

**MICROFINANCE COMPANY “ELET CAPITAL” CLOSED JOINT-STOCK
COMPANY**

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**AND
INDEPENDENT AUDITOR’S REPORT**

TABLE OF CONTENTS

Independent Auditor's report	3
Statement of management's responsibility for the preparation and approval of financial statements	7
Financial statements for the year ended 31 December 2020.....	
Statement of financial position	8
Statement of profit or loss and other comprehensive income.....	9
Statement of cash flows.....	10
Statement of changes in equity capital	11
Notes to the financial statements	12



**INDEPENDENT AUDITOR'S REPORT
HLB MARKA AUDIT LLC
ON FINANCIAL STATEMENTS OF
MICROFINANCE COMPANY "ELET CAPITAL" CLOSED JOINT-STOCK COMPANY**

Shareholders

Microfinance Company "Elet Capital" Closed Joint-Stock Company

Conclusion on findings of financial statements audit

Opinion

We have audited the financial statements of Microfinance Company "Elet Capital" Closed Joint-Stock Company (hereinafter referred to as the 'Company'), which include the Statement of financial position as of 31 December 2020, Statement of profit or loss and other comprehensive income, Statement of changes in equity capital 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 financial statements present fairly, in all material respects, the financial condition of the Company as of 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

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 Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, applied to our audit of the financial statements in the Kyrgyz Republic. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Matter of emphasis

Matter of emphasis represents those issues that, in our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

Expected credit loss provisions under loans to clients

Due to importance of the item "Loans to clients" and application by the Company's management of a professional judgment for the timely identification and assessment of reserves for expected credit losses (hereinafter referred to as "ECL"), the calculation of reserves for ECL in accordance with IFRS 9 "Financial Instruments" is considered one of the key audit issues.

The Company assesses the reserves for ECL on a collective and individual basis and calculates default probability indicators, the amount exposed to default risk and the level of default losses for each loan or portfolio of loans.

A collective assessment is carried out using modeling based on forward-looking information, as well as internal ratings, the selection of relevant data is a professional judgment of the Company's management.

The calculation of the reserve on an individual basis includes significant application of professional judgment, the use of assumptions and analysis of various factors, including financial indicators of counterparties, forecast cash flows and collateral value.

The Company's approach to credit risk management is presented in Note 22 "Risk management" of the financial statements. Data on the loans to clients and reserves under ECL are presented in Note 7 "Loans to clients" to the financial statements.

Our methodology

As part of our audit procedures, we reviewed the methodology that the Company approved in accordance with IFRS 9 and used it to identify cases of increased credit risk, as well as to calculate expected credit losses (ECL) on a collective and individual basis.

We analyzed the calculation of the reserve for ECL on a collective basis, including the selective verification of the source data and the assumptions used for the credit risk model, including internal credit ratings, as well as the classification of loans by stages of impairment.

We have evaluated the main methods used by the Company to calculate the reserve (including refinements to take into account changes in the economic environment related to the COVID-19 pandemic) for their compliance with the requirements of IFRS.

For significant individually impaired loans, we have selectively analyzed the calculation of recoverable amount and ECL based on the debt repayment scenarios defined by the Company and their probability, including the Company's assumptions about expected cash flows, including from the current activities of borrowers, as well as from the sale of collateral, taking into account available information in the market. We evaluated management's assumptions, taking into account the current economic environment affected by the COVID-19 pandemic.

Responsibilities of management of Microfinance Company "Elet Capital" Closed Joint-Stock Company, and those charged with governance for the corporate management and, 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 the 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, the management of Microfinance Company "Elet Capital" Closed Joint-Stock Company is responsible for assessing the ability of Microfinance Company "Elet Capital" Closed Joint-Stock Company to continue its business, for disclosing, as appropriate, information related to business continuity, and for preparing financial statements based on the going concern assumption, unless management intends to liquidate Microfinance Company "Elet Capital" Closed Joint-Stock Company, terminate her activity or when she does not have any other real alternative, other than liquidation or termination of activities.

Those charged with corporate governance are responsible for overseeing the Microfinance Company "Elet Capital" Closed Joint-Stock Company'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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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 consolidated 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 Microfinance Company "Elet Capital" Closed Joint-Stock Company'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. With regard to events or conditions that may cast doubt on the ability of Microfinance Company "Elet Capital" Closed Joint-Stock Company to continue its activities as a going concern. If we conclude that there is material uncertainty, we need to pay attention in our audit report to the relevant disclosures in the financial statements, or, if such disclosures are inadequate, 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 Company 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.
- ✓ 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. 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 Microfinance Company "Elet Capital" Closed Joint-Stock Company 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.

Other emphasis of matter

The audit of the financial statements of Microfinance Company "Elet Capital" Closed Joint-Stock Company for the year ended 31 December 2019 was conducted by another auditor, LLC "Creston Bishkek", who expressed an unmodified opinion on these statements.

We communicate with the officials responsible for the corporate management, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Following the provisions of the Regulation "On Minimum Requirements for an External Audit of Banks and Other Financial and Credit Organizations Licensed by the National Bank of the Kyrgyz Republic (NBKR)" Section 5, approved by Resolution of the National Bank of the Kyrgyz Republic dated June 15, 2017 No. 2017-P-12/25 -2-(NPA), during the audit of the financial statements of the Company for 2019, we conducted auditing of:

- ✓ compliance of the accounting and reflection of operations in the financial statements with requirements established by the legislation of the Kyrgyz Republic;
- ✓ arrangement of the lending activities: availability of credit policy; loan application review procedures; proper conduct of credit affairs (files) of borrowers; monitoring the condition and quality of assets; procedures for classifying assets and assessing the adequacy of reserves to cover potential losses and losses;
- ✓ frameworks of the internal control: decision-making procedure for credit and financial transactions; availability and compliance with regulations on structural units and job descriptions; control over the reflection of operations in accounting and the preparation of reliable statements;
- ✓ correspondence of the internal procedures and policies to the legislation of the Kyrgyz Republic;
- ✓ following the requirements of the legislation of the Kyrgyz Republic, including regulatory legal acts of the National Bank of Kyrgyz Republic;
- ✓ quality assessment on the risk management.

Findings of our audit appear below:

- ✓ Accounting and reflection of operations in the financial statements of Microfinance Company "Elet Capital" Closed Joint-Stock Company, in all material aspects, is carried out in accordance with the requirements established by the National Bank of the Kyrgyz Republic.
We did not carry out any procedures regarding the accounting data of Microfinance Company "Elet Capital" Closed Joint-Stock Company, except for the procedures that we considered necessary for the purpose of expressing an opinion on the reliability of the financial statements of the Company in material aspects;
- ✓ The Company's micro-lending activities are organized in accordance with the requirements of the Credit Policy, which includes procedures for reviewing loan applications, maintaining credit files (dossiers) of borrowers, monitoring the status and quality of assets, classifying assets and assessing the adequacy of reserves to cover potential losses and losses;
- ✓ The internal control system of Microfinance Company "Elet Capital" Closed Joint-Stock Company includes the decision-making procedure for credit and financial transactions, the availability and compliance with regulations on structural units and job descriptions, control over the reflection of operations in accounting and the preparation of reliable statements;
- ✓ The Company's internal procedures and policies do not contradict the legislation of the Kyrgyz Republic;
- ✓ The activities of the Company are carried out in accordance with the legislation of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic;
- ✓ The risk management in Microfinance Company "Elet Capital" Closed Joint-Stock Company is performed following the internal policies and procedures.

HLB Marka Audit LLC

License registration No.0146 dated November 13, 2018, issued by the Public Service of Regulation and Supervision over the Financial Market under the Government of the Kyrgyz Republic.

Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated January 10, 2019.

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A.M. Asylbekova, Director

Qualified Auditor Certificate Series AD No.0012, registration No.0461, dated 7 August 2019

A.T. Tilemishov, Audit Team Leader

Qualified Auditor Certificate №0042 of 11 March 2008

12 March 2021

