

ompanion ANNUAL REPORT 2010

ECOLOGY

ECONOMICS

FARMING

FINANCE

GARBAGE GARDENS

CONTENTS

Kompanion In Brief	2
Kompanion Leadership Message	3
Selected Summary	4
2011 Highlights	5
Post-conflict Provision	7
Cash Equity Grants	9
Empowering Economics	11
Vegetables out of thin air	12
Independent Auditors' Report	13



MISSION

Kompanion's mission is to be the leading community development financial institution in Kyrgyzstan. Kompanion supports the strengthening and growth of communities by offering development products and services to entrepreneurs and individuals.

Note: Where appropriate, names have been changed throughout this report to protect the identity and security of our recipients.

KOMPANION IN BRIEF

Established in 2004 through the consolidation of five Mercy Corps-affiliated microcredit agencies, Kompanion now employs 929 staff members in 92 offices throughout Kyrgyzstan. We bring financial products to clients involved primarily in small-holder farms and animal husbandry. Kompanion's dual approach of providing microloans along with science-based support for agriculture and natural resource management helps to build healthy, financially stable communities in Kyrgyzstan.

Mercy Corps works worldwide amid disasters, conflicts, chronic poverty and instability to unleash the potential of people who can win against nearly impossible odds. Kompanion represents the culmination of 14 years of Mercy Corps' work in microcredit in Kyrgyzstan.

Mercy Corps intends to leave Kompanion as an enduring and sustainable community development legacy to the people of Kyrgyzstan.

In 2004 Kompanion inherited a total customer base of 8,700 borrowers from its predecessor credit agencies. Since then, Kompanion has disbursed around 533,000 loans, totaling approximately \$254 million. Our programs now reach over 119,000 people in all major urban and rural communities of Kyrgyzstan's seven oblasts. Our primary products are solidarity group loans (99% of our customer base) and secured small business loans (approximately 1% of the outstanding loan portfolio).

KOMPANION GOALS

- Foster family-wage job creation and growth in Kyrgyzstan;
- Ensure that the right products and services are delivered to every customer;
- Support entrepreneurs by providing them with financial resources and value-added technical assistance;
- Introduce innovative lending programs to address development needs of underserved communities in Kyrgyzstan;
- Integrate into our activities projects that support public health issues and environmental sustainability;
- Establish a world-class information technology system to enhance service delivery and ensure smooth, efficient operations;
- Contribute to the development of a civil society by actively participating in select community projects;
- Influence the adoption of reforms and legislation that promote the development of micro and small businesses;
- Create a company that personnel are proud of and that others would like to work for.

LEADERSHIP MESSAGE

2010 WAS A TOUGH BUT REWARDING YEAR

In 2010, Kompanion and Mercy Corps pooled their resources to address the urgent needs following Kyrgyzstan’s violent April revolution and the tragic communal violence in June. In the first days and weeks after the upheavals our staff delivered direct aid to over 16,800 people. With generous funding from key donors, nearly \$5,500,000 in food and non–food assistance will have reached over 136,500 people by the end of May 2011.

The roots of 2010’s events did not grow overnight. Poverty causes conflict; over 40% of Kyrgyzstan’s population lives in poverty and 35% are food insecure. Because of our focus on food security and livelihood development, we implemented early recovery programs as international donors mobilized to cover emergency needs of those affected. Kompanion’s expertise in entrepreneurship and micro–credit, plus our strong presence and credibility all over the country, gave us the platform to quickly and efficiently deliver aid. We gave credit relief to impacted clients, started a program aimed at helping entrepreneurs to restore lost livelihoods and were the implementing partner for Mercy Corps’ relief and restoration programs.

See pages 8 and 9 for more details.

Although living in unstable and economically impoverished conditions, the people of Kyrgyzstan continue to demonstrate resilience. With a small amount of support, many families were able to start rebuilding their lives soon after the conflict. That is why in 2010 Kompanion’s development work kept its focus on small–holder agricultural initiatives and technical support for livestock and on home gardening and plastic waste recycling to help communities diversify their sources of income and diminish soil and water contamination.

We would like to thank our staff and all of the people and organizations, especially Incofin and BlueOrchard, for contributing to Kompanion’s emergency relief and early recovery work.



ULANBEK TERMECHIKOV
Chief Executive Officer
Kompanion

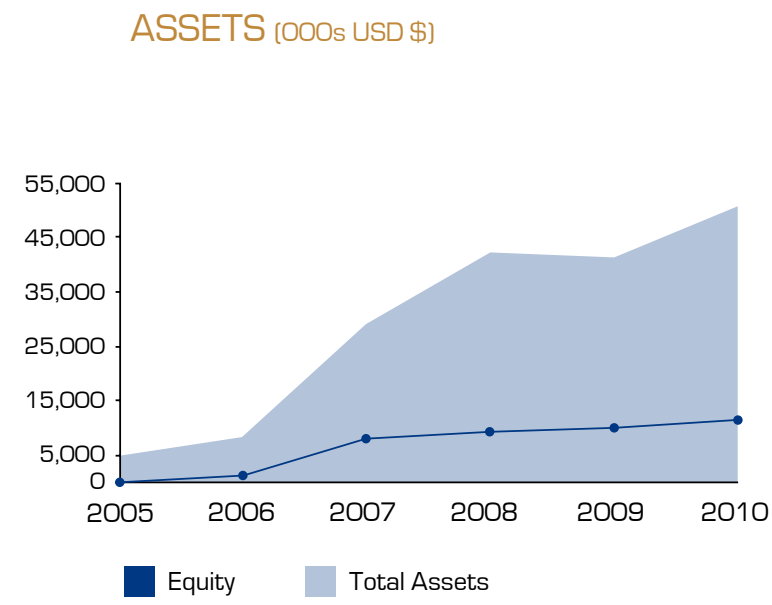
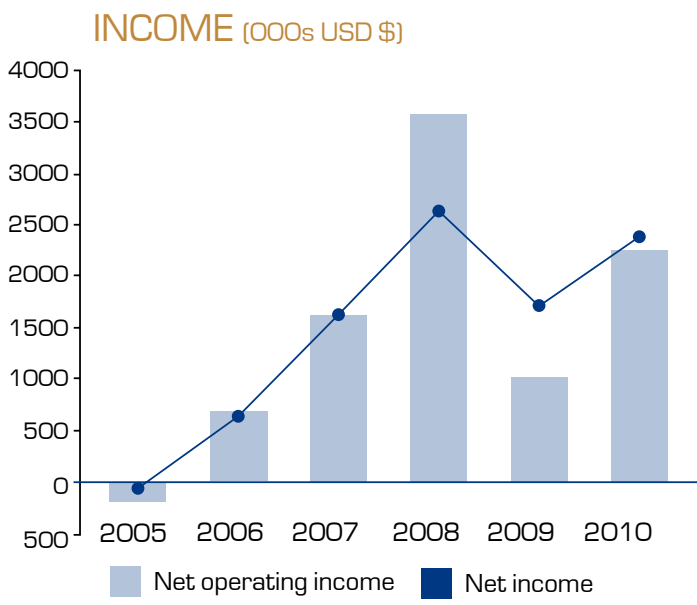


CATHERINE BROWN
Chairperson of the
Board of Directors
Mercy Corps Kyrgyzstan

SELECTED FINANCIAL SUMMARY

2010 WAS SUCCESSFUL DESPITE THE CHALLENGES

	2004	2005	2006	2007	2008	2009	2010	CAGR
TOTAL CLIENTS	8,591	12,221	21,803	40,326	70,812	99,386	119,396	55%
LOAN PORTFOLIO (USD MM)	\$3.2	\$3.8	\$7.1	\$21.6	\$28.4	\$30.5	\$41.6	54%
PORTFOLIO AT RISK	0.9%	0.8%	0.4%	0.2%	0.5%	0.5%	0.3%	
# OF STAFF	151	138	173	503	801	835	929	21%
# OF OFFICES	32	29	42	56	81	82	92	19%



HIGHLIGHTS

CREDIT AND BARNS, MOUNTAINS AND GREENHOUSES, VEGETABLES AND CELLARS, GARDENS AND WASTE

Kompanion combines for-profit microfinance with technical advice and targeted development, partnering with successful small-holder businesses which strengthen families, neighborhoods and communities. Following are highlights of our 2010 achievements:



ECO-GARDEN INITIATIVE
Home gardens drive the Kyrgyz economy. With Kompanion microloans and technical assistance, clients turn home gardens into successful income-generating small businesses.



RURAL WASTE MANAGEMENT INITIATIVE
Pollution destroys land, ending livelihoods. This initiative protects the most valuable assets in Kyrgyzstan – home gardens and pasturelands. The 3rd annual “Clean Issyk-Kul Action” began with a workshop on negative effects of plastic waste. Then participants headed out and collected rubbish.



LIVESTOCK MANAGEMENT INITIATIVE
Family livestock and dairy businesses succeed through improved livestock productivity, and rational use of land.



GARDEN IN A BOX
Families need information about proper nutrition and how to plan for needed foods year-round. Kompanion developed ‘Garden in a Box’ as a demonstration garden for the training.



ENERGY-SAVING STOVES INITIATIVE
Many households burn their dried manure, leading to loss of soil fertility, or cut trees, which promotes erosion and carbon emissions. Energy-saving stoves conserve natural resources and cut household costs.



CELLAR INITIATIVE
Food storage increases family revenue by getting fresh products to the market. Participants receive training in cellar location, estimating costs and cellar construction. They also learn repair, maintenance, and storage techniques.



HIGH-MOUNTAIN GREENHOUSE
Kompanion staff showed how crops rich in nutrients can be grown at high elevations. Follow-up found great interest in cultivating backyard vegetables for the long winter season.



ECO-TOILET INITIATIVE
Helps rural communities better preserve their land and decrease contamination from open-pit toilets and household waste. With Eco-toilets, waste is dehydrated and decomposed, then used as fertilizer.



In a tumultuous year for the Kyrgyz Republic, Kompanion received a prestigious award for **Innovative Social Impact Investing** at the conference on **Innovation in Microfinance** on 26 October in Washington DC. According to the Association of Microfinance Institutions, in 2010 Kompanion became the number one microfinance company in Kyrgyzstan measured by number of clients.

ASHES AND OPPORTUNITY

“WE ARE NOT OUTSIDERS BUT PART OF THE COMMUNITIES WE SERVE”



Kompanion and Mercy Corps responded immediately to the massive humanitarian crisis created by communal violence in June 2010 in southern Kyrgyzstan. When the crisis erupted, the urge to act was natural and automatic, and Kompanion employees at loan offices throughout the region were well-positioned to respond.

Within three days of the end of the conflict, veteran Kompanion and Mercy Corps teams began delivering aid to affected communities in Osh and Jalal-Abad oblasts. Meanwhile our headquarters in Bishkek and other Kompanion branches purchased emergency supplies and collected donations to assist the victims. We led the way in helping

impacted entrepreneurs restore vital microenterprises and livelihoods. Our emergency humanitarian programs assisted over 136,500 people and our equity grants program helped restore over 1,100 microenterprises, supporting over 2,400 jobs.

In southern Kyrgyzstan microenterprise and self-employment provide most of the limited possibilities for people to earn a living. In the 2010 conflict hundreds of households lost not only family members, homes and possessions, but also business assets, and the ability to generate income. Kompanion recognized that our clients needed credit relief quickly. By early July, we established an Emergency Credit Committee to promptly assess the situation of impacted clients and then offered appropriate credit relief. Since July, Kompanion has written off 343 loans and restructured 2,186 others.

Mercy Corps and Kompanion also designed an innovative equity cash grant program to help affected entrepreneurs restore their vital livelihood activities. Through this “Fund for Rebuilding Communities through Microenterprise” (FRCM), we leveraged international donations along with Kompanion’s established expertise in microenterprise and finance. Using our local offices and taking advantage of our familiarity

with the impacted communities, we provided eligible microentrepreneurs with seed capital to get their businesses going again. The amount of the grant was typically far less than the actual business losses incurred by the applicant, however provided enough for them to restart income earning activities.

The first batch of FRCM grants was disbursed on July 14th, less than one month after the violence ended. We based the approach on our strong belief in market principles and our confidence in the resilience and innovation of microentrepreneurs. Restoration of income earning capacity for entrepreneurial households provides short term benefits, and the opportunity to more quickly transition away from dependence on outside aid. It does so in a way that respects their dignity, skills and personal resourcefulness.

FRCM provided very fast cash assistance to microbusiness owners who had lost all, or a substantial part, of their business assets during the conflict, and who were ready to start or restart their activities. The goal was to quickly help households reestablish vital family income streams and begin the road to sustainable recovery.

FOOD FOR PEACE



In response to the conflict that erupted in June 2010 in southern Kyrgyzstan, Mercy Corps and Kompanion distributed cash assistance to 7,756 affected households (48,500 people) in Osh and Jalal-Abad oblasts. The conflict exacerbated an already precarious food security situation. We were able to respond quickly with much needed cash for affected families to purchase food and other necessary items. Kompanion’s extensive



network and experience in handling cash allowed for a quick and efficient response. We distributed three tranches of \$105 per household over nine months. Distributions took place in the affected communities, at schools, community buildings, or Kompanion branch offices.

Distributing cash directly allowed easy access for beneficiaries, many of whom had difficulty traveling to receive their cash. Kompanion’s Technical Support Unit used the opportunity to provide information on sustainable agriculture and animal husbandry. These trainings reached more than 3,300 beneficiaries, helping community members to start thinking about optimizing what they already have to better provide for their families.



CASH EQUITY GRANTS FROM KOMPANION AND MERCY CORPS' FUND FOR RESTARTING COMMUNITIES THROUGH MICROENTERPRISE (FRCM) GAVE ENTREPRENEURS THE OPPORTUNITY TO RESTART THEIR BUSINESSES
HERE ARE SOME OF THEIR STORIES:



Gulbahor U. is a talented seamstress, but her sewing shop in Bazar-Korgon was totally burned in the June conflict. All her equipment and materials were lost and her shop left beyond repair. Gulbahor, like many inspiring entrepreneurs in southern Kyrgyzstan, determined to restart her livelihood. She heard about the Fund for Restarting Communities through Microenterprise (FRCM) from a Kompanion loan officer and submitted an application. The grant required that she be willing to use the money to restart her business, and that's just what she did. She bought new sewing machines and rented a new space, even better than her old shop. Now she is back in operation making beautiful women's clothes. She has 5 apprentices working with her and business is booming. Along with her former clients, she has been able to attract new customers and expand selling in the central market. With a big smile she said, "My business is going even better than before the conflict. I'm doing well. There is a growing demand for more elaborately decorated dresses so I'm planning to buy a new embroidery machine that will allow us to make my dresses even more beautiful."



“Look at the difference... I could buy this high quality set of used European wrenches with my grant funds. They are very strong. I could not have afforded new ones of this quality, but being used they were reasonable. Now look at the bad quality of the cheap new ones from the bazaar! They are very weak. With cash I was able to buy what I really needed...”
Dilmurot M.,
Equity grant recipient and welding shop owner in Osh.

True to the meaning of her name, 42-year-old Yulduz A. "shone brightly" as she proudly showed off her new oven business. Her family chaikhana tea house was burned to the ground in the June violence. With the help of a KGS 23,250 (\$500) FRCM equity grant, Yulduz was able to start up the new enterprise in the compound behind where her chaikhana was located. "We are very grateful for this assistance to start our business... no other organization or government program has helped us..." In traditional clay tandir ovens, Uzbeks bake their famous nan (round flatbread) and samsa (meat-filled pastries) to golden perfection. Tandirs are common throughout



southern Kyrgyzstan but are in fact very difficult to make. Yulduz' father was a master tandir maker, and passed along the craft to Yulduz and her son. They carefully select and prepare the clay, blend in special sheep wool for binding and anti-cracking, then painstakingly form the tandirs by hand, some more than a meter tall. The largest restaurant-sized tandirs sell for more than KGS 5,000 (\$108) but an average home-sized tandir will cost around KGS 500 (\$11). Yulduz still dreams of reopening their restaurant some day but for now is very appreciative for the chance to earn a modest living from making and selling tandirs. Yulduz explained that because only their business was burned and not her home,



they had not qualified for other aid programs. Because Mercy Corps and Kompanion designed the Fund for Restarting Communities through Microenterprise (FRCM) specifically with entrepreneurs in mind, Yulduz received the seed capital she needed to get the family livelihood restarted.

We found Ildor D. happily tending a healthy young milk cow that his brother Bahadyr was able to purchase using grant funds from the FRCM program. In June an angry mob swept through their village, looting and burning as they went. Now Ildor and his family are restarting their farming livelihood. Soon they will send their cow up to the jailoo (high mountain pastures) so it can be fattened and hopefully impregnated. Ildor says they hope to build up a small herd this way.

They will sell milk and occasionally sell a calf. Looking proudly around their compound on a lovely spring day, Ildor took a big gulp of fresh sweet air and exclaimed, "This is paradise. We have land. We have water. We have grass. Now with the help of the grant, all we need is peace and we can restart our lives..."

EMPOWERING ECONOMICS

This is a story about two extraordinary women. Perizat, Kompanion's loan officer, and Gulhan, one of Perizat's first clients, never imagined that they would be doing what they do today. Nor did they dream they would be going to Belgium to share their story of hard work and resilience in the face of life's adversities with the investors of Incofin, a socially-oriented microfinance investor.



After graduating from a law program, Perizat Osmonalieva faced a tough job market. With limited opportunity to practice, Perizat accepted a job teaching law. Her career as an instructor was short-lived. Newly

married, Perizat moved with her husband to his hometown of Bazar-Korgon in southern Kyrgyzstan.

Another resident of this small town, Gulhan Sadykova, is a 38 year-old mother of eight children. Her husband was away in Russia and sent her a little money to help support the family. With a firm belief that her children should stay in school in order to reach their full potential, and mindful of her own medical expenses from a recent car accident, Gulhan needed a way to bring in additional income.

In March 2009, Perizat, now the mother of two, went to the bazaar and saw a notice tacked to a pole about a job as a loan officer at Kompanion. She applied and was invited to an interview. Conquering her fears, she answered the questions. It was another a month before the call came inviting Perizat to work for Kompanion.

Perizat mastered all aspects of her training and built good relationships with her new colleagues. After three months she became a loan officer. A further two months brought her 75 new clients.

To increase her client base and also her bonuses, Perizat studied marketing on her own.

In June 2009, four women approached Perizat about a solidarity group loan. She had concerns about one of the women, thinking she might not be able to take a loan. That woman was Gulhan. After the group members vouched for Gulhan, Perizat granted the loan.

Gulhan had studied the clothing market and knew clearly what she wanted to do. She knew where and from whom she would purchase goods, had agreed with wholesalers in advance, and had a rental agreement in the market. With the first loan in her life, Gulhan launched her business.

Gulhan gradually increased the volume and variety of her goods. She worked relentlessly, also trading in the livestock market on weekends. Her business became successful enough for her husband to return home to help. By this time, her solidarity group had repaid their first loan and applied for a second from Kompanion.

Last year, flood waters broke the doors off her small shop, scattering her inventory. Salvaging the damaged goods, neighbors and relatives washed them by hand. Communal violence followed just a few days later, with thousands fleeing their homes. Gulhan didn't give up and continued to work. With Perizat's guidance, Kompanion wrote off the loan to Gulhan's group because of the hardships they were facing.

Gulhan continues to set high goals for herself. In less than two years, her business has brought unity and stability to her family. They now own their home and a car.

Perizat has clearly demonstrated that she possesses the talent and heart to be one of Kompanion's "bright stars." She is currently being considered for a promotion.

These two extraordinary women have made significant contributions not only to each other but also to their community. They are outstanding role models and well deserve the recognition they have received from Incofin.

VEGETABLES OUT OF THIN AIR

THE HIGH MOUNTAIN GREENHOUSE PILOT PROJECT BLENDS CULTURE, SCIENCE, AND MICROBUSINESS LOANS

Kompanion assists communities with natural resource management. We use an 'ethno-ecological' approach that is sensitive to the cultural contexts where we work, and we integrate financial and development products and services to improve livelihoods.

The remote mountain village of Sary-Mogol sits at 3000 meters above sea level in a high valley in the Chon-Alai region of southern Kyrgyzstan. Six hundred and eighty families engage primarily in animal husbandry, growing very few crops. It should not come as a surprise that

Kompanion has a small office in this village, where an estimated 70% of families live below the poverty line.

In Sary-Mogol, fulfilling our mission of "supporting the strengthening and growth of communities" means addressing the problem of poor nutrition. Kompanion wanted to show families that even in harsh conditions they can grow foods for a healthy diet. Micro-nutrient deficiencies are often the crux of childhood stunting, and small increases can make the difference in a child's development.

Using the yard of our office, one of Kompanion's agronomists set up a demonstration hoop-house. Then our loan officers cared for the vegetables as they began to grow, with follow-up visits from our agronomist. In two trainings, 35 village families learned how to set up mini-greenhouses and plant and care for critical crops like lettuce, radish and radish greens, parsley,



green onion, carrots and cabbage, all adapted to greenhouse and high elevation conditions.

These 35 families learned to grow greens and herbs critical to combating micro-nutrient deficiencies. They also learned to adapt traditional recipes using the yields, and learned storage techniques. In a village where no one thought anything could grow, almost everyone stopped by to see what all the fuss was about. Kompanion ended up providing two group loans of KGS 28,000 (\$600) for starting greenhouses to grow high-elevation cabbage, parsley, radish and carrot in this village where hardly anyone was eating their vegetables!



KOMPANION FINANCIAL GROUP
MICROFINANCE CLOSED JOINT STOCK COMPANY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

KOMPANION FINANCIAL GROUP MICROFINANCE CLOSED JOINT STOCK COMPANY

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Management is responsible for the preparation of the financial statements that present fairly the financial position of Kompanion Financial Group Microfinance Closed Joint Stock Company (the "Company") as at 31 December 2010, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Kyrgyz legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.


The financial statements for the year ended 31 December 2010 were authorized for issue on 15 April 2011 by the Management of the Company.

On behalf of the Management:


Ulanbek Tenmechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic




Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 22–60 form an integral part of these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Management of Kompanion Financial Group
Microfinance Closed Joint Stock Company.

We have audited the accompanying financial statements of Kompanion Financial Group Microfinance Closed Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditors' 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 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2010.

Deloitte & Touche

15 April 2011
Bishkek
Kyrgyz Republic

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is legally a separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its Member Firms.

Member of Deloitte Touche Tohmatsu

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	3, 20	889,321	673,540
Interest expense	3	(167,114)	(147,825)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		722,207	525,715
Provision for impairment losses on interest bearing assets	4	(108,009)	(21,307)
NET INTEREST INCOME		614,198	504,408
Net gain on operations with financial assets at fair value through profit or loss		48,117	93,247
Net foreign exchange loss	5	(85,983)	(116,763)
Provision for impairment losses on other assets	4	(4,126)	(117)
Fee and commission expense		(3,910)	(4,089)
Other income	20	12,463	5,972
NET NON-INTEREST EXPENSE		(33,439)	(21,750)
OPERATING INCOME		580,759	482,658
OPERATING EXPENSES	6, 20	(462,773)	(400,589)
PROFIT BEFORE INCOME TAX		117,986	82,069
Income tax expense	7	(16,760)	(8,469)
NET PROFIT		101,226	73,600
TOTAL COMPREHENSIVE INCOME		101,226	73,600

On behalf of the Management:

Ulanbek Termechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic



Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 21–60 form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

	Notes	31 December 2010	31 December 2009
ASSETS:			
Cash	8	–	481
Due from banks and other financial institutions	9, 20	200,299	304,325
Loans to customers	10	1,866,135	1,285,579
Property, equipment and intangible assets	11	128,996	117,509
Financial assets at fair value through profit or loss	12	105,031	81,727
Current income tax asset		–	5,900
Other assets	13	54,712	15,469
TOTAL ASSETS		2,355,173	1,810,990
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	14	1,452,498	1,045,370
Current income tax liabilities		6,248	–
Deferred income tax liabilities	7	733	1,994
Other liabilities	15	78,304	52,885
Subordinated debt	16	286,917	268,231
TOTAL LIABILITIES		1,824,700	1,368,480
EQUITY:			
Share capital	17	265,000	265,000
Retained earnings		265,473	177,510
TOTAL EQUITY		530,473	442,510
TOTAL LIABILITIES AND EQUITY		2,355,173	1,810,990

On behalf of the Management:

Ulanbek Termechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic



Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 21–60 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

	Share capital	Retained Earnings	Total equity
AS AT 31 DECEMBER 2008	265,000	103,910	368,910
Total comprehensive income	–	73,600	73,600
AS AT 31 DECEMBER 2009	265,000	177,510	442,510
Dividends paid	–	(13,263)	(13,263)
Total comprehensive income	–	101,226	101,226
AS AT 31 DECEMBER 2010	265,000	265,473	530,473

On behalf of the Management:

Ulanbek Termechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic



Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 21–60 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	117,986	82,069
Adjustments for:		
Provision for impairment losses on interest bearing assets	108,009	21,307
Provision for impairment losses on other assets	4,126	160
(Recovery)/provision for vacations and bonuses	(2,577)	6,943
Foreign exchange loss	85,557	116,308
Net gain of financial assets at fair value through profit or loss	(48,117)	(93,247)
Depreciation and amortization	18,113	15,103
Gain on disposal of property, equipment and intangible assets	(270)	(43)
Net change in accrued interest income and expense	(17,168)	3,089
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	265,659	151,689
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Due from banks and other financial institutions	(13,626)	1,806
Loans to customers	(607,409)	(243,978)
Financial assets at fair value through profit or loss	(13,231)	94,068
Other assets	(43,369)	1,755
Increase in operating liabilities		
Other liabilities	25,785	6,301
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES BEFORE TAXATION	(386,191)	11,641
Income tax paid	(5,873)	(9,103)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(392,064)	2,538

On behalf of the Management:

Ulanbek Termechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic



Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 21–60 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

	Notes	31 December 2010	31 December 2009
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchase of property, equipment and intangible assets		(29,951)	(42,026)
Proceeds on sale of property, plant and equipment		621	1,625
Proceeds from repayment of investments held to maturity		–	208,024
NET CASH (OUTFLOW)/INFLOW FROM INVESTMENT ACTIVITIES		(29,330)	167,623
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		825,115	222,707
Repayments of borrowings		(483,328)	(304,844)
Dividends paid		(11,052)	–
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		330,735	(82,137)
Effect of changes in foreign exchange rate on cash and cash equivalents		(5,422)	17,554
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(96,081)	105,578
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR	8	282,488	176,910
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	8	186,407	282,488

Interest paid and received by the Company during the year ended 31 December 2010 amounted to KGS 169,121 thousand and KGS 908,496 thousand, respectively.

Interest paid and received by the Company during the year ended 31 December 2009 amounted to KGS 151,016 thousand and KGS 679,820 thousand, respectively.

On behalf of the Management:

Ulanbek Termechikov
Chairman of the Management Board

15 April 2011
Bishkek, Kyrgyz Republic



Ainura Bakirova
Chief Accountant

15 April 2011
Bishkek, Kyrgyz Republic

The notes on pages 21–60 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

1. ORGANISATION

Kompanion Financial Group Microfinance Closed Joint Stock Company (“the Company”) was established in the Kyrgyz Republic in 2004 as Kompanion Financial Group Micro Credit Limited Liability Company. On 9 April 2009 the Company was reorganized into a Closed Joint Stock Company. On 29 April 2009 the Company was re-registered at the Ministry of Justice of the Kyrgyz Republic under certificate #21732–3300–AO. The main activity of the Company is granting micro-credit loans to individuals and legal entities.

The Company is registered and located at 2/1 Jukeeva–Pudovkina St., Bishkek, Kyrgyz Republic.

The Company’s operations are administered in the head office, which is located in Bishkek. As at 31 December 2010 and 2009, the Company had 12 and 10 branches in the Kyrgyz Republic, respectively.

As at 31 December 2010 and 2009, the Company had 929 and 835 employees, respectively.

The sole owner of the Company is an international non-governmental organization Mercy Corps (“the Founder”) with headquarters in Portland, Oregon, USA and Edinburgh, Scotland.

These financial statements were approved by the Executive Management of the Company on 15 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Kyrgyz Soms (“KGS”), unless otherwise stated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company maintains its accounting records in accordance with Kyrgyz legislation which stipulates preparation of financial statements in conformity with IFRS.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Financial assets and financial 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 settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

The principal accounting policies are set out below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of revenue – other

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided or received.

Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 21.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days, which may be converted to cash within a short period of time and thus are considered liquid.

Loans and receivables

Due from banks and other financial institutions, loans to customers, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Company and after the Company has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statement of comprehensive income.

On derecognition of a financial asset other than it is entirety (e.g. when the Company retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Other financial liabilities

Other financial liabilities, including due to banks and other financial institutions, and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

Derivative financial instruments

In the normal course of business, the Company enters into various derivative financial instruments including swaps and back-to-back loans. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the statement of financial position. Gains and losses resulting from these instruments are included in net (loss)/gain from financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Company are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement comprehensive income according to nature of the losses.

Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets, and is designed to write off assets over their useful economic lives. Depreciation and amortization is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2%
Vehicles	10
Furniture and office equipment	20%
Computer equipment	20%
Intangible assets	20%

Capital expenditures for leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operating taxes

The Kyrgyz Republic also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

Due to banks and other financial institutions and subordinated debt

Due to banks and other financial institutions and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the statement of comprehensive income in the period in which they arise.

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	31 December 2010	31 December 2009
KGS/USD	47.0992	44.0917
KGS/EUR	61.7949	62.5229

Share capital

Share capital is recognized at historical cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement obligations

In accordance with the requirements of the Kyrgyz legislation certain percentages of pension payments are withheld from total disbursements to staff to be transferred to state pension fund, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the state pension fund. The Company does not have any pension arrangements separate from the state pension system of the Kyrgyz Republic. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Company regularly reviews its loans and receivables to assess for impairment. The Company's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Company considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Company's estimated losses and actual losses would require the Company to record provisions which could have a material impact on its financial statements in future periods.

The Company uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Company uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment losses of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Company is not in a position to predict what changes in conditions will take place in the Kyrgyz Republic and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2010 and 2009, gross loans to customers totalled KGS 1,971,993 thousand and KGS 1,355,691 thousand, respectively, and allowance for impairment losses amounted to KGS 105,858 thousand and KGS 70,112, thousand respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

Adoption of new standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2010. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company’s accounting policies that have affected the amounts reported for the current or prior years, except for amendments to IAS 1 “Presentation of Financial Statements” (revised 2007).

Standards and interpretations issued and not yet adopted

The Company has not applied the following IFRS and IFRIC that have been issued:

- Financial instruments: Classification and Measurement – On 12 November 2009, the IASB issued IFRS 9 “Financial instruments” as the first step in its project to replace IAS 39 “Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years.

The management anticipates that IFRS 9 that will be adopted in the Company’s financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Company’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

All other Standards and Interpretations are not applicable to the Company’s operations. Management believe the adoption of these Standards and Interpretations will not have a significant impact on the results of the Company’s operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

3. NET INTEREST INCOME

	Year ended 31 December 2010	Year ended 31 December 2009
INTEREST INCOME COMPRISES:		
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers, including:		
Group	873,133	650,287
Individual	2,214	903
Interest on due from banks and other financial institutions	11,592	12,275
Interest on investments held to maturity	–	6,714
Other interest income	2,382	3,361
TOTAL INTEREST INCOME ON FINANCIAL ASSETS RECORDED AT AMORTIZED COST	889,321	673,540
INTEREST EXPENSE COMPRISES		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expenses on due to banks and other financial institutions	134,054	120,113
Interest expense on subordinated debt	33,060	27,712
TOTAL INTEREST EXPENSE ON FINANCIAL ASSETS RECORDED AT AMORTIZED COST	167,114	147,825
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	722,207	525,715

Group loans are unsecured loans granted to groups of borrowers who sign loan agreements with joint responsibility to repay the loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

4. ALLOWANCE FOR IMPAIRMENT LOSSES

	Loans to customers	Due from banks and other financial institutions	Financial assets at fair value through profit or loss	Total
31 DECEMBER 2008	50,343	–	–	50,343
Additional provision recognized	21,307	–	–	21,307
Recovery of provision	(1,538)	–	–	(1,538)
31 DECEMBER 2009	70,112	–	–	70,112
Additional provision recognized	42,306	14,250	51,453	108,009
Recovery of provision	(6,560)	–	–	(6,560)
31 DECEMBER 2010	105,858	14,250	51,453	171,561
				Other assets
31 DECEMBER 2008				153
Additional provision recognized				117
Recovery of provision				(57)
31 DECEMBER 2009				213
Additional provision recognized				4126
Recovery of provision				(75)
31 DECEMBER 2010				4,264

5. NET FOREIGN EXCHANGE LOSS

	Year ended 31 December 2010	Year ended 31 December 2009
Loss from revaluation of financial assets and liabilities	85,558	116,308
Dealing, net	425	455
TOTAL NET FOREIGN EXCHANGE LOSS	85,983	116,763

Derivative financial instruments are used by the Company for trading purposes and to provide economic hedges against exposures to fluctuations in foreign currency exchange rates (Note 23).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

6. OPERATING EXPENSES

	Year ended 31 December 2010	Year ended 31 December 2009
Salary and bonuses	266,564	231,704
Contributions to Social Fund of Kyrgyz Republic	46,196	42,822
Transportation costs	26,625	20,630
Rent of premises	25,899	24,052
Security	24,638	17,543
Depreciation and amortization	18,113	15,103
Communication, mail and courier expenses	7,643	5,523
Business trips and representative expenses	6,277	5,430
Professional services	5,116	7,350
Stationery	4,276	3,958
Advertising and subscription costs	3,681	3,524
Property and equipment maintenance	3,042	672
Utilities	2,744	2,236
Staff training	1,619	2,667
Charities and sponsorship	1,139	3,047
Taxes, other than income tax	345	722
Other expenses	18,856	13,606
TOTAL OPERATING EXPENSES	462,773	400,589

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

7. INCOME TAXES

The Company provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations in the Kyrgyz Republic, which may differ from International Financial Reporting Standards. For the years ended 31 December 2010 and 2009 the income tax rate was 10%.

The Company is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2010 and 2009 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2010 and 2009 comprise:

	31 December 2010	31 December 2009
DEFERRED INCOME TAX ASSETS:		
Deferred income	24,231	16,882
Bonuses provision	7,528	5,560
Vacation provision	4,678	14,168
Premiums provision	3,800	–
Other provisions	172	149
TOTAL DEFERRED INCOME TAX ASSETS	40,409	36,759
DEFERRED INCOME TAX LIABILITIES:		
Property, equipment and intangible assets	47,741	56,698
TOTAL DEFERRED INCOME TAX LIABILITIES	47,741	56,698
Net deferred income tax liabilities at the statutory rate (10%)	733	1,994
NET DEFERRED INCOME TAX LIABILITIES	733	1,994

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

The ratio between tax expenses and accounting profit for the years ended 31 December 2010 and 2009 are disclosed as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
PROFIT BEFORE INCOME TAX	117,986	82,069
Tax at the statutory tax rate	11,799	8,207
Tax effect of permanent differences	6,222	(1,638)
CURRENT INCOME TAX EXPENSE	18,021	6,569
Current income tax expense	18,021	6,569
Deferred income tax (benefit)/expense	(1,261)	1,900
INCOME TAX EXPENSE	16,760	8,469
	2010	2009
DEFERRED INCOME TAX LIABILITIES		
Beginning of the year	1,994	94
(Decrease)/increase of deferred income tax for the year	(1,261)	1,900
END OF THE YEAR	733	1,994

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is composed of the following items:

	31 December 2010	31 December 2009
Cash	–	481
Due from banks (with maturity of less than 3 months)	186,407	282,007
TOTAL CASH AND CASH EQUIVALENTS	186,407	282,488

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

9. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2010	31 December 2009
Settlement and Savings Company, OJSC	66,872	87,743
Demir Kyrgyz International Bank, CJSC	61,002	9,216
Kyrgyz Investment and Credit Bank, CJSC	53,507	73,301
Asian Credit Fund MCF, LLP	23,817	–
Frontiers, CJSC	5,489	–
UniCreditBank OJSC	2,861	2,838
Commercial Bank Kyrgyzstan OJSC	848	401
Kazkommertsbank Kyrgyzstan, OJSC	124	116
Amanbank, OJSC	13	17,460
Bank Asia, OJSC	6	12,117
Ecobank, OJSC	4	4
Zalkar Bank, OJSC	4	101,040
Manas Bank, OJSC	2	2
BTA Bank CJSC	–	87
	214,549	304,325
Less allowance for impairment loss	(14,250)	–
TOTAL DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	200,299	304,325

As at 31 December 2010 and 2009, due from banks includes accrued interest of KGS 859 thousand and KGS 2,969 thousand, respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Kyrgyz Som)

10. LOANS TO CUSTOMERS

	31 December 2010	31 December 2009
Originated loans	1,971,993	1,355,691
Less allowance for impairment losses	(105,858)	(70,112)
TOTAL LOANS TO CUSTOMERS	1,866,135	1,285,579

As at 31 December 2010 and 2009, accrued interest income included in loans to customers amounted to KGS 41,143 thousand and 25,690 thousand respectively.

Movements in allowances for impairment losses for the years ended 31 December 2010 and 2009 are disclosed in Note 4.

As at 31 December 2010 and 2009, loans to customers comprised of the following products:

	31 December 2010	31 December 2009
Group loans	1,953,961	1,325,432
Individual loans	18,032	30,259
	1,971,993	1,355,691
Less allowance for impairment losses	(105,858)	(70,112)
TOTAL LOANS TO CUSTOMERS	1,866,135	1,285,579

Group loans are unsecured loans granted to groups of borrowers who sign loan agreements with joint responsibility to repay the loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

The Company provides loans to customers for development of small businesses.

	31 December 2010	31 December 2009
Unsecured loans – group loans	1,953,961	1,325,432
Loans secured by various collateral – individual loans	11,901	23,652
Unsecured loans – individual loans	6,131	6,607
	1,971,993	1,355,691
Less allowance for impairment losses	(105,858)	(70,112)
TOTAL LOANS TO CUSTOMERS	1,866,135	1,285,579
	31 December 2010	31 December 2009
ANALYSIS BY SECTOR:		
Agriculture	1,272,150	810,206
Trade	548,872	426,619
Services	92,872	64,438
Manufacturing	47,493	45,728
Consumer loans	–	6,927
Others	10,606	1,773
	1,971,993	1,355,691
Less allowance for impairment losses	(105,858)	(70,112)
TOTAL LOANS TO CUSTOMERS	1,866,135	1,285,579

As at 31 December 2010 and 2009, the entire loan portfolio of KGS 1,971,993 thousand and KGS 1,355,691 thousand was disbursed to customers operating in the Kyrgyz Republic, which represents a significant geographical concentration and credit risk exposure.

As at 31 December 2010 and 2009, the Company had taken possession of collateral it held as security of KGS 242 thousand and KGS 203 thousand, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

1 1. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Leasehold improve- ments	Furniture and office equipment	Computer equipment	Vehicles	Intangible assets	Construc- tion in progress	Total
AT COST								
31 DECEMBER 2008	32,915	356	15,410	20,475	18,523	18,329	3,192	109,200
Additions	6,928	571	5,144	7,044	3,145	1,108	18,086	42,026
Disposals	–	(243)	(172)	(287)	(193)	(1,163)	(250)	2308
Transfers	20,758	–	–	–	–	–	(20,758)	–
31 DECEMBER 2009	60,601	684	20,382	27,232	21,475	18,274	270	148,918
Additions	1,178	656	4,882	5,991	1,969	15,273	2	29,951
Disposals	–	(3)	(738)	1,498	–	–	–	(2,239)
Transfers	7	–	223	(223)	–	–	(7)	–
31 DECEMBER 2010	61,786	1,337	24,749	31,502	23,444	33,547	265	176,630
Accumulated depreciation and amortization								
31 DECEMBER 2008	(791)	(113)	(4,000)	(6,568)	(2,824)	(2,636)	–	(16,932)
Charge for the year	(842)	(538)	(3,587)	(4,542)	(1,969)	(3,625)	–	(15,103)
Impairment losses	–	–	–	(105)	–	–	–	(105)
Disposals	–	243	120	265	61	37	–	726
Recovery of impairment losses	–	–	–	5	–	–	–	5
31 DECEMBER 2009	(1,633)	(408)	(7,467)	(10,945)	(4,732)	(6,224)	–	(31,409)
Charge for the year	(1,343)	(463)	(4,203)	(5,422)	(2,285)	(4,397)	–	(18,113)
Disposals	–	3	513	1,372	–	–	–	1,888
Transfers	–	–	(11)	11	–	–	–	–
31 DECEMBER 2010	(2,976)	(868)	(11,168)	(14,984)	(7,017)	(10,621)	–	(47,634)
NET BOOK VALUE								
31 DECEMBER 2009	58,968	276	12,915	16,287	16,743	12,050	270	117,509
31 DECEMBER 2010	58,810	469	13,581	16,518	16,427	22,926	265	128,996

As at 31 December 2010 and 2009, the Company did not have property and equipment that was pledged as collateral.

As at 31 December 2010, property and equipment include fully depreciated equipment with an initial cost of KGS 76 thousand.

As at 31 December 2009, property and equipment did not include fully depreciated equipment.

As at 31 December 2010 and 2009, intangible assets comprised of software.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2010		31 December 2009	
	Nominal value	Net fair value		Nominal value	
Derivative financial instruments		Assets	Liabilities	Assets	Liabilities
Foreign exchange swap contracts, gross	1,582,312	156,484	–	1,194,553	81,727
Less allowance for impairment losses		(51,453)	–	–	–
		105,031	–	81,727	–

As at 31 December 2010 and 2009, the Company placed US Dollar denominated non–interest deposits, foreign currency swaps amounting to KGS 1,582,312 thousand (21,680 thousand US Dollars) and KGS 1,194,553 thousand (27,092 thousand US Dollars), respectively.

The loans and foreign currency swaps in Kyrgyz Som from the same banks were received in the amount of KGS 1,425,828 thousand and KGS 1,112,826 thousand.

In addition to foreign currency swap agreements, derivative financial instruments include back–to–back loans, which in substance represent foreign currency swap arrangements. Back–to–back loans are agreements with commercial banks under which the Company receives a loan in KGS and places a deposit with the same Bank for the equivalent (or higher) amount of USD as collateral for the loan received. Upon maturity of the loan the Company repays KGS loan and receives back the amount of deposited USD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

13. OTHER ASSETS

	31 December 2010	31 December 2009
OTHER FINANCIAL ASSETS		
Account receivable	5,025	1,496
	5,025	1,496
OTHER NON–FINANCIAL ASSETS		
Prepayments for services and property	34,971	5,450
Prepayments on taxes other than income tax	10,386	715
Inventory	4,781	3,776
Foreclosed property	242	203
Other	3,571	4,042
	53,951	15,682
Less allowance for impairment losses	(4,264)	(213)
TOTAL OTHER ASSETS	54,712	15,469

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

14. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Counterparty	Currency	Interest rate	Maturity date	31 December 2010	31 December 2009
Dexia Microcredit Fund	USD	9.00%	20/06/2012	143,700	134,524
Dexia Microcredit Fund	USD	6.80%	19/02/2013	94,198	88,183
Oikocredit	KGS	6 months treasury bills of the Ministry of finance of KR + 4%	22/11/2013	93,491	-
Rural Impulse Fund II	USD	8.00%	25/08/2012	91,444	-
Rural Impulse Fund	USD	9.50%	19/08/2011	90,107	169,314
EBRD	USD	5.25%+6 month LIBOR	24/04/2012	72,952	111,476
Dexia Microcredit Fund	USD	6.60%	17/02/2012	72,464	-
Microcredit Enterprises	USD	9.00%	24/04/2012	72,327	66,138
Dexia Microcredit Fund	USD	7.00%	12/05/2012	72,309	-
Deutsche Bank	USD	7.75%	26/05/2012	71,150	-
Credit Suisse Fund	USD	9.50%	19/05/2011	59,340	111,102
Symbiotics SA	USD	7.75%	03/06/2012	59,299	-
Symbiotics SA	USD	8.00%	25/08/2012	48,408	-
Symbiotics SA	USD	7.00%	23/11/2013	48,408	-
Symbiotics Investment	USD	7.75%	03/12/2012	47,379	-
Symbiotics Investment	USD	7.00%	12/05/2012	36,684	-
EMF Microfinance Fund	USD	8.00%	18/08/2012	36,684	-
Finethic Microfinance	USD	9.50%	23/05/2011	35,604	66,662
Dual Return Fund	USD	9.50%	31/05/2011	35,604	66,661
Symbiotics SA	USD	7.75%	26/05/2012	35,579	-
Wallberg Invest SA	USD	6.80%	19/03/2013	24,911	-
EMF Microfinance Fund	USD	6.60%	17/02/2012	24,134	-
Credit Suisse MFMC	USD	6.60%	17/02/2012	24,134	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Counterparty	Currency	Interest rate	Maturity date	31 December 2010	31 December 2009
Responsibility SICAV (Lux)	USD	6.60%	17/02/2012	24,134	-
Oikocredit	USD	10.50%	13/09/2011	14,326	27,037
SICAV	USD	9.50%	19/05/2011	11,868	22,221
Symbiotics SA	USD	7.75%	26/05/2012	11,860	-
EBRD	USD	5.75% +6 month LIBOR	24/05/2010	-	9,826
Credit Suisse Microfinance Fund	USD	9.75%	25/02/2010	-	22,762
Global Commercial Fund	USD	LIBOR + 500 basis points	31/10/2010	-	65,930
Finethic Microfinance	USD	9.75%	10/04/2010	-	22,762
Dual Return Fund	USD	9.75%	05/05/2010	-	22,225
Oikocredit	USD	11.00%	14/08/2010	-	12,077
Oikocredit	KGS	6 months treasury bills of the Ministry of finance of KR + 4.75%	17/02/2010	-	4,505
Microvest LP	USD	10.50%	30/06/2010	-	21,965
				1,452,498	1,045,370

As at 31 December 2010 and 2009, due to banks and other financial institutions include accrued interest amounting to KGS 26,132 thousand and KGS 11,442 thousand, respectively.

As at 31 December 2010 and 2009, due to banks and other financial institutions include deferred commission paid on origination of loans amounting to KGS 4,011 thousand and KGS 1,908 thousand, respectively.

The Company is required to comply with financial covenants in relation to borrowed funds disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Company has not breached any of these covenants during the years ended 31 December 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

15. OTHER LIABILITIES

	31 December 2010	31 December 2009
OTHER FINANCIAL LIABILITIES		
Accounts payable for services and goods	4,354	11,898
	4,354	11,898
OTHER NON-FINANCIAL LIABILITIES		
Deferred income	24,231	16,882
Provision for vacation and bonuses to employees	17,228	19,805
Taxes payable, other than income tax	15,459	4,049
Short-term liabilities within Community Development Initiative project	12,031	–
Dividends payable	2,211	–
Other	2,790	251
	73,950	40,987
TOTAL OTHER LIABILITIES	78,304	52,885

16. SUBORDINATED DEBT

Counterparty	Currency	Maturity date year	Interest rate %	31 December 2010	31 December 2009
Deutsche Bank	USD	31/12/2014	10.50%	286,917	268,231
				286,917	268,231

As at 31 December 2010 and 2009, subordinated debt to Deutsche Bank included accrued interest expense amounting to KGS 2,502 thousand and KGS 1,796 thousand respectively.

As at 31 December 2010 and 2009, subordinated debt to Deutsche Bank include deferred commission paid on origination of loans amounting to KGS 1,530 thousand and KGS 2,342 thousand respectively.

17. SHARE CAPITAL

As at 31 December 2010 and 2009, the Company’s authorized and paid share capital amounted to KGS 265,000 thousand.

During 2010, the Company declared and paid to the Company’s Founder dividends in the amount of KGS 13,263 and KGS 11,052 thousand, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

18. FINANCIAL COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2010 and 2009, the Company had no material commitments for capital expenditure.

Operating lease commitments

As at 31 December 2010 and 2009, the Company had no material commitments under operating leases.

Legal proceedings

From time to time and in the normal course of business, claims against the Company are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes

Provisions of Kyrgyz tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the tax authorities often do not interpret tax legislation in favour of taxpayers, who have to resort to court proceedings to defend their position.

Company’s management is confident that all applicable taxes have been accrued and, consequently, the creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits for the three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of higher-level tax inspectorates reviewing the results of previous tax audits.

Operating environment

The Company’s principal business activities are within Kyrgyz Republic. Emerging markets such as Kyrgyz Republic are subject to different risks than in more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kyrgyz Republic and its economy in general.

Laws and regulations affecting businesses in Kyrgyz Republic continue to change rapidly. Tax, currency and customs legislation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kyrgyz Republic. The country’s future economic direction is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

In April 2010 the President of country was deposed during opposition protests. Subsequently to this, the Kyrgyz Republic suffered from civil unrest and an economic downturn. As a result of the parliamentary elections which followed, a new coalition government was formed in December 2010. Significant economic and political uncertainties remain and adverse changes arising from systemic risks in global and local financial systems, including any tightening of the credit environment could slow recovery or disrupt the national economy, adversely affecting the Company’s access to and cost of capital and, more generally, its business, operating results, financial condition and prospects.

Inflation in the Kyrgyz Republic is relatively high (according to government statistics, consumer inflation for the years ended 31 December 2010 and 2009 was 19.2% and 6.8%, respectively).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

19. SUBSEQUENT EVENTS

During 2010, the Company has concluded swap agreements with AsiaUniversalBank OJSC, which due to political changes from April to June 2010 was not able to timely fulfill its commitments. At the end of 2010, the Company has agreed with Zalkar Bank OJSC, which is the legal successor of AsiaUniversalBank OJSC to the conclusion of Agreement on the settlement of mutual liabilities, which was signed on March 23, 2011. According to the agreement, maturity dates and interest rates for all swaps were revised. As at reporting date the Company has fulfilled its commitments on interest due to Zalkar Bank OJSC.

20. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is paid to the substance of the relationship rather than only their legal status. The Company had the following transactions outstanding with related parties:

	31 December 2010		31 December 2009	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Due from banks and other financial institutions	23,817	200,299	–	304,325

Included in the statement of comprehensive income for the years ended 31 December 2010 and 2009 there are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	516	889,321	–	673,540
Operating expenses	(600)	(462,773)	(5,981)	(400,589)
Other income	11,796	12,463	–	5,972
KEY MANAGEMENT PERSONNEL COMPENSATION				
– short term employee benefit	11,956	312,760	9,120	274,526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The carrying amount of financial assets approximates their fair value due to the short-term nature of such financial instruments.

The table below summarizes the Company’s financial assets held at fair value by valuation methodology at 31 December 2010 and 2009, respectively:

Category as per the statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Internal models (unobservable inputs) (Level 3)	31 December 2010 Total
ASSETS:					
Financial assets at fair value through profit or loss	Foreign exchange contracts	–	105,031	–	105,031
Category as per the statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Internal models (unobservable inputs) (Level 3)	31 December 2010 Total
ASSETS:					
Financial assets at fair value through profit or loss	Foreign exchange contracts	–	81,727	–	81,727

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity attributable to the Founder, comprising issued capital and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

As at 31 December 2010 and 2009, there have been no changes in the Company’s capital structure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

23. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Company's business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are:

- Credit risk
- Operational risk
- Liquidity risk
- Market risk

The Company recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Company has established a risk management framework, whose main purpose is to protect the Company from risk and allow it to achieve its performance objectives.

Risk management policies and procedures

The Company's risk management policies aim to identify, analyze and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Board of Directors of the Company has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management Board of the Company is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. Each department is responsible for direct management of the relevant risks, and together with the legal department continuously monitor compliance with currently effective legislation.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of different committees.

Both external and internal risk factors are identified and managed throughout the Company's organizational structure.

Through the risk management framework, the Company manages the following risks:

Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Company's Management. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the Branch Management. Daily risk management is performed by the Credit Administration Department.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

The Company has developed policies and procedures for the management of credit exposures including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Company's credit risk. The Company's credit policy is reviewed and approved by the Board of Directors. The Company establishes limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Operational risk

The Company is exposed to operational risk which is the risk of losses that can be a result of any system inefficiencies or breaks of internal process, systems, presence of human error or effect of any external negative factor.

The Company's risk management policies are designed to identify and analyze this risk to set appropriate risk limits and controls.

Maximum Exposure

The Company's maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets and contingent liabilities. For financial assets in the statement of financial position, the maximum exposure equals to the carrying amount value of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets contingent liabilities, the maximum exposure to credit risk is the maximum amount the Company would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2010 Net exposure after offset and collateral
Due from banks and other financial institutions	200,299	–	200,299	–	200,299
Loans to customers	1,866,135	–	1,866,135	11,901	1,854,234
Financial assets at fair value through profit and loss	105,031	–	105,031	–	105,031
Other financial assets	5,025	–	5,025	–	5,025

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2009 Net exposure after offset and collateral
Cash	481	–	481	–	481
Due from banks and other financial institutions	304,325	–	304,325	–	304,325
Loans to customers	1,285,579	–	1,285,579	23,652	1,261,927
Financial assets at fair value through profit and loss	81,727	–	81,727	–	81,727
Other financial assets	1,496	–	1,496	–	1,496

As at 31 December 2010 and 2009, the Company did not hold any international rated financial assets.

The banking industry is generally exposed to credit risk through its financial assets and loans to customers. The credit risk exposure of the Company is concentrated within the Kyrgyz Republic. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Company's credit and risk management policy are not breached.

In determining the credit risk of financial assets which do not have ratings, the Company uses internal scoring models based on risk ranking criteria. The scoring model takes into consideration the financial performance of the borrower, the ability of repayment and any delays in repayment and the collateral pledged against any borrowings. If the Company determines that no objective evidence of impairment exists 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 Company manages credit risk of financial assets by use of an internal rating system. Loans are classified based on internal evaluations and other analytical procedures, branches and Credit Administration Department classify loans according to their risk and the risk of potential losses, with classifications subject to the approval of the Credit Committee.

Standard loans

The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Company has confidence that the borrower will be able to cope with such (temporary) difficulties. Interest and principal are repaid in full and in a timely fashion or principal and/or interest are overdue for no more than 30 days. The borrower is considered as having the ability to repay the loan in accordance with its terms and conditions.

Doubtful 1st category

There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. Key characteristics are overdue amounts from 31 to 90 days, prolongation of loan, or the repayment of the loan depends to an extent on the realization of collateral. The amount of collateral is sufficient to cover principal amount, interest income accrued, and expenses related to the sale of collateral.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kyrgyz Som)

Doubtful 2nd category

The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. Possibility of loss of doubtful assets is very high, but due to several specific expected factors, that could improve the quality of asset, its classification as loss is deferred until a more precise assessment can be performed. Key characteristics are overdue amounts from 91 to 180 days, or the quality of collateral has deteriorated since origination or it is absent.

Losses

In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt. Key characteristics are overdue amounts over 180 days, prolongation over 3 times or inability or refusal of the client to repay the loan, or absence of the borrower. Once all legal measures to recover the loan have been exhausted, the loan is accounted for as off-balance for at least five years in case of possible repayment.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Financial assets past due and unimpaired					Financial assets that have been impaired	31 December 2010
	Neither past due nor impaired	0–3 months	3–6 months	6 months to 1 year	Greater than one year		Total
Due from banks and other financial institutions	200,299	–	–	–	–	–	200,299
Loans to customers	1,859,539	–	–	–	–	6,596	1,866,135
Financial assets at fair value through profit and loss	105,031	–	–	–	–	–	105,031
Other financial assets	5,025	–	–	–	–	–	5,025

	Financial assets past due and unimpaired					Financial assets that have been impaired	31 December 2009
	Neither past due nor impaired	0–3 months	3–6 months	6 months to 1 year	Greater than one year		Total
Cash	481	–	–	–	–	–	481
Due from banks and other financial institutions	304,325	–	–	–	–	–	304,325
Loans to customers	1,284,040	–	–	–	–	1,539	1,285,579
Financial assets at fair value through profit and loss	81,727	–	–	–	–	–	81,727
Other financial assets	1,496	–	–	–	–	–	1,496

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Geographical concentration

The Planning and Analysis Department exercises control over the risk related to changes in the legislation and regulatory arena and assess its influence on the Company's activity. This approach allows the Company to minimize potential losses from the investment climate fluctuations in the Kyrgyz Republic.

The geographical concentration of assets and liabilities is shown below:

	Kyrgyz Republic	OECD Countries	CIS countries	31 December 2010 Total
FINANCIAL ASSETS:				
Due from banks and other financial institutions	190,732	–	9,567	200,299
Loans to customers	1,866,135	–	–	1,866,135
Financial assets at fair value through profit and loss	105,031	–	–	105,031
Other financial assets	5,025	–	–	5,025
TOTAL FINANCIAL ASSETS	2,166,923	–	9,567	2,176,420
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	–	1,452,498	–	1,452,498
Subordinated debt	–	286,917	–	286,917
Other financial liabilities	4,354	–	–	4,354
TOTAL FINANCIAL LIABILITIES	4,354	1,739,415	–	1,743,769
NET POSITION	2,162,569	(1,739,415)	9,567	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

	Kyrgyz Republic	OECD Countries	CIS countries	31 December 2009 Total
FINANCIAL ASSETS:				
Cash	481	–	–	481
Due from banks and other financial institutions	304,325	–	–	304,325
Loans to customers	1,285,579	–	–	1,285,579
Financial assets at fair value through profit and loss	81,727	–	–	81,727
Other financial assets	1,496	–	–	1,496
TOTAL FINANCIAL ASSETS	1,673,608	–	–	1,673,608
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	–	1,045,370	–	1,045,370
Subordinated debt	–	268,231	–	268,231
Other financial liabilities	11,989	–	–	11,989
TOTAL FINANCIAL LIABILITIES	11,989	1,313,601	–	1,325,590
NET POSITION	1,661,619	(1,313,601)	–	

Liquidity risk

Liquidity risk refers to availability of funds to repay liabilities as they fall due and meeting the demand in cash in the process of crediting customers.

The Management controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period. Current liquidity is managed by the Chief Financial Officer, which supports current liquidity on sufficient level to minimize the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

The analysis of interest rate and liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2010 Total
FINANCIAL ASSETS:						
Due from banks and other financial institutions	1,164	–	14,250	–	–	15,414
Loans to customers	155,412	203,628	1,476,485	28,757	1,853	1,866,135
Financial assets at fair value through profit and loss	–	43,477	60,620	934	–	105,031
Total interest bearing financial assets	156,576	247,105	1,551,355	29,691	1,853	1,986,580
Due from banks and other financial institutions	184,885	–	–	–	–	184,885
Other financial assets	5,025	–	–	–	–	5,025
TOTAL FINANCIAL ASSETS	346,486	247,105	1,551,355	29,691	1,853	2,176,490
FINANCIAL LIABILITIES:						
Due to banks and financial institutions	73,231	–	244,519	1,134,748	–	1,452,498
Subordinated debt	–	–	–	286,917	–	286,917
Total interest bearing financial liabilities	73,231	–	244,519	1,421,665	–	1,739,415
Other financial liabilities	4,354	–	–	–	–	4,354
TOTAL FINANCIAL LIABILITIES	77,585	–	244,519	1,421,665	–	1,743,769
Liquidity gap	268,901	247,105	1,306,836	(1,391,974)	1,853	
Interest sensitivity gap	83,345	247,105	1,306,836	(1,391,974)	1,853	
Cumulative interest sensitivity gap	83,345	330,450	1,637,286	245,312	247,165	
Cumulative interest sensitivity gap as a percentage of total assets	4%	15%	75%	11%	11%	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2009 Total
FINANCIAL ASSETS:						
Loans to customers	56,622	151,883	1,044,342	32,244	488	1,285,579
Financial assets at fair value through profit and loss	(250)	44,384	37,593	–	–	81,727
Total interest bearing financial assets	56,372	196,267	1,081,935	32,244	488	1,367,306
Cash	481	–	–	–	–	481
Due from banks and other financial institutions	120,220	161,787	22,318	–	–	304,325
Other financial assets	1,496	–	–	–	–	1,496
TOTAL FINANCIAL ASSETS	178,569	358,054	1,104,253	32,244	488	1,673,608
FINANCIAL LIABILITIES:						
Due to banks and other financial institutions	–	59,185	404,177	582,008	–	1,045,370
Subordinated debt	2,342	–	–	–	265,889	268,231
Total interest bearing financial liabilities	2,342	59,185	404,177	582,008	265,889	1,313,601
Other financial liabilities	11,898	–	–	–	–	11,898
TOTAL FINANCIAL LIABILITIES	14,240	59,185	404,177	582,008	265,889	1,325,499
Liquidity gap	164,329	298,869	700,076	(549,764)	(265,401)	
Interest sensitivity gap	54,030	137,082	677,758	(549,764)	(265,401)	
Cumulative interest sensitivity gap	54,030	191,112	868,870	319,106	53,705	
Cumulative interest sensitivity gap as a percentage of total assets	3%	11%	52%	19%	3%	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Substantially all of the Company's interest earning assets are at fixed rates of interest and interest bearing liabilities are at both fixed and floating rates.

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Company's liquidity and its susceptibility to fluctuation of interest rates and exchange rates.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position on an undiscounted basis.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2010 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	8.42%	429,353	7,214	447,764	872,148	–	1,756,479
Subordinated debt	10.50%	–	15,063	15,063	438,546	–	468,672
TOTAL FINANCIAL LIABILITIES		429,353	22,277	462,827	1,310,694	–	2,225,151

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2009 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	9.17%	1,571	56,383	118,663	349,167	630,735	1,156,519
Subordinated debt	10.50%	–	6,282	6,422	12,774	343,458	368,936
TOTAL FINANCIAL LIABILITIES		1,571	62,665	125,085	361,941	974,193	1,525,455

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Company is exposed. There have been no changes as to the way the Company measures risk or to the risk it is exposed in 2010.

The Company is exposed to interest rate risks as Company borrows funds at both fixed and floating rates. The risk is managed by the Company maintaining an appropriate mix between fixed and floating rate borrowings.

The Credit Administration and Treasury Departments also manage interest rate and market risks by matching the Company's interest rate position, which provides the Company with a positive interest margin. The Planning and Analysis Department conducts monitoring of the Company's current financial performance, estimates the Company's sensitivity to changes in interest rates and its influence on the Company's profitability.

Interest rate sensitivity risk

The following table details the Company's sensitivity to 1% increase, decrease in interest rates in 2010 and 2009, respectively. Management of the Company believes that given the current economic conditions in the Kyrgyz Republic that a 1% increase is a realistic movement in the interest rates. This is sensitivity rate used when reporting interest rate internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding assets and liabilities with floating rates.

Impact on profit before tax based on asset values as at 31 December 2010 and 2009:

	31 December 2010		31 December 2009	
	Interest rate +1%	Interest rate –1%	Interest rate +1%	Interest rate –1%
LIABILITIES:				
Due to banks and other financial institutions	(159)	159	(64)	64
NET IMPACT ON PROFIT BEFORE TAX	(159)	159	(64)	64

Impact on equity:

	31 December 2010		31 December 2009	
	Interest rate +1%	Interest rate –1%	Interest rate +1%	Interest rate –1%
LIABILITIES:				
Due to banks and other financial institutions	(159)	159	(57)	57
NET IMPACT ON EQUITY	(159)	159	(57)	57

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's financial position and cash flows are exposed to effects of fluctuations in foreign currency exchange rates. The management controls currency risk by management of the open currency position on the estimated basis of KGS devaluation and other macroeconomic indicators, which gives the Company an opportunity to minimize losses from significant currency rates fluctuations toward its functional currency.

The Company enters into various cross currency swaps and back-to-back loans to economically hedge the currency risk exposure. The resulting gain from such transactions for the year ended 31 December 2010 and 2009 was recognized in the statement of comprehensive income account of KGS 48,117 and KGS 93,247, respectively.

The Company's exposure to foreign currency exchange rate risk is presented in the tables below:

	KGS	USD USD 1 = KGS 47.0992	Other currencies	31 December 2010 Total
FINANCIAL ASSETS:				
Due from banks and other financial institutions	99,225	100,765	309	200,299
Loans to customers	1,866,135	–	–	1,866,135
Other financial assets	5,025	–	–	5,025
TOTAL FINANCIAL ASSETS	1,970,385	100,765	309	2,176,490
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	93,750	1,358,748	–	1,452,498
Subordinated debt	–	286,917	–	286,917
Other financial liabilities	4,354	–	–	4,354
TOTAL FINANCIAL LIABILITIES	98,104	1,645,665	–	1,743,769
OPEN BALANCE SHEET POSITION	1,872,281	(1,544,900)	309	
DERIVATIVE FINANCIAL INSTRUMENT POSITION				
	KGS	USD USD 1 = KGS 47.0992	Other currencies	31 December 2010 Total
DERIVATIVE FINANCIAL INSTRUMENT POSITION	(922,227)	1,027,258	–	105,031

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

	KGS	USD USD 1 = KGS 44.0917	Other currencies	31 December 2009 Total
FINANCIAL ASSETS:				
Cash	481	–	–	481
Due from banks and other financial institutions	133,914	170,411	–	304,325
Loans to customers	1,285,579	–	–	1,285,579
Other financial assets	1,496	–	–	1,496
TOTAL FINANCIAL ASSETS	1,421,470	170,411	–	1,673,608
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	4,505	1,040,865	–	1,045,370
Subordinated debt	–	268,231	–	268,231
Other financial liabilities	11,898	–	–	11,898
TOTAL FINANCIAL LIABILITIES	16,403	(1,309,096)	–	1,325,499
OPEN BALANCE SHEET POSITION	1,405,067	(1,138,685)	–	
DERIVATIVE FINANCIAL INSTRUMENT POSITION				
	KGS	USD	Other currencies	31 December 2010 Total
DERIVATIVE FINANCIAL INSTRUMENT POSITION	(1,194,553)	1,276,290	–	81,727

Currency risk sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in the US Dollar/Kyrgyz Som exchange rates in 2010 and 2009. Management of the Company believe that given the current economic conditions in the Kyrgyz Republic that a 10% decrease is a realistic movement in the Som exchange rates against the US Dollar. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in currency rates as at 31 December 2010 and 2009, respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kyrgyz Som)

Impact on net profit based on asset values as at 31 December 2010 and 2009:

	31 December 2010		31 December 2009	
	KGS/USD		KGS/USD	
	+10%	-10%	+10%	-10%
Impact on profit and loss	46,588	(46,588)	12,497	(12,497)

Impact on equity:

	31 December 2010		31 December 2009	
	KGS/USD		KGS/USD	
	+10%	-10%	+10%	-10%
Impact on equity	46,588	(46,588)	12,497	(12,497)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.



Комpanion ГОДОВОЙ ОТЧЕТ 2010

ЭКОЛОГИЯ

ЭКОНОМИКА

СЕЛЬСКОЕ

ХОЗЯЙСТВО

ФИНАНСЫ

БЫТОВЫЕ ОТХОДЫ САДЫ

СОДЕРЖАНИЕ

Обзор компании	65
Обращение руководителей «Компаньона»	66
Сводная финансовая информация	67
Основные моменты 2011 года	68
Постконфликтная помощь	70
Эквити гранты	72
Укрепляя потенциал экономики	74
Овощи из воздуха	75
Отчет независимых аудиторов	76

БУДЬ ТОЙ ПЕРЕМЕНОЙ,
КОТОРУЮ ХОЧЕШЬ
ВИДЕТЬ В МИРЕ

МИССИЯ

Миссия «Компаньона» – стать ведущим финансовым институтом по развитию сообществ в Кыргызстане. «Компаньон» содействует упрочнению и развитию сообществ, предлагая предпринимателям и частным лицам финансовые продукты и услуги для развития.

Примечание: В соответствующих местах данного отчета имена были изменены в целях обеспечения безопасности наших клиентов.

ОБЗОР КОМПАНИИ

Основанный в 2004 году путем объединения пяти микрокредитных агентств Мерсико, «Компаньон» на сегодняшний день представлен 92 офисами во всех областях Кыргызстана и 929 сотрудниками. Мы предлагаем финансовые продукты клиентам, вовлеченным в основном в мелкие агро- и животноводческие хозяйства. Комплексный подход «Компаньона», выраженный предоставлением микрокредитов, наряду с научно подкрепленной поддержкой сельского хозяйства и управления природными ресурсами, способствует созданию здоровых, финансово стабильных сообществ в Кыргызстане.

Мерсико работает там, где происходят стихийные бедствия, существуют конфликты, хроническая бедность и нестабильность, с целью помочь раскрыть потенциал

людей, которые могут преодолеть почти невероятное неравенство. «Компаньон» представляет собой результат 14-летней работы Мерсико в области микрокредитования. Мерсико намерен оставить «Компаньон» как наследие людям Кыргызстана в виде прочного и устойчивого финансового института по развитию сообществ.

В 2004 году «Компаньон» унаследовал от предшествующих кредитных агентств клиентскую базу в 8 700 человек. С тех пор «Компаньон» выдал более 533 000 кредитов на общую сумму приблизительно 254 миллионов долларов США. На сегодняшний день наши программы включают более 119 000 людей во всех крупных городских и сельских населенных пунктах семи областей Кыргызстана. Нашими основными продуктами являются групповые кредиты (99% клиентской базы) и кредиты для малого бизнеса (приблизительно 1% от кредитного портфеля).

ЦЕЛИ «КОМПАНИОНА»

- Стимулировать создание и увеличение оплачиваемых рабочих мест в Кыргызстане;
- Предоставлять надлежащие продукты и услуги каждому клиенту;
- Поддерживать предпринимателей через предоставление финансовых ресурсов и дополнительной технической поддержки;
- Внедрять инновационные кредитные программы, направленные на развитие сообществ Кыргызстана, не имеющих доступа к необходимой поддержке;
- Интегрировать в деятельность компании проекты, поддерживающие здравоохранение и вопросы экологической устойчивости;
- Создать технологическую информационную систему мирового класса, которая позволит улучшить качество предоставления услуг, а также будет способствовать эффективной операционной деятельности компании;
- Содействовать становлению и развитию гражданского общества через участие и реализацию отдельных проектов и программ по развитию сообществ;
- Оказывать влияние на внедрение реформ и изменение законодательства, продвигающего развитие малого и среднего бизнеса;
- Создать компанию, служащую которой гордятся своей работой, а остальные хотят в ней работать.

 **Компаньон** был основан

 **MercyCorps**

2010 ГОД БЫЛ ТЯЖЕЛЫМ, НО ДОЛЖНОЕ ВОЗДАЛ

В 2010 году «Компаньон» и Mercy Corps (Мерсико) объединили свои ресурсы для удовлетворения острых потребностей населения, возникших вследствие апрельской революции и трагических июньских событий. В течение первых дней и недель после политического переворота наши сотрудники доставили гуманитарную помощь более 16 800 людям. Благодаря щедрому финансированию ключевых доноров, около 5 500 000 долларов США в виде пищевой и непродовольственной продукции будут доставлены более 136 500 людям к концу мая 2011 года.

Причины, которые привели к событиям 2010 года не возникли за одну ночь. Нищета вызывает конфликт; более 40% населения Кыргызстана живет в нищете и 35% не обеспечены достаточным продовольствием. Будучи и в своей деятельности направлены на обеспечение продовольственной безопасности и улучшение жизненных условий, мы, вместе с другими международными донорами, которые объединились для обеспечения острых потребностей потерпевших, внедрили программы для скорого восстановления. Опыт «Компаньона» в предпринимательстве и микрокредитовании, а также наше устойчивое положение и влияние в стране обеспечило нам платформу для быстрого и эффективного оказания помощи. Мы предоставили кредитные скидки клиентам, пострадавшим вследствие событий, и начали программу, нацеленную на предоставление помощи предпринимателям в восстановлении средств к существованию, а также являлись партнером Мерсико по внедрению программ помощи и восстановления.

Более подробная информация на стр. 8 и 9.

Несмотря на нестабильные и бедственные жизненные условия, народ Кыргызстана продолжает демонстрировать стойкость. С небольшой помощью многие семьи своими силами начали заново строить свои жизни. По этой причине, в 2010 году работы «Компаньона» по развитию продолжали ориентироваться на малые сельскохозяйственные инициативы, техническую поддержку животноводства и садоводства, а также на переработку пластика, чтобы помочь сообществам разнообразить источники дохода и уменьшить загрязнение почвы и воды.

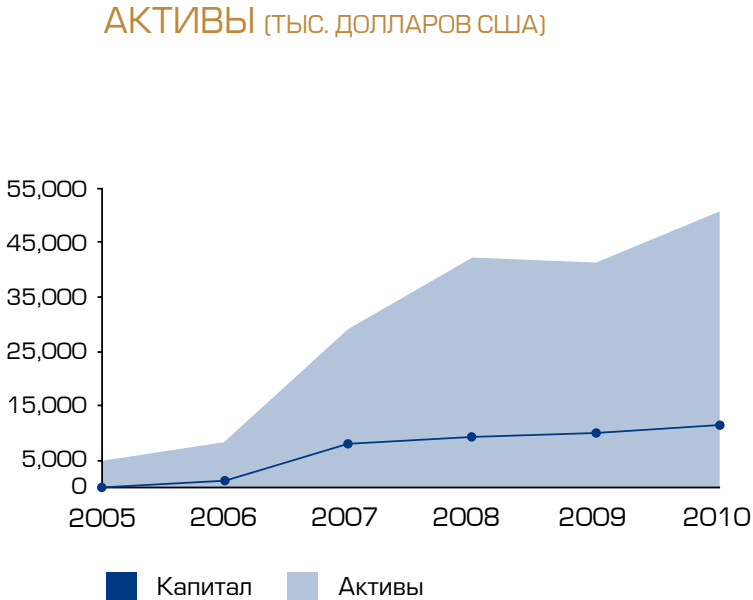
Мы хотели бы поблагодарить наших сотрудников, а также всех людей и все организации, в особенности Incofin и BlueOrchard, за их вклад в работу «Компаньона» по оказанию быстрой помощи и обеспечению скорейшего восстановления.

УЛАНБЕК ТЕРМЕЧИКОВ
Председатель правления
«Компаньон»

КЭТРИН БРАУН
Председатель Совета
директоров Мерсико
в Кыргызстане

НЕСМОТРЯ НА ВСЕ ТРУДНОСТИ,
2010 ГОД БЫЛ УСПЕШНЫМ

	2004	2005	2006	2007	2008	2009	2010	CAGR
ОБЩЕЕ КОЛ-ВО КЛИЕНТОВ	8,591	12,221	21,803	40,326	70,812	99,386	119,396	55%
КРЕДИТНЫЙ ПОРТФЕЛЬ (МЛН \$ США)	\$3.2	\$3.8	\$7.1	\$21.6	\$28.4	\$30.5	\$41.6	54%
ПОРТФЕЛЬ ПОД РИСКОМ	0.9%	0.8%	0.4%	0.2%	0.5%	0.5%	0.3%	
КОЛИЧЕСТВО СОТРУДНИКОВ	151	138	173	503	801	835	929	21%
КОЛИЧЕСТВО ОФИСОВ	32	29	42	56	81	82	92	19%



ОСНОВНЫЕ МОМЕНТЫ

КРЕДИТЫ И САРАИ, ГОРЫ И ТЕПЛИЦЫ, ОВОЩИ И ПОГРЕБА, САДЫ И БЫТОВЫЕ ОТХОДЫ

Сотрудничая с успешными малыми предприятиями, «Компаньон» сочетает в себе коммерческое микрофинансирование, технические консультации и нацеленное развитие, которые укрепляют семьи и сообщества:



ИНИЦИАТИВА «ЭКО-САД»

Домашние сады составляют важную часть экономики Кыргызстана. Благодаря микрокредитам и технической поддержке «Компаньона», клиенты превращают приусадебные сады в успешный малый бизнес, приносящий доход.



ИНИЦИАТИВА «УПРАВЛЕНИЕ ОТХОДАМИ»

Загрязнение разрушает землю, а вместе с тем и средства к существованию. Данная инициатива направлена на защиту наиболее важных активов Кыргызстана — приусадебных садов и пастбищ. Третья ежегодная акция «Чистый Иссык-куль» началась с семинара о негативных эффектах пластиковых отходов, после чего все участники акции отправились собирать мусор.



ИНИЦИАТИВА «УПРАВЛЕНИЕ ДОМАШНИМ СКОТОМ»

В семейном животноводстве и молочном бизнесе успех достигается благодаря улучшенной продуктивности животноводства и рационального использования земли.



«САД В ЧЕМОДАНЕ»

Семьям необходима информация о правильном питании и о том, как планировать выращивание необходимых продуктов в течение года. «Компаньон» разработал «Сад в чемодане» и продемонстрировал его для обучения населения.



ИНИЦИАТИВА «ЭНЕРГОСБЕРЕГАЮЩИЕ ПЕЧИ»

Многие семьи используют сухой навоз, что приводит к потере плодородия почвы, или вырубают деревья, что способствует эрозии и выбросу углекислого газа. Использование энергосберегающих печей приводит к сохранению природных ресурсов и сокращает семейные расходы.



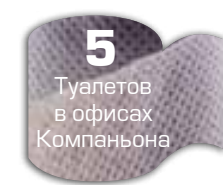
ИНИЦИАТИВА «ПОГРЕБ»

Хранение продовольствия увеличивает доход семьи за счет доставки свежих продуктов на рынок. Участники учат конструировать погреба, выбирать для них места и рассчитывать затраты. Они также обучаются тому, как проводить ремонт и уход, и также техникам хранения.



«ВЫСОКОГОРНЫЙ ПАРНИК»

«Компаньон» продемонстрировал, как культуры, богатые питательными веществами, можно вырастить при высокогорных условиях. В результате, был проявлен очень большой интерес к выращиванию овощей на долгий зимний период.



ИНИЦИАТИВА «ЭКО-ТУАЛЕТ»

Способствует сельским сообществам в сохранении почвы и уменьшении загрязнения от открытых туалетов и хозяйственно-бытовых отходов. С помощью биотуалетов отходы обезвоживаются, разлагаются, и затем используются в качестве удобрений.



В беспокойный для Кыргызской Республики год, «Компаньон» получил престижную награду за **инновационный вклад в социальное развитие** на конференции по **«Инновациям в области микрофинансирования»**, которая прошла 26 октября в Вашингтоне.

Согласно Ассоциации Микрофинансовых Организаций в 2010 году «Компаньон» стал ведущей микрофинансовой компанией в Кыргызстане по числу клиентов.

ПЕПЕЛ И ВОЗМОЖНОСТИ

“МЫ НЕ ЧУЖИЕ, МЫ – ЧАСТЬ СООБЩЕСТВ, ДЛЯ КОТОРЫХ МЫ РАБОТАЕМ”



Компаньон и Мерсико немедленно отреагировали на острый гуманитарный кризис, вызванный жестокими июньскими событиями 2010 года на юге Кыргызстана. Реакция «Компаньона» на возникшие события была естественной и незамедлительной; сотрудники офисов по всей стране были готовы оказать помощь.

В течение трех дней после конфликта, опытные команды «Компаньона» и Мерсико начали доставлять помощь пострадавшим в Ошской и Джалал-Абадской областях. Тем временем, Головной офис в городе Бишкек и другие филиалы закупили предметы первой необходимости и собрали пожертвования для пострадавших. Мы играли ведущую роль в оказании помощи пострадавшим предпринимателям

в восстановлении крайне важных микропредприятий и средств к существованию. Наши программы по оказанию экстренной помощи охватили более 136 500 человек, а программа предоставления денежной поддержки содействовала восстановлению более 1 100 микропредприятий, сохраняя более 2 400 рабочих мест.

На юге Кыргызстана микропредприятия и самозанятость составляют большую часть из ограниченных возможностей людей заработать на жизнь. В результате конфликта 2010 года сотни семей потеряли не только близких, дома и имущества, но и бизнес-активы и способность создавать доход. «Компаньон» учел то, что клиентам была срочно необходима кредитная скидка. В начале июля «Компаньон» создал Комитет экстренного кредитования для быстрой оценки состояния пострадавших и затем предоставил соответствующие кредитные скидки. Начиная с июля, «Компаньон» списал 343 и переоформил 2,186 кредитов.

Мерсико и «Компаньон» также разработали инновационную программу предоставления денежной поддержки чтобы помочь пострадавшим предпринимателям восстановить необходимые средства к жизни и их деятельность. С помощью данного “Фонда восстановления сообществ с помощью микропредприятий” (ФВСМ) мы объединили международные пожертвования и большой опыт «Компаньона» в микропредпринимательстве и финансах. Посредством наших

местных офисов, а также благодаря тому, что мы очень хорошо знакомы с пострадавшими в ходе событий сообществами, мы предоставили предпринимателям начальный капитал, чтобы они смогли вновь начать свой бизнес. Размер предоставленного гранта был определенно меньше, чем их фактические потери, но был достаточен для того, чтобы позволить им вновь начать создавать доход.

Первая партия грантов ФВСМ была распределена 14-го июля, не позднее чем через месяц после жестоких событий. Наш подход основывался на твердом убеждении в эффективности рыночного подхода, а также на нашей уверенности в стойкости и инновационных подходах малых предпринимателей. Восстановление способности предпринимателей вновь создавать доход приносит краткосрочные выгоды и возможность более быстрого выхода из зависимости от внешней помощи. Это было выполнено на основе соблюдения и уважения их достоинства, навыков и личной находчивости.

ФВСМ очень быстро предоставил помощь в виде наличных денег владельцам микропредприятий, которые потеряли весь или большую часть своего бизнеса из-за возникшего конфликта и были готовы вновь начать свою деятельность. Целью было оказать быструю помощь семьям в восстановлении жизненно важных потоков дохода, а также помочь им встать на путь динамичного восстановления.

ПРОДОВОЛЬСТВИЕ ДЛЯ МИРА

В ответ на межэтнический конфликт, который возник в июне 2010 года на юге Кыргызстана, Мерсико и «Компаньон» предоставили 7 756 пострадавшим семьям в Ошской и Джалал-Абадской областях (48 500 людям) помощь в виде наличных денежных средств. Конфликт усугубил и без того сложную ситуацию с продовольственной безопасностью. Мы смогли быстро отреагировать на возникшие нужды и предоставили потерпевшим семьям столь необходимые



денежные средства для закупки продуктов питания и других необходимых средств. Обширная сеть «Компаньона» и его опыт в предоставлении наличных средств способствовали оказанию быстрой помощи. В течение девяти месяцев мы распределили три транша по 105 долларов США на каждую



семью. Распределение денежных средств производилось в пострадавших районах, школах, общественных зданиях и офисах «Компаньона». Прямое распределение денег обеспечило получателям легкий доступ, так как возможность передвижения для получения помощи многих из них была ограничена. Отдел технической и консультационной поддержки «Компаньона» также воспользовался случаем и предоставил информацию для устойчивого ведения сельского хозяйства и животноводства. Эти тренинги охватили более 3 300 получателей и подтолкнули членов сообществ задуматься о том, как они могут оптимизировать то, чем уже владеют и приносить больше дохода для своей семьи.



ЭКВИТИ ГРАНТ «КОМПАНЬОНА» И «ФОНД ВОССТАНОВЛЕНИЯ СООБЩЕСТВ С ПОМОЩЬЮ МИКРОПРЕДПРИЯТИЙ» (ФВСМ) МЕРСИКО ДАЛИ ПРЕДПРИНИМАТЕЛЯМ ВОЗМОЖНОСТЬ ЗАНОВО НАЧАТЬ СВОЙ БИЗНЕС

НИЖЕ НЕКОТОРЫЕ ИЗ ИХ ИСТОРИЙ:



Гульбахор У. – талантливая швея, но ее швейный магазин в селе Базар–Коргон был сожжен дотла во время июньских событий. Они потеряла все свое оборудование и материалы, а магазин уже не подлежал ремонту. Гульбахор, также как и многие воодушевленные предприниматели на юге Кыргызстана, была тверда в намерении заново начать свою деятельность. От сотрудника «Компаньона» она узнала о «Фонде восстановления сообществ с помощью микропредприятий» (ФВСМ) и подала заявление. Грант требовал использование денег для восстановления бизнеса, что она и сделала. Она купила новые швейные машины и сняла в аренду новое

место, которое было даже лучше, чем ее прежний магазин. Теперь она снова в деле, производит красивую женскую одежду. У нее есть пять учениц, которые работают вместе с ней и ее бизнес процветает. Наряду со старыми клиентами, они смогла привлечь новых клиентов и увеличила продажу на центральном рынке. С большой улыбкой на лице она сказала: «Мой бизнес сейчас идет даже лучше, чем до событий. У меня все отлично. Спрос на платья с более сложной отделкой растет, так что я планирую купить новую швейную машинку и сделать мои платья еще красивее».



“Посмотрите на разницу... Я смог купить этот качественный набор использованных Европейских инструментов благодаря эквити гранту. Они очень крепкие. Я бы не смог позволить себе купить новые инструменты такого качества, но купить использованные тоже было разумным. Сравните качество этих дешевых инструментов с базара. Они очень слабые. Благодаря наличным денежным средствам я смог купить себе то, что мне было действительно нужно...”

Дильмурот М.,
Получатель эквити гранта и владелец сварочной мастерской в городе Ош.

Сответствуя значению своего имени, 42–летняя Юлдуз А. «сияла», когда с гордостью показывала нам свой бизнес — новую пекарню. Ее семейная чайхана была сожжена дотла во время июньских событий. Благодаря помощи в 23 250 сомов (500 долларов США), предоставленного ФВСМ, Юлдуз смогла начать новый бизнес, который расположился рядом с тем местом, где ранее находилась ее чайхана.

«Мы очень благодарны за эту помощь, благодаря ей мы смогли снова начать наш бизнес... никакая другая организация или государственная программа не оказала нам помощь...»

В традиционных тандырных печах Узбеки пекут свой знаменитый нан (лепешка) и самсы (слоеный пирожок с мясом), которые в этих печах приобретают идеальный золотистый цвет. Тандырные печи очень распространены на юге Кыргызстана,

но вместе с тем их очень трудно строить. Отец Юлдуз был мастером по строительству тандырных печей и передал все свои знания и мастерство Юлдуз и ее сыну. Сначала аккуратно и внимательно отбирается глина, смешивается с тщательно очищенной овечьей шерстью для увеличения теплоемкости и крепости глины и затем вручную придается форма тандырной печи высотой чуть больше одного метра. Стоимость больших тандырных печей для кафе – больше 5 000 сомов (108 долларов США), а маленькие домашние тандырные печи стоят около 500 сомов (11 долларов США).

Юлдуз все еще мечтает когда–нибудь снова открыть свою чайхану, но на данный момент она очень признательна за возможность зарабатывать себе на жизнь выпечкой и продажей тандыров. Юлдуз объяснила, что так как был сожжен только их бизнес,



а дом остался нетронутым, они не стали обращаться в другие программы. Так как Мерсико и «Компаньон» разработали «Фонд восстановления сообществ с помощью микропредприятий» (ФВСМ), подразумевая в основном предпринимателей, Юлдуз получила стартовый капитал, который был необходим ей для того, чтобы вновь начать деятельность, обеспечивающий ее семью средствами к существованию.



Когда мы увидели Ильдора Д., он радостно ухаживал за здоровой, молодой молочной коровой, которую смог купить его брат, Бахадыр, благодаря денежной помощи (эквити грант), оказанной ФВСМ. В июне разъяренная толпа прошла через их деревню, грабя и поджигая все на своем пути. Теперь Ильдор и его семья восстанавливают свое хозяйство. Скоро они отправят свою корову на джайлоо (высокогорные пастбища) для того, чтобы она откормилась и оплодотворилась.

Ильдор сказал, что таким образом они надеются вывести небольшое стадо.

Они будут продавать молоко и время от времени телят. Гордо осмотревшись вокруг и вдохнув сладкий весенний воздух, Ильдор сказал: «Это просто рай. У нас есть земля. У нас есть вода. У нас есть трава. И теперь, благодаря гранту, все что нам нужно это лишь мир, и тогда мы снова сможем начать свои жизни...»

УКРЕПЛЯЯ ПОТЕНЦИАЛ ЭКОНОМИКИ

Это история о двух выдающихся женщинах. Перизат, кредитный специалист «Компаньона», и Гульхан, одна из первых клиенток Перизат, никогда не думали о том, что будут заниматься тем, чем они занимаются сейчас. Они также никогда не мечтали о том, что когда-нибудь поедут в Бельгию вместе с инвесторами из Incofin, социально ориентированной микрофинансовой инвестиционной компании, чтобы поделиться своей историей о решимости, тяжелом труде и стойкости перед лицом жизненных невзгод.



После окончания юридического факультета, Осмоналиева Перизат столкнулась со всеми трудностями рынка труда. Из-за ограниченной возможности практики юридического дела, Перизат приняла работу преподавателя. Однако ее карьера преподавателя была недолгой.

Выйдя замуж, она переехала вместе с мужем в его родное село Базар-Коргон на юге Кыргызстана.

Другая жительница этого села, 38-летняя Садыкова Гульхан – мать восьмерых детей. Ее муж находился на заработках в России и отправлял деньги, чтобы прокормить семью. Твердо веря в то, что ее детям необходимо продолжить обучение для того, чтобы они смогли раскрыть все свои способности, а также беспокоясь о медицинских затратах, связанных с недавней автомобильной аварией, которую она пережила, Гульхан осознала, что ей необходимо найти дополнительный источник дохода.

В марте 2009 года, Перизат, уже мать двоих детей, пошла на базар и увидела на столбе размытое объявление, в котором сообщалось о том, что в «Компаньон» требовались кредитные специалисты. Она ответила на вакансию и была приглашена на интервью. Подавляя свое волнение, она ответила на вопросы. Через месяц ей позвонили и пригласили работать в «Компаньоне».

Перизат успешно прошла стажировку и построила хорошие отношения с коллегами. Через три месяца она стала кредитным специалистом. В течение следующих двух месяцев она привлекла 75 новых клиентов. Для того, чтобы увеличить свою клиентскую базу и получить бонусы, Перизат начала самостоятельно изучать маркетинг.

В июне 2009 года, к Перизат подошли четыре женщины, которые хотели получить групповой кредит. У Перизат были некоторые сомнения относительно одной из женщин, у которой, как она думала, не было возможностей для получения кредита. Этой женщиной была Гульхан. Но другие члены группы поручились за нее, и Перизат выдала им кредит.

Гульхан изучила рынок одежды и точно знала, чем она хотела заниматься. Она знала где и у кого она будет закупать товар, заранее договорилась с оптовиками и составила договор об аренде места на рынке. С первым кредитом в ее жизни, Гульхан начала свой бизнес.

Со временем количество и ассортимент товара Гульхан начал увеличиваться. Она неустанно трудилась, и на выходных торговала на скотном рынке. Ее бизнес был достаточно успешен, так, что вскоре ее муж возвратился домой, чтобы помочь ей с бизнесом. К этому времени, ее группа выплатила первый кредит и обратилась в «Компаньон» за вторым кредитом.

В прошлом году, бушующий поток воды, вызванный наводнением, выбил двери ее контейнера и вымыл весь её товар. Собрав оставшийся поврежденный товар, она, с помощью соседей и родственников, выстирала их вручную. Буквально через несколько дней возник межэтнический конфликт, который вынудил тысячи людей покинуть свои дома. Гульхан не сдавалась и продолжала работать. С инициативой Перизат, а также приняв во внимание все трудности, с которыми им пришлось столкнуться, «Компаньон» списал кредит с группы Гульхан.

Гульхан продолжает ставить для себя высокие цели. Меньше чем за два года она смогла построить свой бизнес, который воссоединил ее семью и принес им стабильность. Теперь у них есть свой дом и машина.

Перизат ясно продемонстрировала то, что она обладает талантом и сердечностью для того, чтобы быть одной из «ярких звезд» «Компаньона». На данный момент рассматривается ее повышение в должности.

Эти две выдающиеся женщины не только помогли друг другу, но и сделали значительный вклад в свои сообщества. Они являются образцами для подражания и заслуживают того признания, которое они получили от Incofin.

ОВОЩИ ИЗ ВОЗДУХА

ПИЛОТНЫЙ ПРОЕКТ «ВЫСОКОГОРНЫЙ ПАРНИК» ОБЪЕДИНЯЕТ В СЕБЕ КУЛЬТУРУ, НАУКУ И КРЕДИТЫ ДЛЯ МАЛОГО ПРЕДПРИНИМАТЕЛЬСТВА

Компаньон оказывает помощь сообществам путем управления природными ресурсами. Мы используем «этно-экологический» подход, учитывающий культурную среду тех мест, где мы работаем и, при этом, внедряем финансовые продукты и продукты для развития с целью улучшения условий жизни в этих местах.

Отдаленное горное село Сары-Могол находится на высоте 3 000 метров над уровнем моря, в высокогорной долине Чон-Алайского района на юге Кыргызстана. Шестьсот восемьдесят семей занимаются в основном животноводством и выращивают лишь несколько видов сельскохозяйственных культур. Это не удивительно, что в этом маленьком селе, где также имеется



небольшой офис Компаньона, около 70% людей живут за чертой бедности.

Осуществление нашей миссии по «содействию укреплению и развитию сообществ» в селе Сары-Могол означает решение проблемы питания. «Компаньон» хотел показать то, что даже в самых неблагоприятных условиях они могут вырастить продукты, необходимые для здорового питания. Недостаток питательных веществ часто является основной причиной задержки роста у детей, и даже небольшое улучшение в их приеме может благотворно повлиять на развитие ребенка.

Используя двор нашего офиса, один из агрономов «Компаньона» установил небольшой парник. В свою очередь, сотрудники офиса занялись выращиванием овощей в парнике, который периодически посещал наш агроном. В двух тренингах 35 семей села научились устанавливать мини-парник, выращивать и ухаживать за такими крайне необходимыми овощными культурами, как салат, редиска, редька, петрушка,



зеленый лук, морковь и капуста, адаптированные к парнику и к суровым высокогорным условиям.

Эти семьи научились выращивать овощи и зелень, которые крайне важны для восполнения дефицита питательных веществ. Они также узнали как использовать эти продукты в приготовлении традиционных блюд и научились методам их хранения. Почти все, кто раньше и не думал, что в селе можно что-либо вырастить, проявили интерес, и это привело к выдаче Компаньоном двух групповых кредитов в размере 28 000 сом (600 долларов США) для постройки парников — выращивания высокогорной капусты, петрушки, редиски и морковки в селе, где рацион питания жителей почти не включал овощи!



ФИНАНСОВАЯ ОТЧЕТНОСТЬ ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА

**ПОДТВЕРЖДЕНИЕ РУКОВОДСТВА ОБ ОТВЕТСТВЕННОСТИ
ЗА ПОДГОТОВКУ И УТВЕРЖДЕНИЕ ФИНАНСОВОЙ ОТЧЕТНОСТИ
ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА**

При подготовке финансовой отчетности руководство несет ответственность за:

- Обеспечение правильного выбора и применение принципов учетной политики;
- Представление информации, в т.ч. данных об учетной политике, в форме, обеспечивающей уместность, достоверность, сопоставимость и понятность такой информации;
- Раскрытие дополнительной информации в случаях, когда выполнения требований МСФО оказывается недостаточно для понимания пользователями отчетности того воздействия, которое те или иные сделки, а также прочие события или условия оказывают на финансовое положение и финансовые результаты деятельности Компании;
- Оценку способности Компании продолжать деятельность в обозримом будущем.

Руководство также несет ответственность за:

- Разработку, внедрение и поддержание эффективной и надежной системы внутреннего контроля Компании;
- Ведение учета в форме, позволяющей раскрыть и объяснить сделки Компании, а также предоставить на любую дату информацию достаточной точности о финансовом положении Компании и обеспечить соответствие финансовой отчетности требованиям МСФО;
- Ведение бухгалтерского учета в соответствии с законодательством и стандартами бухгалтерского учета Кыргызской Республики;
- Принятие всех разумно возможных мер по обеспечению сохранности активов Компании; и
- Выявление и предотвращение фактов финансовых и прочих злоупотреблений.

Финансовая отчетность за год, закончившийся 31 декабря 2010 года, была утверждена Руководством Компании 15 апреля 2011 года.

От имени Руководства Компании

Уланбек Термечиков
Председатель Правления

15 апреля 2011 года
г. Бишкек, Кыргызская Республика



Айнура Бакирова
Главный бухгалтер

15 апреля 2011 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ НЕЗАВИСИМЫХ АУДИТОРОВ

Руководству Закрытого акционерного общества Микрофинансовая Компания «Финансовая группа Компаньон»:

Мы провели аудит прилагаемой финансовой отчетности Закрытого акционерного общества Микрофинансовая Компания «Финансовая группа Компаньон» (далее – «Компания»), которая включает отчет о финансовом положении по состоянию на 31 декабря 2010 года и соответствующие отчеты о совокупном доходе, об изменениях капитала и о движении денежных средств за год, закончившийся на эту дату, а также раскрытие основных принципов учетной политики и прочих пояснений.

Ответственность руководства за финансовую отчетность

Руководство несет ответственность за подготовку и достоверное представление данной финансовой отчетности в соответствии с Международными стандартами финансовой отчетности, а также за создание системы внутреннего контроля, которую руководство считает необходимой для подготовки финансовой отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

Ответственность аудиторов

Наша ответственность состоит в выражении мнения о достоверности данной финансовой отчетности на основе проведенного нами аудита. Мы провели аудит в соответствии с Международными стандартами аудита.

Эти стандарты требуют соблюдения аудиторами этических норм, а также планирования и проведения аудита таким образом, чтобы получить достаточную уверенность в том, что финансовая отчетность не содержит существенных искажений.

Аудит включает проведение процедур, необходимых для получения аудиторских доказательств в отношении числовых показателей и примечаний к финансовой отчетности. Выбор процедур основывается на профессиональном суждении аудитора, включая оценку рисков существенного искажения финансовой отчетности вследствие недобросовестных действий или ошибок. Оценка таких рисков включает рассмотрение системы внутреннего контроля за подготовкой и достоверностью финансовой отчетности с целью разработки аудиторских процедур, применимых в данных обстоятельствах, но не для выражения мнения об эффективности системы внутреннего контроля. Аудит также включает оценку надлежащего характера применяемой учетной политики и обоснованности допущений, сделанных руководством, а также оценку представления финансовой отчетности в целом.

Мы считаем, что полученные нами аудиторские доказательства являются достаточным и надлежащим основанием для выражения нашего мнения.

Мнение

По нашему мнению, финансовая отчетность достоверно, во всех существенных аспектах, отражает финансовое положение Закрытого акционерного общества Микрофинансовая Компания «Финансовая группа Компаньон» по состоянию на 31 декабря 2010 года, а также результаты ее деятельности и движение денежных средств за год, закончившийся на эту дату, в соответствии с Международными стандартами финансовой отчетности.

Другие вопросы

Аудит финансовой отчетности Компании за год, закончившийся 31 декабря 2009 года, проведен другим аудитором, который 30 марта 2010 года выразил безоговорочно положительное мнение по этой отчетности.



15 апреля 2011 года
г. Бишкек,
Кыргызская Республика

Наименование «Делойт» относится к одному либо любому количеству юридических лиц входящих в «Делойт Туш Томацу Лимитед», частную компанию с ответственностью участников в гарантированных ими пределах, зарегистрированную в соответствии с законодательством Великобритании; каждое такое юридическое лицо является самостоятельным и независимым юридическим лицом. Подробная информация о юридической структуре «Делойт Туш Томацу Лимитед» и входящих в нее юридических лиц представлена на сайте www.deloitte.com/about.

Member of Deloitte Touche Tohmatsu

ОТЧЕТ О СОВОКУПНОМ ДОХОДЕ
ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА
(в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2010 года	Год, закончившийся 31 декабря 2009 года
Процентные доходы	3, 20	889,321	673,540
Процентные расходы	3	(167,114)	(147,825)
ЧИСТЫЙ ПРОЦЕНТНЫЙ ДОХОД ДО ФОРМИРОВАНИЯ РЕЗЕРВОВ ПОД ОБЕСЦЕНЕНИЕ АКТИВОВ, ПО КОТОРЫМ НАЧИСЛЯЮТСЯ ПРОЦЕНТЫ		722,207	525,715
Формирование резерва под обесценение активов, по которым начисляются проценты	4	(108,009)	(21,307)
ЧИСТЫЙ ПРОЦЕНТНЫЙ ДОХОД		614,198	504,408
Чистая прибыль по финансовым активам, учитываемым по справедливой стоимости через прибыль или убыток		48,117	93,247
Чистый убыток от курсовой разницы	5	(85,983)	(116,763)
Формирование резерва под обесценение прочих активов	4	(4,126)	(117)
Расходы по услугам и комиссии		(3,910)	(4,089)
Прочие доходы	20	12,463	5,972
ЧИСТЫЕ НЕПРОЦЕНТНЫЕ РАСХОДЫ		(33,439)	(21,750)
ОПЕРАЦИОННЫЕ ДОХОДЫ		580,759	482,658
ОПЕРАЦИОННЫЕ РАСХОДЫ	6, 20	(462,773)	(400,589)
ПРИБЫЛЬ ДО НАЛОГООБЛОЖЕНИЯ		117,986	82,069
Расход по налогу на прибыль	7	(16,760)	(8,469)
ЧИСТАЯ ПРИБЫЛЬ		101,226	73,600
ЧИСТЫЙ СОВОКУПНЫЙ ДОХОД		101,226	73,600

От имени Руководства Компании

Уланбек Термечиков
Председатель Правления

15 апреля 2011 года
г. Бишкек, Кыргызская Республика



Айнура Бакирова
Главный бухгалтер

15 апреля 2011 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ О ФИНАНСОВОМ ПОЛОЖЕНИИ
ПО СОСТОЯНИЮ НА 31 ДЕКАБРЯ 2010 ГОДА
(в тысячах кыргызских сом)

	Примечания	31 декабря 2010 года	31 декабря 2009 года
АКТИВЫ:			
Денежные средства	8	–	481
Средства в банках и прочих финансовых институтах	9, 20	200,299	304,325
Кредиты, предоставленные клиентам	10	1,866,135	1,285,579
Основные средства и нематериальные активы	11	128,996	117,509
Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток	12	105,031	81,727
Активы по текущему налогу на прибыль		–	5,900
Прочие активы	13	54,712	15,469
ИТОГО АКТИВЫ		2,355,173	1,810,990
ОБЯЗАТЕЛЬСТВА И КАПИТАЛ			
ОБЯЗАТЕЛЬСТВА:			
Средства банков и прочих финансовых институтов	14	1,452,498	1,045,370
Обязательства по текущему налогу на прибыль		6,248	–
Обязательства по отложенному налогу на прибыль	7	733	1,994
Прочие обязательства	15	78,304	52,885
Субординированный заем	16	286,917	268,231
ИТОГО ОБЯЗАТЕЛЬСТВА		1,824,700	1,368,480
КАПИТАЛ:			
Уставный капитал	17	265,000	265,000
Нераспределенная прибыль		265,473	177,510
ИТОГО КАПИТАЛ		530,473	442,510
ИТОГО ОБЯЗАТЕЛЬСТВА И КАПИТАЛ		2,355,173	1,810,990

От имени Руководства Компании

Уланбек Термечиков
Председатель Правления

15 апреля 2011 года
г. Бишкек, Кыргызская Республика



Айнура Бакирова
Главный бухгалтер

15 апреля 2011 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ ОБ ИЗМЕНЕНИЯХ В КАПИТАЛЕ
ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА
(в тысячах кыргызских сом)

	Уставный капитал	Нераспределенная прибыль	Итого капитал
31 ДЕКАБРЯ 2008 ГОДА	265,000	103,910	368,910
Итого совокупный доход	–	73,600	73,600
31 ДЕКАБРЯ 2009 ГОДА	265,000	177,510	442,510
Выплаченные дивиденды	–	(13,263)	(13,263)
Итого совокупный доход	–	101,226	101,226
31 ДЕКАБРЯ 2010 ГОДА	265,000	265,473	530,473

От имени Руководства Компании
Уланбек Термечиков
Председатель Правления



15 апреля 2011 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер
15 апреля 2011 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ
ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА
(в тысячах кыргызских сом)

ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ:		Год, закончившийся 31 декабря 2010 года	Год, закончившийся 31 декабря 2009 года
Прибыль до налогообложения		117,986	82,069
Корректировки:			
Формирование резерва под обесценение активов, по которым начисляются проценты		108,009	21,307
Формирование резерва под обесценение прочих активов		4,126	160
(Восстановление)/ формирование резервов на отпуск и премии сотрудникам		(2,577)	6,943
Нереализованный убыток от курсовой разницы		85,557	116,308
Чистая прибыль от финансовых активов, учитываемых по справедливой стоимости через прибыли или убытки		(48,117)	(93,247)
Амортизация основных средств		18,113	15,103
Прибыль от выбытия основных средств и нематериальных активов		(270)	(43)
Чистое изменение начисленных процентных доходов и расходов		(17,168)	3,089
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ ДО ИЗМЕНЕНИЯ ОПЕРАЦИОННЫХ АКТИВОВ И ОБЯЗАТЕЛЬСТВ		265,659	151,689
Изменение операционных активов и обязательств (Увеличение)/уменьшение операционных активов:			
Средства в банках и прочих финансовых институтах		(13,626)	1,806
Кредиты, предоставленные клиентам		(607,409)	(243,978)
Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток		(13,231)	94,068
Прочие активы		(43,369)	1,755
Увеличение операционных обязательств:			
Прочие обязательства		25,785	6,301
(ОТТОК)/ПРИТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ ДО НАЛОГООБЛОЖЕНИЯ		(386,191)	11,641
Налог на прибыль уплаченный		(5,873)	(9,103)
ЧИСТЫЙ (ОТТОК)/ПРИТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ		(392,064)	2,538

От имени Руководства Компании
Уланбек Термечиков
Председатель Правления

15 апреля 2011 года
г. Бишкек, Кыргызская Республика



Айнура Бакирова
Главный бухгалтер
15 апреля 2011 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ (ПРОДОЛЖЕНИЕ)
ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2010 ГОДА

(в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2010 года	Год, закончившийся 31 декабря 2009 года
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ:			
Приобретение основных средств и нематериальных активов		(29,951)	(42,026)
Поступление от реализации объектов основных средств		621	1,625
Поступление от погашения инвестиций, удерживаемых до погашения		–	208,024
ЧИСТЫЙ (ОТТОК)/ПРИТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ		(29,330)	167,623
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ФИНАНСОВОЙ ДЕЯТЕЛЬНОСТИ:			
Поступления от займов		825,115	222,707
Погашение займов		(483,328)	(304,844)
Дивиденды выплаченные		(11,052)	–
ЧИСТЫЙ ПРИТОК/(ОТТОК) ДЕНЕЖНЫХ СРЕДСТВ ОТ ФИНАНСОВОЙ ДЕЯТЕЛЬНОСТИ		330,735	(82,137)
Влияния изменения курса иностранной валюты на денежные средства и их эквиваленты		(5,422)	17,554
ЧИСТОЕ (УМЕНЬШЕНИЕ)/УВЕЛИЧЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ И ИХ ЭКВИВАЛЕНТОВ		(96,081)	105,578
ДЕНЕЖНЫЕ СРЕДСТВА И ИХ ЭКВИВАЛЕНТЫ, НА НАЧАЛО ГОДА	8	282,488	176,910
ДЕНЕЖНЫЕ СРЕДСТВА И ИХ ЭКВИВАЛЕНТЫ, НА КОНЕЦ ГОДА	8	186,407	282,488

Сумма процентов, уплаченных и полученных Компанией за год, закончившийся 31 декабря 2010 года, составила 169,121 тыс. кыргызских сом и 908,496 тыс. кыргызских сом, соответственно.

Сумма процентов, уплаченных и полученных Компанией за год, закончившийся 31 декабря 2009 года, составила 151,016 тыс. кыргызских сом и 679,820 тыс. кыргызских сом, соответственно.

От имени Руководства Компании

Уланбек Термечиков
Председатель Правления



15 апреля 2011 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер

15 апреля 2011 года
г. Бишкек, Кыргызская Республика

БУДЬ ТОЙ ПЕРЕМЕНОЙ,
КОТОРУЮ ХОЧЕШЬ
ВИДЕТЬ В МИРЕ



Kompanion Financial Group
Bishkek, Kyrgyzstan
+996 (312) 979 979
www.kompanion.asia



Mercy Corps
Bishkek, Kyrgyzstan
+996 (312) 666 957
www.mercycorps.org