

# **“Kompanion Financial Group”**

**Micro-credit Limited Liability  
Company**

**Financial Statements**

**For the year ended 31 December 2007**

**and Independent Auditors' Report**

**“KOMPANION FINANCIAL GROUP” MICRO-CREDIT LIMITED LIABILITY  
COMPANY**

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**"KOMPAKON FINANCIAL GROUP" MICRO-CREDIT LIMITED LIABILITY COMPANY**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of "Kompanion Financial Group" Micro-credit Limited Liability Company (the "Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company at 31 December 2007, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

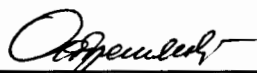
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Preparing the financial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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2007 were authorized for issue on 31 March 2008 by the Management of the Company.

On behalf of the Management:



Kubanychbek Abdraimov  
Chief Executive Officer

31 March 2008

Bishkek,  
Kyrgyz Republic



Ulanbek Akimkanov  
Chief Accountant

31 March 2008

Bishkek,  
Kyrgyz Republic

## INDEPENDENT AUDITORS' REPORT

To the Owner and Board of Directors of "Kompanion Financial Group" Micro-credit Limited Liability Company

We have audited the accompanying financial statements "Kompanion Financial Group" Micro-credit Limited Liability Company (hereinafter – "Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to these financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Auditors' Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw your attention to Note 2 to the accompanying financial statements. In the recent years the Kyrgyz Republic faces significant financial and economic difficulties. At present it is impossible to determine the future effect of the present economic uncertainty on the borrowers, clients and suppliers of the Company. Since the effect of the said factors on the operations of the Company cannot be predicted, the accompanying financial statements do not include provisions of any adjustments which would be needed due to such uncertainty. Possible adjusting entries can be made to the statements when the need to reflect them would be evident and they become known and estimable.

*Deloitte & Touche*

31 March 2008

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

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(in thousand Kyrgyz Som)**

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	5	256,225	114,082
Interest expense	5, 21	(44,411)	(9,897)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>211,814</b>	<b>104,185</b>
Provision for impairment losses on interest bearing assets	6	(21,442)	(5,184)
<b>NET INTEREST INCOME</b>		<b>190,372</b>	<b>99,001</b>
Net gain on translation differences		9,781	1,127
Fee and commission expense	7	(2,657)	(841)
Other income, net	8, 21	524	1,240
<b>NET NON-INTEREST INCOME</b>		<b>7,648</b>	<b>1,526</b>
<b>OPERATING INCOME</b>		<b>198,020</b>	<b>100,527</b>
OPERATING EXPENSES	9, 21	(128,932)	(72,169)
<b>OPERATING PROFIT</b>		<b>69,088</b>	<b>28,358</b>
Provision for impairment losses on other assets	6	(142)	(170)
<b>PROFIT BEFORE INCOME TAX</b>		<b>68,946</b>	<b>28,188</b>
Income tax expense	10	(10,393)	(4,020)
<b>NET PROFIT</b>		<b>58,553</b>	<b>24,168</b>

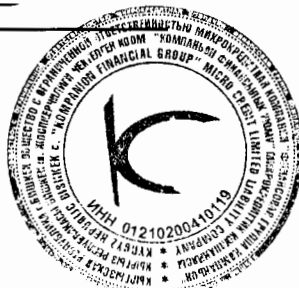
On behalf of the Management:



Kubanychbek Abdraimov  
Chief Executive Officer

31 March 2008

Bishkek,  
Kyrgyz Republic




Ulanbek Akimkanov  
Chief Accountant

31 March 2008

Bishkek,  
Kyrgyz Republic

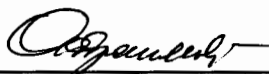
The notes on pages 9-33 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2-3.

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

**BALANCE SHEET  
AS AT 31 DECEMBER 2007  
(in thousand Kyrgyz Som)**

	Notes	31 December 2007	31 December 2006
<b>ASSETS:</b>			
Cash	11	4,026	380
Due from banks	12	131,231	41,600
Loans to customers	13	736,552	261,009
Property and equipment	14	47,761	15,227
Other assets	15, 21	9,555	2,510
<b>TOTAL ASSETS</b>		<b>929,125</b>	<b>320,726</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks and financial institutions	16, 21	631,818	282,344
Income tax liabilities	10	3,007	1,457
Other liabilities	17, 21	11,747	7,628
<b>Total liabilities</b>		<b>646,572</b>	<b>291,429</b>
<b>EQUITY:</b>			
Share capital	18	224,000	10,000
Retained earnings		58,553	19,297
<b>Total equity</b>		<b>282,553</b>	<b>29,297</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>929,125</b>	<b>320,726</b>

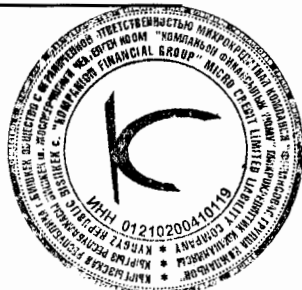
On behalf of the Management:



Kubanychbek Abdraimov  
Chief Executive Officer

31 March 2008

Bishkek,  
Kyrgyz Republic




Ulanbek Akimkanov  
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**"KOMPANION FINANCIAL GROUP" MICRO-CREDIT LIMITED LIABILITY COMPANY**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(in thousand Kyrgyz Som)**

	Notes	Share capital	Retained Earnings/(Accumulated Deficit)	Total equity
31 December 2005 (unaudited)		10,000	(4,871)	5,129
Net profit		-	24,168	24,168
31 December 2006		10,000	19,297	29,297
Share capital increase		196,843	-	196,843
Transfer of dividends to share capital		17,157	(17,157)	-
Dividends paid		-	(2,140)	(2,140)
Net profit		-	58,553	58,553
31 December 2007	18	224,000	58,553	282,553

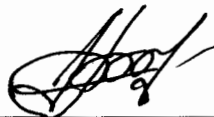
On behalf of the Management:



Kubanychbek Abdraimov  
Chief Executive Officer

31 March 2008

Bishkek,  
Kyrgyz Republic

Ulanbek Akimkanov  
Chief Accountant

31 March 2008

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(in thousand Kyrgyz Som)**

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		68,946	28,188
Adjustments for:			
Provision for impairment losses on interest bearing assets	6	21,442	5,184
Provision for impairment losses on other assets	6	142	170
Unrealized (gain)/loss on foreign exchange operations		(12,624)	5,985
Amortization of fixed assets	14	3,976	2,581
Loss on disposal of fixed assets	8	271	103
Net change in accrued interest income and expense		(925)	(962)
Cash flows from operating activities before changes in operating assets and liabilities		<u>81,228</u>	<u>41,249</u>
Changes in operating assets and liabilities			
Increase in operating assets:			
Due from banks		(43,590)	-
Loans to customers		(489,192)	(113,310)
Other assets		(3,806)	(1,109)
Increase in operating liabilities			
Due to banks and financial institutions		371,804	97,822
Other liabilities		<u>4,119</u>	<u>2,529</u>
Cash (outflow)/inflow from operating activities before taxation		(79,437)	27,181
Income tax paid		<u>(8,843)</u>	<u>(3,030)</u>
Net cash (outflow)/inflow from operating activities		<u>(88,280)</u>	<u>24,151</u>

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

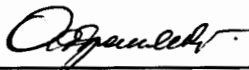
**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(in thousand Kyrgyz Som)**

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>			
Purchase of property and equipment	14	(37,166)	(6,700)
Proceeds on sale of property, plant and equipment		385	-
Prepayment for property and equipment		(3,239)	(493)
Net outflow of cash from investment activities		(40,020)	(7,193)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in share capital		196,843	-
Dividends paid		(2,140)	-
Net cash inflow from financing activities		194,703	-
Effect of changes in foreign exchange rate on cash and cash equivalents		(16,716)	(2,503)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>49,687</b>	<b>14,455</b>
CASH AND CASH EQUIVALENTS, at the beginning of the year	11	41,980	27,525
CASH AND CASH EQUIVALENTS, at the end of the year	11	91,667	41,980

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

Interest paid and received by the Company during the year ended 31 December 2006 amounted to 8,685 thousand KGS and 111,892 thousand KGS, respectively.

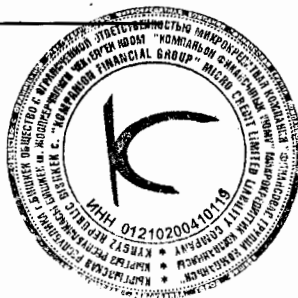
On behalf of the Management:



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31 March 2008

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