

**Kompanion Financial Group  
Microfinance Closed Joint Stock  
Company**

Financial Statements  
for the year ended 31 December 2009

**Contents**

Independent Auditors' Report	
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9-39



**KPMG Bishkek LLC**  
Office # 125, Hyatt Regency  
191, Abdrakhmanov Street  
Bishkek, Kyrgyz Republic, 720011

Telephone +996 (312) 68 02 04  
Fax +996 (312) 68 24 21  
E-mail [company@kpmg.kg](mailto:company@kpmg.kg)

## **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 2009 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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



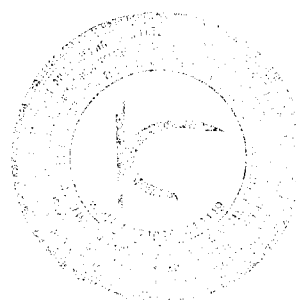
**Kompanion Financial Group Microfinance Closed Joint Stock Company**  
*Statement of Comprehensive Income for the year ended 31 December 2009*

	Note	2009 '000 KGS	2008 '000 KGS
Interest income	4	673,540	564,834
Interest expense	4	(147,825)	(106,813)
<b>Net interest income</b>		<b>525,715</b>	<b>458,021</b>
Fee and commission expense		(4,089)	(3,933)
Net gain on financial instruments at fair value through profit or loss		93,247	58,065
Net foreign exchange loss	5	(116,763)	(103,021)
Other operating income		6,015	374
<b>Operating income</b>		<b>504,125</b>	<b>409,506</b>
Impairment losses	6	(21,467)	(20,093)
General administrative expenses	7	(400,589)	(278,919)
<b>Profit before taxes</b>		<b>82,069</b>	<b>110,494</b>
Income tax expense	8	(8,469)	(12,287)
<b>Profit and total comprehensive income for the year</b>		<b>73,600</b>	<b>98,207</b>

The financial statements as set out on pages 5 to 39 were approved by the Management on 30 March 2010 and signed on its behalf by:



Mr. U. Termechikov  
*Chairman of the Management Board*




Mrs. A. Bakirova  
*Acting Chief Accountant*

**Kompanion Financial Group Microfinance Closed Joint Stock Company**  
Statement of Financial Position as at 31 December 2009

	Note	2009 '000 KGS	2008 '000 KGS
<b>ASSETS</b>			
Cash		481	2,891
Placements with banks	9	304,325	193,759
Financial instruments at fair value through profit or loss	10	81,727	83,311
Loans to customers	11	1,285,579	1,068,955
Investments in securities		-	205,401
Property and equipment	12	105,459	76,575
Intangible assets	13	12,050	15,693
Income tax prepaid		5,900	3,366
Other assets	14	15,469	17,284
<b>Total assets</b>		<b>1,810,990</b>	<b>1,667,235</b>
<b>LIABILITIES</b>			
Loans from banks and other financial institutions	15	1,045,370	1,019,116
Subordinated debt	16	268,231	239,474
Other liabilities	17	52,885	39,641
Deferred tax liability	18	1,994	94
<b>Total liabilities</b>		<b>1,368,480</b>	<b>1,298,325</b>
<b>SHAREHOLDERS' EQUITY</b>			
	19		
Share capital		265,000	265,000
Retained earnings		177,510	103,910
<b>Total shareholders' equity</b>		<b>442,510</b>	<b>368,910</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,810,990</b>	<b>1,667,235</b>

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

**Kompanion Financial Group Microfinance Closed Joint Stock Company**  
Statement of Cash Flows for the year ended 31 December 2009

	2009 '000 KGS	2008 '000 KGS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	73,600	98,207
<i>Adjustments for:</i>		
Depreciation and amortization	15,103	9,484
(Gain)/loss on disposal of property and equipment and intangible assets	(43)	52
Impairment losses	21,467	20,093
Provision for vacation and bonus	6,943	7,853
Loss from revaluation of financial assets and liabilities	116,308	95,876
Net gain on financial instruments at fair value through profit or loss	(93,247)	(58,065)
Net interest income	(525,715)	(458,021)
Income tax expense	8,469	12,287
<b>Cash flows (used in) operating activities before changes in operating assets and liabilities</b>	<b>(377,115)</b>	<b>(272,234)</b>
<b>(Increase)/decrease in operating assets</b>		
Placements with banks	1,806	81
Financial instruments at fair value through profit or loss	94,068	(24,187)
Loans to customers	(243,978)	(359,047)
Other assets	1,755	(8,154)
<b>Increase in operating liabilities</b>		
Other liabilities	6,301	20,040
<b>Net cash (used in) operating activities before interest and income tax paid</b>	<b>(517,163)</b>	<b>(643,501)</b>
Interest received	679,820	580,440
Interest paid	(151,016)	(97,433)
<b>Net cash from/(used in) operating activities before income tax paid</b>	<b>11,641</b>	<b>(160,494)</b>
Income tax paid	(9,103)	(18,066)
<b>Cash flows from/(used in) operating activities</b>	<b>2,538</b>	<b>(178,560)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from repayment/(purchase) of investments in securities	208,024	(214,738)
Acquisition of property and equipment and intangible assets	(42,026)	(54,324)
Proceeds from disposal of property and equipment and intangible assets	1,625	276
<b>Cash flows from/(used in) investing activities</b>	<b>167,623</b>	<b>(268,786)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	222,707	750,953
Repayments of borrowings	(304,844)	(207,524)
Dividends paid	-	(11,850)
<b>Cash flows (used in)/from financing activities</b>	<b>(82,137)</b>	<b>531,579</b>
<b>Net increase in cash and cash equivalents</b>	<b>88,024</b>	<b>84,233</b>
Effect of changes in exchange rates on cash and cash equivalents	17,554	19,731
Cash and cash equivalents at the beginning of the year	176,910	72,946
<b>Cash and cash equivalents at the end of the year (Note 24)</b>	<b>282,488</b>	<b>176,910</b>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 39.

*Kompanion Financial Group Microfinance Closed Joint Stock Company*  
*Statement of Changes in Equity for the year ended 31 December 2009*

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>'000 KGS</b>	<b>'000 KGS</b>	<b>'000 KGS</b>
<b>Balance at 1 January 2008</b>	224,000	58,553	282,553
Profit and total comprehensive income for the year	-	98,207	98,207
Reinvestment of retained earnings	41,000	(41,000)	-
Dividends	-	(11,850)	(11,850)
<b>Balance at 31 December 2008</b>	<b>265,000</b>	<b>103,910</b>	<b>368,910</b>
Profit and total comprehensive income for the year	-	73,600	73,600
<b>Balance at 31 December 2009</b>	<b>265,000</b>	<b>177,510</b>	<b>442,510</b>