

**MICROFINANCE COMPANY "ELET CAPITAL" CLOSED JOINT-STOCK  
COMPANY**

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**AND  
INDEPENDENT AUDITOR'S REPORT**

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

**To the Board of Directors  
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 2021, 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 2021, 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 Statement of financial position's line 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 29 "Risk management" of the financial statements. Data on the loans to clients and reserves under ECL are presented in Note 10 "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.

With respect to significant individually impaired loans, we have selectively analyzed the calculation of recoverable amount and ECL based on debt repayment scenarios determined 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 on the market.

Our audit procedures also included testing, on a sample basis, controls for the process of assessing expected credit losses on client loans, including testing controls for accounting for overdue debts.

We also analyzed the information regarding expected credit losses on loans to clients disclosed in the Company's financial statements.

#### ***Responsibilities of management of the Company and those charged with corporate 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 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 the Company is responsible for assessing the ability of 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 the management intends to liquidate the Company, terminate her activity or when it does not have any other real alternative, other than liquidation or termination of its business.

Those charged with corporate governance are responsible for overseeing the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 the 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 continue as a going concern business.
- We evaluate the presentation of the financial statements as a whole, their structure and content, including disclosure of information, as well as whether the financial statements represent the underlying transactions and events in such a way as to ensure their fair presentation.

We carry out informational interaction with persons responsible for corporate governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify during the audit.

We also provide the persons responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these persons about all relationships and other issues that can reasonably be considered to have an impact on the independence of the auditor, and, if necessary, about appropriate precautions.

#### ***Statement on other legal and regulative requirements***

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 3.8, 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 2021, 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 files (dossiers) of borrowers; monitoring the condition and quality of assets; procedures for classifying assets and assessing the adequacy of reserves to cover potential losses and expenditures;



- 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 the 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 the 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 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 costs;
- The internal control system of the 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 Company's activities are carried out in accordance with the legislation of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic;
- Risk management in the Company is carried out in accordance with internal policies and procedures in accordance with the requirements of the National Bank of the Kyrgyz Republic;
- The activities of the Board of Directors and the Management Board of the Company to monitor compliance with the established internal documents of the Company with the values of risks and the adequacy of own funds (capital) are carried out in accordance with the requirements of the National Bank of the Kyrgyz Republic.

#### **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;*

*38, Professor Zima Street, Bishkek, Kyrgyz Republic, Telephone/fax: (312) 32-05-75*

**A.M. Asylbekova, auditor, director**

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

**T.I. Ishenov, chief specialist, audit team leader**

**22 March 2022**



**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND  
APPROVAL OF THE FINANCIAL STATEMENTS**

The following statement is made with a view to distinguishing the respective responsibilities of the management and auditors on the financial statements of Microfinance Company “Elet Capital” Closed Joint-Stock Company for the year ended 31 December 2021.

Microfinance Company “Elet Capital” Closed Joint-Stock Company (hereinafter referred to as the ‘Company’ has prepared the accompanying statements. The Company’s management recognizes its responsibility for the preparation and fair presentation of the financial statements that present fairly, in all material respects the financial position, results of operations, cash flows and changes in shareholders' equity, including adequate disclosures, for the year ended 31 December 2021 in accordance with the International Financial Reporting Standards (IFRS).

In preparing the financial statements, the management is responsible for selecting suitable accounting principles and applying them consistently, the use of reasonable and informed judgments and estimates, compliance with IFRS and the disclosure of all significant deviations from IFRS in the notes to the financial statements and the preparation of financial statements based on assumptions, that the Company will continue its business in the foreseeable future, except when it is inappropriate.

The management is also responsible for developing, implementing and maintaining an effective and sound system of internal control in the Company, maintenance of accounting systems, which allows at any time to prepare information with reasonable accuracy on the financial position of the Company and ensuring compliance of the financial statements with the requirements of IFRS, taking measures within its competence to safeguard the assets of the Company, as well as detecting and preventing fraud, errors and other irregularities.

On 22 March 2022, the management of Microfinance Company “Elet Capital” Closed Joint-Stock Company approved these financial statements for the year ended 31 December 2021.

  
**Chief Executive Officer**  
**E.S. Kamchybekov**



**22 March 2022**

# Microfinance Company "Elet Capital" Closed Joint-Stock Company

## Statement of financial position

As of 31 December 2021

(in thousands of Kyrgyz soms)

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and cash equivalents	6	113 649	63 277
Accounts with banks	7	2 398	-
Debt securities	8	64 050	13 380
Fixed assets measured at fair value through profit or loss	9	14 781	39 921
Loans to clients	10	1 752 593	1 367 367
PPE and intangible assets	11	45 234	15 590
Assets in the form of a right of use	12	8 336	4 150
Non-current assets held for sale	13	3 177	1 292
Other assets	14	8 949	1 626
<b>Total assets</b>		<b>2 013 167</b>	<b>1 506 603</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and other financial and credit institutions	15	1 547 772	1 129 727
Lease liabilities	12	9 534	4 919
Current income tax liability	16	2 178	1 512
Deferred income tax liability	16	730	246
Other liabilities	17	29 044	23 893
<b>Total liabilities</b>		<b>1 589 258</b>	<b>1 160 297</b>
<b>Equity</b>			
Authorized capital	18	154 934	154 934
Retained earnings	18	268 975	191 372
<b>Total equity</b>		<b>423 909</b>	<b>346 306</b>
<b>Total liabilities and equity</b>		<b>2 013 167</b>	<b>1 506 603</b>

  
**E.S. Kamchybekov**  
*Chief Executive Officer*

  
**N. Tazabekova**  
*Chief Accountant*





Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

(in thousands of Kyrgyz soms)

	Note	2021	2020
Interest income	21	515 478	407 811
Interest expenses	21	(218 541)	(152 083)
<b>Net interest income before provision for impairment</b>		<b>296 937</b>	<b>255 728</b>
(Formation)/restoration of the allowance for impairment of assets for which interest is accrued	22	(7 880)	(14 829)
<b>Net interest income</b>		<b>289 057</b>	<b>240 899</b>
Other income/expenses	23	621	1 120
Loss from transactions with financial assets measured at fair value through profit or loss	24	(29 899)	(22 735)
(Loss)/income from foreign currency transactions	25	(665)	(633)
(Formation)/recovery of provision for impairment of other assets	22	(753)	(1 268)
Operating expenses	26	(171 955)	(157 806)
<b>Profit before income tax</b>		<b>86 406</b>	<b>59 577</b>
Income tax expense	16	(8 803)	(6 080)
<b>Profit of the year</b>		<b>77 603</b>	<b>53 497</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income / (loss)</b>		<b>77 603</b>	<b>53 497</b>

  
**E.S. Kamchybekov**  
*Chief Executive Officer*

  
**N. Tazabekova**  
*Chief Accountant*



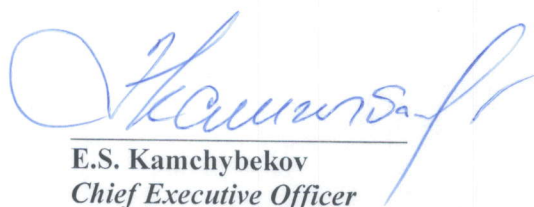
Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of cash flows

For the year ended 31 December 2021

(in thousands of Kyrgyz soms)

	Note	2021	2020
<b>Cash flow from operating activities:</b>			
Income received from financing		531 826	386 248
Interest paid		(199 139)	(151 297)
Operating expenses paid		(170 304)	(140 081)
Income tax paid		(7 655)	(7 071)
<b>Cash received from operating activities before changes in operating assets and liabilities</b>		<b>154 728</b>	<b>87 799</b>
<b>Change in operating assets and liabilities</b>			
Loans issued		(2 149 980)	(1 680 730)
Loans repaid		1 746 454	1 436 319
Net gain on other assets		(43 225)	(6 656)
Net increase on other liabilities		(981)	(92)
<b>Net cash generated from operating activities</b>		<b>(293 004)</b>	<b>(163 360)</b>
<b>Cash flows from investing activities:</b>			
Purchase of securities		(49 848)	(13 109)
Other income		969	485
(Purchase) of fixed assets		(6 653)	(7 813)
Increase of deposits in banks		(144 629)	(146 307)
Reduction of deposits in banks		175 498	164 338
<b>Net cash from investing activities</b>		<b>(24 663)</b>	<b>(2 406)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from loans received	15	1 117 416	409 412
Payments on loans received	15	(739 463)	(264 491)
Lease payments	12	(9 172)	(7 925)
Grants received		-	330
<b>Net cash from financing activities</b>		<b>368 781</b>	<b>137 326</b>
Effect of FX rate changes on cash and cash equivalents		(665)	(633)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>50 449</b>	<b>(29 073)</b>
<b>Opening cash and cash equivalents</b>	6	<b>63 277</b>	<b>92 350</b>
<b>Ending cash and cash equivalents</b>	6	<b>113 726</b>	<b>63 277</b>

  
**E.S. Kamchybekov**  
 Chief Executive Officer

  
**N. Tazabekova**  
 Chief Accountant





Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of changes in equity

For the year ended 31 December 2021

(in thousands of Kyrgyz soms)

	Authorized (share) capital	Retained earnings	Total equity
Balance as of 1 January 2019	154 934	137 875	292 809
Total profit for 2020	-	53 497	53 497
Balance at December 31, 2020	154 934	191 372	346 306
Total profit for 2021	-	77 603	77 603
Balance at December 31, 2021	154 934	268 975	423 909

  
E.S. Kamchybekov  
Chief Executive Officer

  
N. Tazabekova  
Chief Accountant

