643,552**

Sales of the Group are mainly carried out in the Republic of Kazakhstan through online services. There is no customer who represent more than 5% of total revenue.

19. EXPENSES

In thousands of tenge	**2019**	**2018**
Wages and salaries	2,513,403	1,683,600
Advertising	1,381,430	940,792
Bank and payment systems commissions	950,223	573,456
Courier services	415,563	200,566
Depreciation and amortisation	258,492	209,978
Impairment of trade and other receivables	215,915	15,312
Cost of materials	188,621	199,642
Rent expenses	62,411	77,693
IT third party support	58,857	43,498
Business trips	38,842	15,968
Consulting services	36,514	13,187
Cost of purchased certificates, coupons and tickets	24,063	54,675
Other	56,075	71,079
Total	**6,200,409**	**4,099,446**

20. OTHER EXPENSES, NET

In thousands of tenge	2019	2018
Other operating expenses	(170,870)	(265,823)
Other income	22,487	15,309
Losses less gains on disposals of property and equipment	(720)	(1,106)
Total	**(149,103)**	**(251,620)**

21. FINANCE COSTS

In thousands of tenge	2019	2018
Interest expense on borrowings (Note 14)	418,691	43,149
Finance costs on obligations under equity repurchase (Note 11)	218,326	186,414
Interest expense under IFRS 16 (Note 13)	6,781	–
Total	**643,798**	**229,563**

22. CORPORATE INCOME TAX

Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of tenge	2019	2018
Current tax expense	127,130	43,660
Deferred tax benefit	(22,662)	–
Income tax expense for the year	**104,468**	**43,660**

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's 2019 and 2018 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of tenge	2019	2018
Loss before tax from continuing operations	**(2,653,997)**	**(1,271,780)**
Theoretical tax credit at statutory rate of 20%:	(530,799)	(254,356)
Non-deductible expenses	117,374	112,109
Unrecognised deferred tax assets	517,893	198,964
Utilisation of previously unrecognised tax loss carry forwards	–	(13,057)
Income tax expense for the year	**104,468**	**43,660**

Tax loss carry forwards

The tax loss carry forwards expire as follows:

In thousands of tenge	31 December 2019	31 December 2018
Tax loss carry-forwards expiring by the end of:		
- 31 December 2021	2	2
- 31 December 2022	–	–
- after 31 December 2023	1,575,460	496,040
Total tax loss carry forwards	**1,575,462**	**496,042**

Based on the Kazakhstani legislation the entities have right to carry forward losses for 10 years.

22. CORPORATE INCOME TAX (CONTINUED)

Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of tenge	**1 January 2018**	**(Charged)/ credited to profit or loss**	**Business combinations**	**31 December 2018**	**(Charged)/ credited to profit or loss**	**31 December 2019**
Tax effect of deductible / (taxable) temporary differences						
Property and equipment	(5,320)	23,342	–	18,022	25,898	43,920
Tax loss carry forwards	13,540	85,668	–	99,208	215,884	315,092
Taxes payable	7,846	444	–	8,290	17,292	25,582
Borrowings	26,165	37,733	–	63,898	46,338	110,236
Share-based payments	22,009	26,451	–	48,460	115,724	164,184
Contract liabilities	28,410	14,620	–	43,030	52,010	95,040
Other	9,899	(2,351)	–	7,548	44,747	52,295
Net deferred tax asset	**102,549**	**185,907**	**–**	**288,456**	**517,893**	**806,349**
Unrecognised deferred tax asset	(102,549)	(185,907)	–	(288,456)	(517,893)	(806,349)
Recognised deferred tax asset	**–**	**–**	**–**	**–**	**–**	**–**
Intangible assets	–	–	(143,536)	(143,536)	22,662	(120,874)
Recognised deferred tax liability	**–**	**–**	**(143,536)**	**(143,536)**	**22,662**	**(120,874)**
Net deferred tax liability	**–**	**–**	**(143,536)**	**(143,536)**	**22,662**	**(120,874)**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

23. OPERATING ENVIRONMENT OF THE GROUP

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region, volatility of exchange rate has caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was 431.1 tenge per 1 USD, compared to 382.59 tenge per 1 USD as at 31 December 2019 (31 December 2018: 384.20 tenge per 1 USD). Therefore, uncertainty remains in relation to exchange rate of Tenge and future action of the National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

24. COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Tax contingencies

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Group. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Group’s management believes that its interpretations of the relevant legislation is appropriate and the Group’s tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Transfer pricing legislation

According to the transfer pricing law, the international business transactions are subject to the government control. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in international business transactions, including the existence of the documentation supporting the prices and price differentials applied. Additionally, price differentials cannot be applied to the international business transactions with companies registered in offshore countries. In case of deviation of transaction price from market price, tax authorities have the right to adjust taxable base and to impose additional taxes, fines and interest penalties.

The transfer pricing law in some areas lacks detailed clear-cut guidance as to how its rules should be applied in practice (for example, the form and content of documentation supporting the discounts), and determination of the Group's tax liabilities within the context of the transfer pricing regulations requires an interpretation of transfer pricing law.

The Group conducts transactions subject to the state transfer pricing control. The Group’s management believes that the Group’s cross-border transactions are set at the market price based on the arms-length principle.

25. NON-CONTROLLING INTEREST

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of tenge	Proportion of non-controlling interest	Profit / (loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2019			
Lensmark (Internet optika LLP)	33.38%	1,339	(1,920)
iDoctor (iDoctor.kz LLP)	24.87%	(14,945)	(39,242)
Payment Processing	20.00%	(658)	(658)
		(14,264)	**(41,820)**
Year ended 31 December 2018			
Chocotravel (Internet Tourism LLP)	46.99%	(44,802)	(19,292)
Aviata (Aviata LLP)	46.99%	53,807	342,897
Lensmark (Internet optika LLP)	33.38%	(3,123)	(3,259)
iDoctor (iDoctor.kz LLP)	32.60%	(24,752)	(24,297)
		(18,870)	**296,049**

The summarised financial information of these subsidiaries was as follows:

In thousands of tenge	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income / (loss)
31 December 2019							
Lensmark (Internet LLP)	22,873	353	14,953	–	222,580	4,012	8,909
iDoctor (iDoctor.kz LLP)	23,317	2,481	66,713	–	35,107	(54,656)	(55,294)
Payment Processing LLP	8	–	3,298	–	–	(3,290)	(3,290)
	46,198	**2,834**	**84,964**	**–**	**257,687**	**(53,934)**	**(49,675)**
31 December 2018							
Chocotravel (Internet Tourism LLP)	447,579	14,434	503,069	–	812,133	(86,396)	(86,396)
Aviata (Aviata LLP)	543,767	744,532	415,040	143,536	1,404,912	114,510	114,510
Lensmark (Internet LLP)	13,932	369	24,064	–	202,152	(9,356)	(9,356)
iDoctor (iDoctor.kz LLP)	1,179	22,966	98,676	–	6,619	(67,015)	(67,015)
	1,006,457	**782,301**	**1,040,849**	**143,536**	**2,425,816**	**(48,257)**	**(48,257)**

26. BUSINESS COMBINATIONS

Acquisition of Aviata

On 18 February 2018, the Group acquired, from unrelated party, 53.01% of the charter capital of Aviata LLP ("Aviata") (the market leader in on-line booking of air/railway tickets and a longtime rival of Chocotravel at the time) and obtained control through its ability to cast a majority of votes in the general meeting of owners. The acquired subsidiary was expected to increase the Group's market share of its on-line booking of air/railway tickets business and is expected to improve profitability through the economies of scale.

Acquisition was executed by following transactions: 1) purchase by the Group of ownership interest in Aviata from its founders, 2) transfer to the Aviata founders of 46.99% interest in Chocotravel (non-controlling interest in the subsidiary of the Group), 3) increase of charter capital of Aviata by the Group and 4) increase of charter capital in Chocotravel (Internet Tourism LLP) by Aviata founders. All that resulted in a mirror ownership structure in both Aviata and Chocotravel where the Group received 53.01% stake in the Aviata business and obtained control through its ability to cast a majority of votes in the general meeting of shareholders and the supervisory board and the same time Group has disposed 46.99% of interest in Chocotravel (the subsidiary of the Group previously 100% owned) retaining control over Chocotravel. The Group has also received a right to increase its stake in both companies for up to additional 20% at a predetermined price starting from the year following the deal.

The Group transferred 463,640 thousand tenge (in cash) to founders and previous owners of Aviata and made contribution to the charter capital of Aviata in the amount 50,000 thousand tenge. As part of the transaction Aviata founders and previous owners made contribution to the charter capital of Chocotravel in the amount of 50,000 thousand tenge. The contribution was made after the acquisition date.

Management of the Group views Aviata and Chocotravel as one project pursuing two different strategies - Aviata operates in a premium segment while Chocotravel provides low price offers. The merger aimed to cement leading position in on-line sales of air and railway tickets while joining forces to defend the local market against foreign rivals by further improving the quality of IT product as well as efficiency of operations.

Starting from March 2018 based on the combined sales Chocotravel and Aviata managed to improve remuneration terms with Amadeus, a global ticket distribution system, by signing a respective three-year agreement.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

In thousands of tenge	
Cash consideration paid	463,640
Receivable from Chocofamily resulting from share capital increase	50,000
Cash invested by founders of Aviata to Chocotravel charter capital	(50,000)
Fair value of 46.99 % interest in Chocotravel transferred to the founders of Aviata	612,670
Total purchase consideration transferred	**1,076,310**

The consideration transferred by the Group includes the element of the non-cash consideration which is 46.99% interest in Chocotravel business which was transferred to the founders of Aviata (the founders of Aviata after the transaction become non-controlling shareholder in Chocotravel). The fair value of 46.99% interest in Chocotravel was based on results of an external appraisal of the acquiree's business taken as a whole.

In accordance with IFRS 3 "Business Combinations", the Group must account for acquisitions based on the fair values of the acquired identifiable assets acquired and liabilities and contingent liabilities assumed. The excess of: (a) the consideration transferred and the value of NCI in Aviata over (b) fair value of the net assets acquired, is recognised as goodwill.

26. BUSINESS COMBINATIONS (CONTINUED)

Details of the assets and liabilities acquired and goodwill arising are as follows:

In thousands of tenge	**Fair value**
Cash and cash equivalents	11,355
Property and equipment	17,871
Intangible assets	718,755
Receivable from Chocofamily resulting from share capital increase	50,000
Other assets	131,479
Trade and other payables	139,805
Other liabilities	30,903
Deferred tax liability	143,536
Fair value of identifiable net assets of subsidiary	**615,216**
Less: non-controlling interest measured at the proportional share in the fair value of net assets (46.99%)	289,090
Goodwill arising from the acquisition	750,184
Total purchase consideration and previously held interest in the acquiree	**1,076,310**
Less: Non-cash consideration	612,670
Less: Cash and cash equivalents of subsidiary acquired	11,355
Outflow of cash and cash equivalents on acquisition	**452,285**

The non-controlling interest represents a share in the net assets of the acquiree attributable to owners of the non-controlling interest.

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report the following items were included in the purchase price allocation:

- Trademark valued at 354,182 thousand tenge;
- Software valued at 64,616 thousand tenge; and
- Client base valued at 298,880 thousand tenge.

The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise. The goodwill will not be deductible for tax purposes in future periods.

The acquired subsidiary contributed revenue of 1,404,915 thousand tenge and profit of 114,510 thousand tenge to the Group for the period from the date of acquisition to 31 December 2018. If the acquisition had occurred on 1 January 2018, the Group's revenue for 2018 would have been 1,466,971 thousand tenge, and profit for 2018 would have been 121,020 thousand tenge.

In February 2018 prior to the disposal of the Chocotravel interest the re-organisation of the Chocotravel holding structure was performed by the Group's shareholders. The Group shareholders exchanged 5.68% interest in the charter capital of the higher level controlling party – Choco Capital Partners LLP plus 100 thousand tenge for 25% interest in the charter capital of Chocotravel plus 100 thousand tenge. As a result of this re-organisation the Group obtained 100% interest in Chocotravel charter capital. As a result of this transaction the Group's non-controlling interest in the amount of 93,670 thousand tenge as of that date has been disposed.

26. BUSINESS COMBINATIONS (CONTINUED)

The disposal of 46.99% interest in Chocotravel to the founders of Aviata is accounted for as transaction with non-controlling interest with the gain on the disposal being recognised in equity:

In thousands of tenge	
Non-controlling interest arising on this transaction (46.99% of net assets of Chocotravel)	14,252
Fair value of the disposed interest	598,418
Gain on the transaction with NCI recognised in equity	**612,670**

On 1 November 2019, the Group acquired remaining 46.99% interest of the charter capital in Aviata LLP ("Aviata") and Internet Tourism LLP ("Chocotravel") and became the sole owner of both subsidiaries. The Group transferred 1,729,062 thousand tenge (in cash) to other owners of Aviata, whereas the amount transferred for the purchase of 46.99% in Chocotravel was equal to 50,000 thousand tenge. The difference between the purchase consideration and the carrying amount of non-controlling interest acquired in the total amount of 1,455,457 thousand tenge was recorded as a capital transaction directly in equity and does not result in any change of the carrying amount of assets (including goodwill) or liabilities.

Increase of stake in iDoctor

In February 2019 at the general meeting of owners of iDoctor LLP it was decided to increase charter capital of the project by additional 80,000 thousand tenge whereby the Group has injected 63,457 thousand tenge and Mr. Tashbayev (currently Director of iDoctor LLP) provided 16,543 thousand tenge. As a result the Group increased its share to 75.13% (2018: 67.4%) whereby Mr. Tashbayev's share changed to 21.35% (2018: 22.60%). The proceeds were used by iDoctor to repay the outstanding debt to the Group.

27. FINANCIAL RISK MANAGEMENT

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk as a result of its operating activities and certain investing activities. With regard to investing activities, the Group allocates cash in Kazakhstani banks with a high rating. The management of the Group periodically reviews the credit ratings of these banks in order to avoid extreme credit risks.

The Group's maximum exposure to credit risk by class of assets:

In thousands of tenge	**31 December 2019**	**31 December 2018**
Loans issued	2,325	43,891
Financial assets within trade and other receivables	499,461	558,248
Cash and cash equivalents	372,565	154,145
Total maximum exposure to credit risk	**874,351**	**756,284**

Credit risk of the Group is concentrated in the Republic of Kazakhstan. The exposure of credit risk is monitored in order to ensure compliance with the limits on financial instruments and creditworthiness with guidelines established by the Group's risk management policy.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total. The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of tenge	At 31 December 2019			At 31 December 2018		
	US Dollars	**Russian Roubles**	**Euros**	**US Dollars**	**Russian Roubles**	**Euros**
Financial assets	–	215	93,914	2,040	1,568	35,522
Financial liabilities	(942,912)	(1,789)	(66,597)	(1,468,935)	(8,133)	(198)
Net balance sheet position	(942,912)	**(1,574)**	**27,317**	**(1,466,895)**	**(6,565)**	**35,324**
Tenge strengthening by 10% (2018: 10%)	94,291	157	(2,732)	146,690	657	(3,532)
Tenge weakening by 10% (2018: 10%)	(94,291)	(157)	2,732	(146,690)	(657)	3,532

Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments due to changes in market interest rates.

The Group manages interest rate risk through the management of interest-sensitive asset and liability positions, and ensures the positive margin and expected profitability from changes in market interest rates with set limits on the maximum amount of interest rate risk accepted by the Group. The Group's risk management department monitors interest rate risk, estimates sensitivity of the Group in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Group.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payable. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below shows liabilities at 31 December 2019 and 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows.

The maturity analysis of financial assets and liabilities at 31 December 2019 is as follows:

In thousands of tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Trade receivables	–	378,248	109,714	–	–	487,962
Loans given	–	–	2,325	–	–	2,325
Other financial receivables	–	–	11,499	–	–	11,499
Total financial assets within trade and other receivables	**–**	**378,248**	**123,538**	**–**	**–**	**501,786**
Liabilities						
Term loans	–	–	2,874,066	–	–	2,874,066
Trade payables	776,335	–	–	–	–	776,335
Obligations under capital repurchase	–	–	1,122,618	–	–	1,122,618
Share-based payments	–	–	820,920	–	–	820,920
Lease liability			24,364	51,553	–	75,917
Total	**776,335**	–	**4,841,968**	**51,553**	–	**5,669,856**

The maturity analysis of financial assets and liabilities at 31 December 2018 is as follows:

In thousands of tenge	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Trade receivables	–	417,926	110,736	–	–	528,662
Other financial receivables	–	–	29,586	–	–	29,586
Total financial assets within trade and other receivables	**–**	**417,926**	**140,322**	**–**	**–**	**558,248**
Liabilities						
Term loans	–	–	316,822	–	–	316,822
Trade payables	540,776	–	–	–	–	540,776
Obligations under capital repurchase	672,244	–	1,029,490	–	–	1,701,734
Share-based payments	–	–	–	242,299	–	242,299
Total	**1,213,020**	–	**1,346,312**	**242,299**	–	**2,801,631**

28. CAPITAL MANAGEMENT

Capital includes charter capital and accumulated loss. The main objective of the Group's capital management is to ensure stable credit rating and adequate level of capital to support its business and maximization of shareholders' value.

The Group manages its capital in order to continue as a going concern together with the maximization of revenue for stakeholders by optimizing the balance of debt and equity. The overall strategy of the Group remained unchanged compared to the prior year.

29. FAIR VALUE DISCLOSURES

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. Share-based payments are carried in the consolidated statement of financial position at their fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty. Fair values of held-to-maturity investments were determined based on quoted bid prices.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Loans and receivables category of the Group includes loans issued, cash and cash equivalents and trade and other receivables.

All of the Group's financial liabilities except for share-based payments are carried at amortised cost. Share-based payments belong to the fair value through profit or loss measurement category.

30. EVENTS AFTER THE REPORTING PERIOD

Coronavirus

At the beginning of 2020, the global market was faced with the uncertainty caused by an outbreak of coronavirus infection. Along with other factors, the coronavirus infection pandemic led to a decrease in stock indices, and also led to a decrease in the Kazakhstan tenge against the US dollar. Since 18 March 2020, in connection with the outbreak of coronavirus infection, the Government of the Republic of Kazakhstan declared a state of emergency. The consequences of these significant changes can have a significant impact on the overall development of the economy of Kazakhstan and the activities of the Group as a whole. The Group's management is not able to predict how long this situation will continue, and it follows the Group's previously adopted strategy. Meanwhile, the Group's management has introduced a number of measures to ensure the safety and well-being of its employees and customers.

As at the date of the issuance of these financial statements, the situation is still developing. Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business, however:

- downtime / quarantine due to a pandemic led to a slowdown in business activity in general, which affected the financial performance of the Group;
- devaluaton of tenge against the US dollar will negatively affect the financial results of the Group due to the fact that certain obligations of the Group comprise of balances denominated in hard currencies.
- from March to October 2020 due to international borders closure and quarantine regime, the Group has lost significant volume of its turnover in comparison with pre-Covid period. The Group significantly reduced its investment in marketing, and reduced number of its personnel. By agreement with the employees, the salary of employees was reduced for the period of the emergency.

Launch of Ryadom project

In July 2020, the Group established new subsidiary – Darkstore LLP and has launched a new project Ryadom – an on-line service providing grocery deliveries in 15 minutes or less. Service is currently built in the application Rahmet as an additional unit, with future plans of creating its own platform.

Financing from RBK bank

In June 2020 Aviata LLP and Internet Tourism LLP received the credit line from JSC RBK Bank in the amount of 250,000 thousand tenge for the purpose of financing prepayments to airline companies and its operating costs. The Group has provided 49% of equity in Aviata LLP, Internet Dostavka LLP and Internet Tourism LLP to the Bank as a security. In addition, Redprice LLP, Internet Dostavka LLP and Internet Loyalnost LLP, the subsidiaries of the Group, have provided financial guarantees to the bank. The credit line was opened for the 12 month and with an interest rate of 8% p.a.

Registration in Astana Hub of Internet Dostavka

The Group decided to register three major subsidiaries to Astana Hub, international technopark of IT startups created for the free development of Kazakhstani and foreign technology companies, which allows these companies to receive the following (1) tax benefits in CIT, IIT, VAT, and social tax for non-residents; (2) the opportunity to obtain a simplified visa and labour regime for foreign owners; (3) useful contacts to attract investments. The main field of activity is the provision of services for the establishing contacts and making transactions between merchants and customers by using software developed by the subsidiaries. Internet Dostavka LLP was the first project to be officially registered on 8 July 2020.

Borrowings

On 29 October 2020 the Group signed additional agreements with on prolongations of loans payable on 1 November 2020 till 31 December 2020 (Note 14).

Chocofamily Holding LLP

Consolidated Financial Statements

For the year ended 30 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

In thousands of Kazakhstani Tenge	Note	30 June 2020	30 June 2019
ASSETS			
Non-current assets			
Property, plant and equipment		139,560	135,800
Right-of-use assets		70,190	-
Intangible assets		577,915	816,595
Goodwill		750,184	750,184
Loans issued		2,815	3,219
Other non-current assets		126	-
Total non-current assets		**1,540,790**	**1,705,798**
Current assets			
Inventories		41,318	9,436
Trade and other receivables		391,783	3,183,274
Advances paid		5	66,786
Loans issued		1,689	9,220
Current income tax prepayments		52,330	-
Cash and cash equivalents		493,781	218,532
Total current assets		**1,036,402**	**3,487,248**
TOTAL ASSETS		**2,577,192**	**5,193,046**
EQUITY			
Charter capital		2,731,483	1,062,444
Accumulated deficit		(7,327,540)	(2,431,227)
Equity attributable to the Group's owners		**(4,596,057)**	**(1,368,783)**
Non-controlling interest		**(52,551)**	**290,165**
TOTAL EQUITY		**(4,648,608)**	**(1,078,618)**
LIABILITIES			
Non-current liabilities			
Share-based payments		820,920	242,299
Deferred tax liability		120,874	143,536
Long-term lease liability		51,553	-
Total non-current liabilities		**993,347**	**385,835**
Current liabilities			
Borrowings		4,411,046	2,165,637
Trade and other payables		898,433	3,141,798
Advances received		397,583	127,050
Other taxes payable		163,653	183,442
Income taxes		-	52,750
Short-term lease liability		24,364	-
Contract liability		337,374	215,152
Total current liabilities		**6,232,453**	**5,885,829**
TOTAL LIABILITIES		**7,225,800**	**6,271,664**
TOTAL LIABILITIES AND EQUITY		**2,577,192**	**5,193,046**

Chairman of the Management Board — Mazancev N.

Financial Director — Bakiyev A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

In thousands of Kazakhstani Tenge	Note	1H 2020	1H 2019
Continuing operations:			
Revenue		**2,217,308**	**2,613,121**
Other income		26,161	14,234
Wages and salaries		(1,049,602)	(1,256,723)
Advertising		(288,851)	(540,210)
Bank and payment systems commissions		(273,208)	(501,290)
Cost of purchased certificates, coupons and tickets		(689,178)	(16,079)
Depreciation and amortisation		(44,499)	(140,235)
Other operating expenses		(452,018)	(570,049)
Operating loss		**(553,887)**	**(397,231)**
Finance income		10,451	65,789
Finance costs		(339,828)	(41,688)
Share of results of associates		-	-
Loss before income tax		**(883,264)**	**(373,130)**
Income tax expense		(5)	(21)
Loss for the year from continuing operations		**(883,269)**	**(373,151)**
Discontinued operations:			
Profit / (loss) for the year from discontinued operations		-	-
LOSS FOR THE YEAR		**(883,269)**	**(373,151)**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(883,269)**	**(373,151)**
Loss is attributable to:			
- Owners of the Company		(872,538)	(367,267)
- Non-controlling interest		(10,731)	(5,884)

Chairman of the Management Board — Mazancev N.

Financial Director — Bakiyev A.

		Attributable to owners of the Group				
In thousands of Kazakhstani Tenge	Note	Charter capital	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at 1 January 2019		**1,062,294**	**(2,063,960)**	**(1,001,666)**	**296,049**	**(705,617)**
Loss for the year		-	(367,267)	(367,267)	(5,884)	(373,151)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 1H 2019		**-**	**(367,267)**	**(367,267)**	**(5,884)**	**(373,151)**
Additional contributions to charter capital		150	-	150	-	150
Balance at 30 June 2019		**1,062,444**	**(2,431,227)**	**(1,368,783)**	**290,165**	**(1,078,618)**
Balance at 1 January 2020		**2,731,483**	**(6,455,002)**	**(3,723,519)**	**(41,820)**	**(3,765,339)**
Loss for the year		-	(872,538)	(872,538)	(10,731)	(883,269)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for 1H 2020		**-**	**(872,538)**	**(872,538)**	**(10,731)**	**(883,269)**
Additional contributions to charter capital		-	-	-	-	-
Balance at 30 June 2020		**2,731,483**	**(7,327,540)**	**(4,596,057)**	**(52,551)**	**(4,648,608)**

Chairman of the Management Board Mazancev N.

Financial Director Bakiyev A.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

In thousands of Kazakhstani Tenge	Note	1H 2020	1H 2019
Cash flows from operating activities			
Loss before income tax: continuing operations		(894,005)	(2,141,041)
Profit before income tax: discontinued operations		-	-
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		95,224	44,497
Impairment of trade and other receivables		215,915	(25,699)
Losses less gains on disposals of property, plant and equipment		-	-
Change in value of share-based payments		-	-
Finance costs		339,828	41,688
Gain from sale of internet resources		-	-
Other non-cash operating costs		(31)	-
Operating cash flows before working capital changes		**(243,069)**	**(2,080,555)**
Increase in trade and other receivables		538,896	(2,026,672)
Decrease in inventories		(20,473)	7,138
Increase in trade and other payables		328,211	2,692,580
Increase in taxes payable		(34,782)	(26,197)
Increase in contract liabilities		(805,154)	(646,563)
Changes in working capital			
Interest paid		(246,867)	(198,662)
Income taxes paid		(180,963)	8,618
Net cash used in operating activities		**(664,201)**	**(2,270,313)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(83,801)	(104,010)
Purchases of intangible assets		-	(8,327)
Acquisition of subsidiaries		-	-
Proceeds from disposal of property, plant and equipment		40,945	40,945
Loans granted		866	34,521
Proceeds from intangible assets		254	16,640
Disposal of noncontrolling interest in subsidiaries		10,732	1,767,911
Net cash used in investing activities		**(31,004)**	**(1,747,680)**
Cash flows from financing activities			
Proceeds from borrowings		1,812,704	1,306,869
Repayment of borrowings		(996,283)	(719,996)
Additional contribution to the charter capital		-	150
Net cash from financing activities		**816,421**	**587,023**
Cash and cash equivalents at the beginning of the year		372,565	154,145
Cash and cash equivalents at the end of the year		**493,781**	**218,535**

Chairman of the Management Board — Mazancev N.

Financial Director — Bakiyev A.

1 Chocofamily Holding LLP and its Operations

The Company was incorporated and is domiciled in the Republic of Kazakhstan. The Company is a limited liability partnership and was set up in accordance with Kazakhstani regulations in February 2016. Holding structure was aimed to provide efficiency in corporate governance procedures and ensure transparency of shareholding.

Since inception the Group is ultimately controlled by Mr. Ramil Mukhoryapov: before October 2015 - through direct participation in businesses and after 30 October 2015 – through Choco Capital Partners LLP, an entity established to represent rights of Group founders and top management.

In February 2016 Choco Capital Partners LLP transferred participant interests in the subsidiaries to the Company as part of investment to the charter capital of Chocofamily Holding LLP. Shareholding structure of the Group is described in the Note 10.

Business operations of the Group commenced in 2011 by starting up on-line sales of discount coupons and certificates for goods and services through legal entity Redprice LLP with a brand name Chocolife.me and by launching on-line sales of ophthalmology goods through Internet Optica LLP operating under the brand name Lensmark.

Later in 2012 the Group started Chocotravel – a project for on-line sales of air tickets through legal entity Internet Tourism LLP.

In 2013 the Group initiated Chocofood (legal name – Internet dostavka LLP) and Chocomart (legal name – Internet-retail LLP), on-line ordering of food delivery and on-line sales of home appliances respectively. Chocomart was sold in December 2017.

In March of 2018 the Group started Rahmet, legal name Internet Loyalnost LPP, an online platform for QR payments and loyalty programs. In December 2019 the Group established a 80% subsidiary PaymentProcessing LLP – the online service for accepting electronic payments; and 100% subsidiary Chocofamily Service LLP – provider of services for the Group (rent, utilities and other).

The Company's registered address is 280 Baizakova street, A15G7M6 Almaty, Republic of Kazakhstan.

In percent of ownership (%)	**Brand name**	**Principal Activity**	**30 June 2020**	**30 June 2019**
Internet loyalnost LLP	Rahmet	QR payments and loyalty programs	100%	100%
Redprice LLP	Chocolife.me & BeSmart	On-line sales of discount coupons and certificates for goods and services	100%	100%
Internet Tourism LLP	Chocotravel	On-line booking of air/railway tickets and related services	100%	53.01%
Aviata LLP	Aviata	On-line booking of air/railway tickets and related services	100%	53.01%
Foodpanda Kazakhstan LLP*	Foodpanda	On-line ordering of food delivery	100%	100%
Internet dostavka LLP	Chocofood	On-line ordering of food delivery	100%	100%
Internet optica LLP	Lensmark	On-line ordering of ophthalmology goods	66.62%	66.62%
iDoctor.kz LLP	iDoctor	On-line booking of medical appointments	75.13%	67.4%
Internet-retail LLP**	Chocomart	On-line ordering of home appliances	100%	100%
PaymentProcessing LLP	Ioka	Bank cards processing	80%	80%
Chocofamily Service LLP	N/A	Group service Company	100%	-

2 Trade and Other Receivables

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Trade receivables	50,953	398,767
Other financial receivables	228,765	2,685,387
Less credit loss allowance	(35,389)	(16,724)
Total financial assets within trade and other receivables	**244,329**	**3,067,430**
Prepayments	347,254	115,502
Advances paid	55,501	66,786
Other receivables	36,301	37,349
Less impairment provision	(236,101)	(37,007)
Total trade and other receivables	**447,284**	**3,250,060**

Prepayments mostly include prepayments made to the partners for the future deliveries of airline tickets and other services and goods. Other financial receivables increased drastically based on the unique accounting principles of closing periods. Airline and railroads tickets suppliers provide information at the end of the year, which affects trade and other receivables and payables – at the end of the fiscal year the number will decrease.

3 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Cash on hand	24,734	8,046
Bank balances payable on demand	410,955	171,810
Overnight deposits	58,092	38,676
Total cash and cash equivalents	**493,781**	**218,532**

4 Charter Capital

The participants of Chocofamily Holding LLP as of 30 June 2020 and 30 June 2019 were as follows:

	30 June 2020		30 June 2019	
	%	Tenge thousands	%	Tenge thousands
Choco Capital Partners LLP	52.3647%	36,010	50.9651%	36,010
Mr. Turlov T.	19.9587%	1,320,000	15.3700%	670,000
Mr. Abdrakhmanov M.	13.01%	707,800	21.6802%	335,827
DEMUS Capital LLP	1.75%	17,673	3.4686%	20,607
Mr. Nurgozhin A.	-	-	-	-
Mr.Rakhimbaev A.	12.9166%	650,000	8.5161%	-
Total charter capital	**100%**	**2,731,483**	**100%**	**1,062,444**

Chocofamily Holding LLP was established in 2016 and investments in subsidiaries of Choco Capital Partners LLP were transferred to the Company (Note 1) at its inception. The transfer of the interests in the charter capitals of subsidiaries was done at cost of Tenge 36,010 thousand in exchange of 79.86% share interest in the charter capital of Chocofamily Holding LLP. Remaining participants made cash injections to acquire their shares in charter capital of Chocofamily Holding LLP.

On 17 April 2017 the Group and Mr. Turlov signed a Joining Agreement whereby Mr. Turlov enters the charter capital of the Group by making injections in the total amount of Tenge 670,000 thousand in exchange for 16.76% of the participant interest in the Group. Additionally, in November 2019 Mr.Turlov injected Tenge 650,000 thousand more, totalling Tenge 1,320,000 thousand, making his participant interest 19.96% in the Group.

In February 2019 and June 2018 Mr. Abdrakhmanov and DEMUS Capital increased their stakes in the share capital of the Group by injecting in total Tenge 1,501,215 thousand:

- The February tranche equals to Tenge 500,000 thousand consisting of Tenge 450,000 thousand provided by Mr. Abdrakhmanov and Tenge 50,000 thousand given by DEMUS Capital. In accordance with conditions stipulated in the Charter the Group had the right to buy out respective participation interests till November 2020 for the amounts provided indexed to US Dollars and discounted for the holding period at 15% rate. Within one month from November 2020 in case the Group does not exercise the buy out, Mr. Abdrakhmanov and DEMUS Capital had the right to request the Group repurchase their respective stakes at the same terms and the Group has one month from the request date to fulfil the repurchase. The whole participation interest of Mr. Abdrakhmanov and DEMUS Capital under this tranche was repurchased by the Group in accordance with charter terms in November 2020. This tranche is therefore classified as financial liability of the Group in the financial statements;

- The June tranche totalling Tenge 350,000 thousand was comprised of Tenge 300,000 thousand injected by Mr. Abdrakhmanov and Tenge 50,000 thousand provided by DEMUS Capital in return for 5.2369% and 0.8819% interest in the Group's charter capital, respectively. Under the Charter terms the Group has a right to request Mr. Abdrakhmanov and DEMUS Capital to sell back stated interest percentages to the Group. In order this right to be realised the Group should formally make a request from 2 March 2019 until 1 August 2019, at the amount of the initial investments indexed to US Dollars and discounted for the holding period at 15% rate. In case this request is not made the financing stakeholders had the right to retain stated interest shares in the Group's equity. In August 2019 the Group has repurchased the whole participation interest of Mr. Abdrakhmanov and DEMUS Capital under this tranche. The financing stakeholders did not have the right to request the buyback therefore the whole second tranche was classified as equity in the financial statements.

- The Group has managed to reach an agreement with several stakeholders that they will provide a bridge loan in the amount of Tenge 1,400 million (which was subsequently increased to Tenge 2,858 million as of June 2020) that were used to finance capital share repurchase from Mr. Abdrakhmanov and DEMUS Capital as well as to fund working capital needs of the Group projects. The financing is provided till 1 November 2020 at 14% p.a. indexed to US dollar exchange rate - for USD tranches and at 22.5% - for Tenge tranches

In June 2019 Choco Capital Partners LLP, DEMUS Capital LLP and Mr. Nurgozhin has signed an agreement with Mr. Rakhimbayev to sell him 3.0719%, 4.5843% and 0.8723% in the Group, respectively, for total selling price of 4,500 thousand US Dollars. As per the sale-purchase agreement, the selling price is to be paid in specified monthly instalments till September 2019. Mr. Rakhimbayev had fully paid the purchase amount in accordance with the schedule.

7 Borrowings

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Obligations under capital repurchase	950,409	1,473,133
Term loans	3,460,637	692,540
Total borrowings	**4,411,046**	**2,165,637**

Obligations under capital repurchase include:

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Mr. Abdrakhmanov	519,494	1,050,972
DEMOS Capital LLP	430,914	422,261
Total obligations under capital repurchase	**950,408**	**1,473,133**

The Group's borrowings are denominated in currencies as follows:

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
US Dollars	1,187,786	583,153
Kazakhstani Tenge	3,223,260	1,582,484
Total borrowings	**4,411,046**	**2,165,637**

In September 2017 the Group and Mr. Turlov signed a credit line agreement whereby Mr. Turlov agrees to provide a loan for the total amount of Tenge 200 million denominated in Tenge, which can be drawn by tranches of Tenge 10 million each. The loan bears an average interest rate of 20% annually with maturity on 31 December 2019 (initial maturity was in September 2018, later prolonged till March 2019 and finally till 31 December 2019).

Other loans were provided by various creditors to the Group entities. All loans are repayable within 12 months. Due to short-term maturities fair values of term loans approximate their carrying values.

Term loans include:

In thousands of tenge	Currency	Date of agreement	Interest rate	Maturity	30 June 2020	30 June 2019
Mr. Turlov T. R.	KZT	07.08.2019	22.5%	31.12.2020	1,083,878	648,139
Mr. Abdrakhmanov M. A.	KZT	07.08.2019	22.5%	31.12.2020	457,177	-
Mr. Abdrakhmanov M. A.	USD	07.08.2019	14.0%	31.12.2020	447,426	-
Mr. Usatov E. V.	KZT	07.08.2019	22.5%	31.12.2020	282,057	-
Mr. Usatov E. V.	USD	07.08.2019	14.0%	31.12.2020	354,950	-
Mr. Nurgozhin A. E.	USD	07.08.2019	14.0%	07.07.2020	141,377	-
Choco Capital Partners LLP	KZT	07.08.2019	22.5%	31.12.2020	39,850	-
Choco Capital Partners LLP	USD	07.08.2019	14.0%	31.12.2020	509,903	-
Mr. Kim G. U.	USD	26.09.2018	15.0%	22.11.2019	-	39,229
Mr. Mazentsev N. E.	USD	26.09.2018	15.0%	24.07.2019	-	5,172
Mr. Temirbekov K. A.	KZT	10.03.2020	20.0%	31.12.2020	144,019	-
Total					**3,460,637**	**692,540**

8 Trade and Other Payables

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Trade payables	471,468	2,494,310
Total current financial liabilities within trade and other payables	**471,468**	**2,494,310**
Advances received	397,583	127,050
Wages and salary payables	138,662	126,764
Unused vacation reserve	126,442	74,219
Other	161,861	446,505
Total trade and other payables	**1,296,016**	**3,268,848**

9 Revenue

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Sales of coupons and certificates	255,817	426,549
Incentives from partners	302,473	741,509
Sales commission	759,574	329,989
Service fees	687,587	751,748
Sales of goods	118,380	100,910
Other	93,478	262,416
Total revenue	**2,217,308**	**2,613,121**

10 Other Taxes Payable

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Value-added tax	114,097	83,980
Personal income tax	21,016	33,397
Social taxes and contributions	14,218	35,045
Pension obligations	14,886	31,328
Other taxes	(564)	(308)
Total other taxes payable	**163,653**	**183,442**

11 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets:

In thousands of Kazakhstani Tenge	30 June 2020	30 June 2019
Loans issued	1,689	9,220
Financial assets within trade and other receivables	228,765	2,685,387
Cash and cash equivalents	493,781	218,532
Total maximum exposure to credit risk	**724,235**	**2,913,139**

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Interest rate risk

The Group does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Group's business.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payable. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

12 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to sustain future development of the business. Capital includes all capital and reserves of the Group as recorded in the consolidated statement of financial position. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilisation; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.