

**MICRO-LENDING COMPANY  
“FRONTIERS”,  
LIMITED LIABILITY COMPANY**

Financial Statements  
for the year ended December 31, 2015

**and Independent Auditors' Report**

**MICRO-LENDING COMPANY “FRONTIERS”, LLC**

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## MICRO-LENDING COMPANY "FRONTIERS", LLC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-4, 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 Micro-Lending Company "Frontiers", LLC (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2015, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (the "IFRS").

In preparation of 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 based upon the assumption that the Company will continue its business for the foreseeable future, except for the cases when such assumption is improper.

Management is also responsible for:

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

The financial statements for the year ended December 31, 2015 were approved and authorized for issue by the Management of the Company on February 12, 2016.


**On behalf of the Management:**

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**Dzhumataev Taalibek**  
**Chief Executive Officer**

February 12, 2016  
Bishkek, Kyrgyz Republic

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**Suleimanova Bermet**  
**Chief Accountant**

February 12, 2016  
Bishkek, Kyrgyz Republic

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder and Board of Directors of the Micro-Lending Company "Frontiers", LLC:

We have audited the accompanying financial statements of the Micro-Lending Company "Frontiers", LLC (the "Company"), which comprise the statement of financial position as at December 31, 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 of the Company 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 the reliability of 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 auditors consider internal control relevant to the Company'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 Company'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 on the financial statements.



# MICRO-LENDING COMPANY "FRONTIERS", LLC


## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2015	For the year ended December 31, 2014
Interest income	5	188,410	354,393
Interest expenses	5	(98,812)	(139,553)
NET INTEREST INCOME BEFORE ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		89,598	214,840
Net allowance for impairment losses on interest bearing assets	6	(104,799)	(6,022)
NET INTEREST (LOSS) / INCOME		(15,201)	208,818
Net (loss) on foreign exchange operations	7	(14,301)	(14,085)
Fee and commission income	8	8,333	11,338
Fee and commission expense	8	(1,888)	(3,597)
Share in profit of investments	14	18,054	3,132
Loss from disposal of subsidiary		-	(3,738)
Accrual of allowance for impairment losses		-	(18,290)
Other expenses		(836)	(8)
NET NON-INTEREST INCOME		9,362	(25,248)
OPERATING (LOSS) / INCOME		(5,839)	183,570
Operating expenses	9	(28,681)	(84,901)
(LOSS) / PROFIT BEFORE INCOME TAX		(34,520)	98,669
Income tax	10	1,746	(17,849)
NET (LOSS) / PROFIT FOR THE YEAR		(32,774)	80,820
Attributable to:			
The Company		(32,774)	63,734
Non-controlling interest		-	17,086
		(32,774)	80,820

On behalf of the Management:

  
Dzhumataev Taalibek  
Chief Executive Officer

February 12, 2016  
Bishkek, the Kyrgyz Republic

  
Suleimanova Bermet  
Chief Accountant

February 12, 2016  
Bishkek, the Kyrgyz Republic

# MICRO-LENDING COMPANY "FRONTIERS", LLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kyrgyz soms)

	Note	For the year ended December 31, 2015	For the year ended December 31, 2014
NET (LOSS) / PROFIT FOR THE YEAR		<u>(32,774)</u>	<u>80,820</u>
OTHER COMPREHENSIVE (LOSS) / INCOME			
Exchange differences on translating foreign operations		<u>(1,792)</u>	<u>8,477</u>
Net (loss) / gain recognized directly in equity		<u>(1,792)</u>	<u>8,477</u>
Income tax relating to components of other comprehensive income	10	<u>179</u>	<u>(848)</u>
TOTAL COMPREHENSIVE (LOSS) / INCOME		<u>(34,387)</u>	<u>88,449</u>

On behalf of the Management:

  
\_\_\_\_\_  
**Dzhumataev Taalibek**  
Chief Executive Officer

February 12, 2016  
Bishkek, the Kyrgyz Republic

  
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**Suleimanova Bermet**  
Chief Accountant

February 12, 2016  
Bishkek, the Kyrgyz Republic

# MICRO-LENDING COMPANY "FRONTIERS", LLC

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015 (in thousands of Kyrgyz soms)

	Notes	December 31, 2015	December 31, 2014
<b>ASSETS:</b>			
Cash and cash equivalents	11	136,668	22,708
Due from banks	12	244,538	428,191
Loans to customers	13	735,596	1,067,111
Investments	14	135,206	120,494
Property, equipment and intangible assets	15	500	703
Financial instruments at fair value through profit or loss	16	445	-
Other assets	17	1,634	1,087
<b>TOTAL ASSETS</b>		<b>1,254,587</b>	<b>1,640,294</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>LIABILITIES:</b>			
Short-term borrowed funds	18	518,161	721,166
Long-term borrowed funds	18	243,674	389,104
Deferred income tax liabilities	10	2,488	5,963
Other liabilities	19	5,134	4,544
<b>TOTAL LIABILITIES</b>		<b>769,457</b>	<b>1,120,777</b>
<b>EQUITY:</b>			
Equity attributable to owners of the Company:			
Charter capital	20	175,000	175,000
Associate share premium		15,483	19,197
Foreign currency translation reserve		8,191	9,804
General reserve		5,000	5,000
Retained earnings		281,456	310,516
<b>TOTAL EQUITY</b>		<b>485,130</b>	<b>519,517</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,254,587</b>	<b>1,640,294</b>

On behalf of the Management:

  
**Dzhumataev Taalibek**  
**Chief Executive Officer**

February 12, 2016  
Bishkek, the Kyrgyz Republic

  
**Suleimanova Bermet**  
**Chief Accountant**

February 12, 2016  
Bishkek, the Kyrgyz Republic



# MICRO-LENDING COMPANY "FRONTIERS", LLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of Kyrgyz soms)

	Note	Charter capital	Foreign currency translation reserve	General reserve	Retained earnings	Associate share premium	Non-controlling interest	Total Equity
December 31, 2013	20	<u>175,000</u>	<u>2,177</u>	<u>5,000</u>	<u>269,728</u>	<u>-</u>	<u>118,758</u>	<u>570,663</u>
Profit for the year		-	-	-	63,734	-	17,086	80,820
Derecognition of subsidiary operations		-	(2)	-	(3,749)	-	(135,844)	(139,595)
Recognition of associate share premium		-	-	-	(19,197)	19,197	-	-
Translation effect		-	7,629	-	-	-	-	7,629
December 31, 2014	20	<u>175,000</u>	<u>9,804</u>	<u>5,000</u>	<u>310,516</u>	<u>19,197</u>	<u>-</u>	<u>519,517</u>
Loss for the year		-	-	-	(32,774)	-	-	(32,774)
Change in associate share premium		-	-	-	3,714	(3,714)	-	-
Translation effect		-	(1,613)	-	-	-	-	(1,613)
December 31, 2015	20	<u>175,000</u>	<u>8,191</u>	<u>5,000</u>	<u>281,456</u>	<u>15,483</u>	<u>-</u>	<u>485,130</u>

On behalf of the Management:

  
**Dzhumataev Taalibek**  
 Chief Executive Officer

February 12, 2016  
 Bishkek, the Kyrgyz Republic

  
**Suleimanova Bernmet**  
 Chief Accountant

February 12, 2016  
 Bishkek, the Kyrgyz Republic

# MICRO-LENDING COMPANY "FRONTIERS", LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kyrgyz soms)

	Note	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		188,351	351,131
Interest paid		(105,090)	(137,192)
Income on services and commissions received		6,579	10,734
Commissions paid		(2)	(3,639)
Foreign exchange gain		(4,644)	4,086
Other expenses		(836)	(8)
Payroll and bonuses to employees		(19,456)	(55,743)
Administrative expenses		(8,761)	(26,366)
		<u>56,141</u>	<u>143,003</u>
Cash inflow from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities (Increase) / decrease in operating assets:			
Financial assets and liabilities at fair value through profit or loss		11,298	-
Due from banks		257,389	(224,780)
Loans to customers		240,334	(113,449)
Other assets		(546)	(917)
Increase / (decrease) in operating liabilities:			
Other liabilities		376	(133)
		<u>564,992</u>	<u>(196,276)</u>
Cash inflow / (outflow) from operating activities before taxation and interest			
Income tax paid		(1,729)	(6,017)
		<u>563,263</u>	<u>(202,293)</u>
Net cash inflow / (outflow) from operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investments		3,342	-
Proceeds from sale of property, equipment and intangible assets		6	-
Payments for property, equipment and intangible assets	13	(282)	(238)
		<u>3,066</u>	<u>(238)</u>
Net cash inflow / (outflow) from investing activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
(Repayment) of / Proceeds from borrowed funds		(469,130)	205,794
		<u>(469,130)</u>	<u>205,794</u>
Net cash (outflow) / inflow from financing activities			

# MICRO-LENDING COMPANY "FRONTIERS", LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

(in thousands of Kyrgyz soms)

	Note	For the year ended December 31, 2015	For the year ended December 31, 2014
Derecognition of subsidiary operations		-	(156,793)
Translation to the presentation currency of foreign subsidiary operations		(1,613)	7,627
Effect of exchange rate changes on the balance of cash held in foreign currencies		<u>18,374</u>	<u>55,396</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		113,960	(90,507)
CASH AND CASH EQUIVALENTS, beginning of year	11	<u>22,708</u>	<u>113,215</u>
CASH AND CASH EQUIVALENTS, end of year	11	<u><u>136,668</u></u>	<u><u>22,708</u></u>

On behalf of the Management:

  
Dzhumataev Taalajbek  
Chief Executive Officer

February 12, 2016  
Bishkek, the Kyrgyz Republic

  
Suleimanova Bermet  
Chief Accountant

February 12, 2016  
Bishkek, the Kyrgyz Republic