

**KOMPANION FINANCIAL
GROUP MICRO CREDIT
LIMITED LIABILITY COMPANY**

Financial Statements

For the year ended 31 December 2008

KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

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KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Kompanion Financial Group Micro Credit Limited Liability Company (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31 December 2008, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Kyrgyz Republic;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended 31 December 2008 were authorized for issue on 27 March 2009 by the Management of the Company.

On behalf of the Management:



Kubanych Abdraimov
Chief Executive Officer

27 March 2009

Bishkek,
Kyrgyz Republic



Ulanbek Akimkanov
Chief Accountant

27 March 2009

Bishkek,
Kyrgyz Republic

INDEPENDENT AUDITORS' REPORT

To the Founder and Board of Directors of Kompanion Financial Group Micro Credit Limited Liability Company.

Report on the financial statements

We have audited the accompanying financial statements of Kompanion Financial Group Micro credit Limited Liability Company (hereinafter – “Company”), which comprise the balance sheet as at 31 December 2008, and the related income statement, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditors' opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche


27 March 2009
Bishkek
Kyrgyz Republic

KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (in thousand Kyrgyz Som)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	6	564,834	253,253
Interest expense	6,26	<u>(137,092)</u>	<u>(44,411)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		427,742	208,842
Provision for impairment losses on interest bearing assets	7	<u>(20,077)</u>	<u>(21,442)</u>
NET INTEREST INCOME		<u>407,665</u>	<u>187,400</u>
Net gain on operations with financial assets at fair value through profit and loss		88,344	2,883
Net (loss)/gain on foreign exchange operations	8	(103,021)	10,130
Fee and commission expense	9	(3,933)	(2,657)
Provision for impairment losses on other assets	7	(16)	(142)
Other income	10, 26	<u>374</u>	<u>264</u>
NET NON-INTEREST INCOME		<u>(18,252)</u>	<u>10,478</u>
OPERATING INCOME		389,413	197,878
OPERATING EXPENSES	11,26	<u>(278,919)</u>	<u>(128,932)</u>
PROFIT BEFORE INCOME TAX		110,494	68,946
Income tax expense	12	<u>(12,287)</u>	<u>(10,393)</u>
NET PROFIT		<u>98,207</u>	<u>58,553</u>

On behalf of the Management:


Kubanych Abdraimov
Chief Executive Officer

27 March 2009

Bishkek,
Kyrgyz Republic




Ulanbek Akimkanov
Chief Accountant

27 March 2009

Bishkek,
Kyrgyz Republic


The notes on pages 9-39 form an integral part of these financial statements.

KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

BALANCE SHEET AS AT 31 DECEMBER 2008 (in thousand Kyrgyz Som)

	Notes	31 December 2008	31 December 2007
ASSETS:			
Cash	13	2,891	4,026
Due from banks	14	193,759	68,920
Investments held to maturity	15	205,401	-
Loans to customers	16	1,068,955	736,552
Property, equipment and intangible assets	17	92,268	47,761
Financial assets at fair value through profit and loss	18	83,311	18,721
Prepayment for income tax	12	3,366	-
Other assets	19	17,284	9,055
TOTAL ASSETS		1,667,235	885,035
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	20	1,019,116	372,809
Income tax liabilities	12	94	2,507
Other liabilities	21, 26	39,641	11,747
Subordinated debt	22	239,474	215,419
Total liabilities		1,298,325	602,482
EQUITY:			
Share capital	23	265,000	224,000
Retained earnings		103,910	58,553
Total equity		368,910	282,553
TOTAL LIABILITIES AND EQUITY		1,667,235	885,035


On behalf of the Management:


Kubanych Abdaimov
Chief Executive Officer

27 March 2009

Bishkek,
Kyrgyz Republic




Ulanbek Akimkanov
Chief Accountant

27 March 2009

Bishkek,
Kyrgyz Republic

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KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

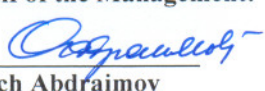
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousand Kyrgyz Som)

	Notes	Share capital	Retained Earnings	Total equity
As at 31 December 2006		10,000	19,297	29,297
Issue of ordinary share capital		196,843	-	196,843
Reinvestments of retained earnings		17,157	(17,157)	-
Dividends paid		-	(2,140)	(2,140)
Net profit		-	58,553	58,553
As at 31 December 2007		224,000	58,553	282,553
Reinvestments of retained earnings		41,000	(41,000)	-
Dividends paid		-	(11,850)	(11,850)
Net profit		-	98,207	98,207
As at 31 December 2008	23	<u>265,000</u>	<u>103,910</u>	<u>368,910</u>

Reinvestment of retained earnings constitutes the conversion of retained earnings into additionally issued ordinary share capital.

On behalf of the Management:


Kubanych Abdraimov
Chief Executive Officer

27 March 2009

Bishkek,
Kyrgyz Republic




Ulanbek Akimkanov
Chief Accountant

27 March 2009

Bishkek,
Kyrgyz Republic

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KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008 (in thousand Kyrgyz Som)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		110,494	68,946
Adjustments for:			
Provision for impairment losses on interest bearing assets	7	20,077	21,442
Provision for impairment losses on other assets	7	16	142
Provision for vacations and bonuses		7,853	3,446
Unrealized loss/(gain) on foreign exchange operations	8	95,876	(12,960)
Net (gain)/loss of financial assets at fair value through profit and loss		(78,636)	349
Depreciation of property, equipment and intangible assets	11	9,484	3,976
Loss on disposal of property, equipment and intangible assets	10	52	271
Net change in accrued interest income and expense		(3,963)	(925)
Cash flows from operating activities before changes in operating assets and liabilities		161,253	84,687
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		(18,938)	(62,311)
Loans to customers		(345,913)	(470,676)
Financial assets at fair value through profit or loss		14,046	(18,516)
Other assets		(8,160)	(7,058)
Increase in operating liabilities			
Due to banks and financial institutions		518,017	156,385
Subordinated debts		23,910	215,419
Other liabilities		20,040	673
Cash inflow/(outflow) from operating activities before taxation		364,255	(101,397)
Income tax paid		(18,066)	(8,843)
Net cash inflow/(outflow) from operating activities		346,189	(110,240)

KOMPANION FINANCIAL GROUP MICRO CREDIT LIMITED LIABILITY COMPANY

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

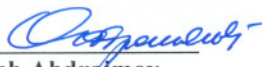
(in thousand Kyrgyz Som)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchase of property, equipment and intangible assets	17	(54,324)	(37,166)
Proceeds on sale of property, plant and equipment		281	385
Purchase of investments held to maturity		(196,064)	-
Net cash outflow from investment activities		(250,107)	(36,781)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	196,843
Dividends paid		(11,850)	(2,140)
Net cash (outflow)/ inflow from financing activities		(11,850)	194,703
Effect of changes in foreign exchange rate on cash and cash equivalents		19,732	(16,716)
NET INCREASE IN CASH AND CASH EQUIVALENTS		103,964	30,966
CASH AND CASH EQUIVALENTS, at the beginning of the year	13	72,946	41,980
CASH AND CASH EQUIVALENTS, at the end of the year	13	176,910	72,946

Interest paid and received by the Company during the year ended 31 December 2008 amounted to 127,922 thousand KGS and 570,724 thousand KGS, respectively.

Interest paid and received by the Company during the year ended 31 December 2007 amounted to 38,343 thousand KGS and 248,432 thousand KGS, respectively.


On behalf of the Management:


Kubanych Abdraimov
Chief Executive Officer

27 March 2009

Bishkek,
Kyrgyz Republic




Ulanbek Akimkanov
Chief Accountant

27 March 2009

Bishkek,
Kyrgyz Republic

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