

# Independent auditor's report

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To the Shareholder and Board of Directors of Close Joint Stock Company "The First MicroFinance Company".

## *Opinion*

We have audited the financial statements of Close Joint Stock Company "The First MicroFinance Company" (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as of December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.





## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Armen Vanyan  
Director/Partner

Qualification certificate on audit  
Series A №0264 granted on July 11, 2016

March 5, 2018  
Bishkek

Grant Thornton LLC  
License on auditing service Series A №0067.  
State Committee on Review and Regulation  
of the financial market of the Kyrgyz Republic,  
May 3, 2013



# Statement of profit or loss and other comprehensive income

In thousand Kyrgyz som

|   | Notes | Year ended<br>31 December 2017 | Year ended<br>31 December 2016 |
|---|-------|--------------------------------|--------------------------------|
| Interest and similar income   | 6     | 277,370                        | 257,652                        |
| Interest and similar expense  | 6     | (89,732)                       | (85,603)                       |
| Net interest income   |       | 187,638                        | 172,049                        |
| Fee and commission income   |       | 184                            | 87                             |
| Net gain from revaluation of foreign currencies of non-trading assets and liabilities |       | 15                             | 1,354                          |
| Other income  | 7     | 1,137                          | 1,438                          |
| Impairment charge of loans and advances to customers                                  | 13    | (5,785)                        | (767)                          |
| Staff costs   | 8     | (111,788)                      | (102,524)                      |
| Depreciation and amortization   | 14    | (3,669)                        | (1,869)                        |
| Other expenses  | 9     | (53,680)                       | (49,960)                       |
| Profit before income tax  |       | 14,052                         | 19,808                         |
| Income tax expense  | 10    | (1,422)                        | (2,559)                        |
| Profit for the year   |       | 12,630                         | 17,249                         |
| Other comprehensive income  |       | -                              | -                              |
| Total comprehensive income for the year   |       | 12,630                         | 17,249                         |

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.



# Statement of financial position

In thousand Kyrgyz som

|   | Notes | As of<br>31 December<br>2017 | As of<br>31 December<br>2016 |
|---|-------|------------------------------|------------------------------|
| <b>Assets</b>                             |       |                              |                              |
| Cash and cash equivalents                 | 11    | 79,754                       | 76,957                       |
| Derivative financial assets               | 12    | -                            | 5,802                        |
| Loans and advances to customers           | 13    | 847,947                      | 755,211                      |
| Property, equipment and intangible assets | 14    | 12,331                       | 10,203                       |
| Deferred income tax assets                | 10    | 669                          | 279                          |
| Other assets                              | 15    | 10,594                       | 2,984                        |
| <b>Total assets</b>                       |       | <b>951,295</b>               | <b>851,436</b>               |
| <b>Liabilities and equity</b>             |       |                              |                              |
| <b>Liabilities</b>                        |       |                              |                              |
| Amounts due to financial institutions     | 16    | 504,584                      | 426,454                      |
| Other liabilities                         | 17    | 25,306                       | 16,403                       |
| Current income tax liabilities            |       | 1,197                        | 1,001                        |
| <b>Total liabilities</b>                  |       | <b>531,087</b>               | <b>443,858</b>               |
| <b>Equity</b>                             |       |                              |                              |
| Share capital                             | 18    | 239,100                      | 239,100                      |
| Retained earnings                         |       | 181,108                      | 168,478                      |
| <b>Total equity</b>                       |       | <b>420,208</b>               | <b>407,578</b>               |
| <b>Total liabilities and equity</b>       |       | <b>951,295</b>               | <b>851,436</b>               |

The financial statements were approved on March 5, 2018 by:

Stefan Martiniak

General Director

Nurali Mamiev

Chief accountant



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 38.

# Statement of changes in equity

| In thousand Kyrgyz som                  | Share capital | Retained earnings | Total   |
|---|---------------|-------------------|---------|
| Balance as of 1 January 2016            | 239,100       | 151,229           | 390,329 |
| Profit for the year                     | -             | 17,249            | 17,249  |
| Total comprehensive income for the year | -             | 17,249            | 17,249  |
| Balance As of 31 December 2016          | 239,100       | 168,478           | 407,578 |
| Profit for the year                     | -             | 12,630            | 12,630  |
| Total comprehensive income for the year | -             | 12,630            | 12,630  |
| Balance as of 31 December 2017          | 239,100       | 181,108           | 420,208 |

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.

# Statement of cash flows

| In thousand Kyrgyz som  | Year ended<br>31 December 2017 | Year ended<br>31 December 2016 |
|---|--------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>   |                                |                                |
| Profit before tax   | 14,052                         | 19,808                         |
| <i>Adjustments for</i>  |                                |                                |
| Impairment charge for loan losses   | 5,785                          | 767                            |
| Foreign currency translation net gain of non-trading assets and liabilities             | (15)                           | (1,354)                        |
| Amortization and depreciation allowances  | 3,669                          | 1,869                          |
| Gain from sale of property, equipment and intangible assets                             | (348)                          | (1,149)                        |
| Interest receivable   | (991)                          | (2,599)                        |
| Interest payable  | 677                            | 1,475                          |
| Cash flows from operating activities before changes in operating assets and liabilities | 22,829                         | 18,817                         |
| <i>(Increase)/decrease in operating assets</i>  |                                |                                |
| Loans due from other financial institutions   | -                              | 92,889                         |
| Derivative financial assets   | 6,571                          | (5,158)                        |
| Loans and advances to customers   | (97,530)                       | (57,172)                       |
| Other assets  | (7,683)                        | (379)                          |
| <i>Increase in operating liabilities</i>  |                                |                                |
| Amounts due to financial institutions   | 76,629                         | 9,904                          |
| Other liabilities   | 8,952                          | 1,748                          |
| Net cash flow from operating activities before income tax                               | 9,768                          | 60,649                         |
| Income tax paid   | (1,616)                        | (2,376)                        |
| Net cash from operating activities  | 8,152                          | 58,273                         |
| <b>Cash flows from investing activities</b>   |                                |                                |
| Purchase of property, equipment and intangible assets                                   | (5,797)                        | (10,458)                       |
| Proceeds from sale of property, equipment and intangible assets                         | 348                            | 1,149                          |
| Net cash used in investing activities   | (5,449)                        | (9,309)                        |
| Net increase in cash and cash equivalents   | 2,703                          | 48,964                         |
| Cash and cash equivalents at the beginning of the year                                  | 76,957                         | 27,995                         |
| Exchange differences on cash and cash equivalents                                       | 94                             | (2)                            |
| Cash and cash equivalents at the end of the year (Note 11)                              | 79,754                         | 76,957                         |
| <b>Supplementary information:</b>   |                                |                                |
| Interest received   | 276,379                        | 255,053                        |
| Interest paid   | 89,055                         | 84,128                         |

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 38.