

**Limited Liability Company  
“Buhuchet i audit”**

**AUDITORS’ STATEMENT**  
**ON FINANCIAL ACCOUNTING**  
**OF MCC “MOL BULAK FINANCE” LLC**  
**FOR 2005 AND 2006**

**BALYKCHI 2007**

**Limited Liability Company  
“Buhuchet i audit”**

**Auditors’ statement**

To the management of MCC “Mol Bulak” LLC  
Code (Industrial code) 23803903, INN 01803200510011  
Address: str. 40 let Kirgizii, 154, Balykchi town

November 21, 2007

Balykchi

We have audited the accompanying balance sheet of “Mol Bulak” MCC LLC for 2005 and 2006, and corresponding income statements, and cash flow statements for the year ended on the indicated date.

Responsibility for the authenticity of the data provided in the financial accounting lays on the administration of “Mol Bulak” MCC LLC. Our responsibility is to issue a statement based on the audit we have conducted.

The auditing process is regulated by the agreement No. 18 of November 5, 2007 concluded between the auditing firm “Buhuchet i audit” and “Mol Bulak” MCC LLC.

We have conducted the audit in accordance with the International auditing standards. These standards obligate us to plan and conduct audits in order to ensure rational certainty that the balance and financial reports do not contain considerable distortions.

The audit includes analysis on the basis of evidences testing confirming the significance and disclosure of the information provided in the financial report.

LLC “Buhuchet i audit” considers that during the auditing inspection all the necessary audit evidence, giving sufficient grounds for our statements, are complete and analyzed.

In our opinion based on the conducted audit, the aforementioned balance sheet and financial report in all substantial aspects correctly reflects the financial status of the “Mol Bulak” MCC LLC for 2005 and 2006, including the business accounting for the mentioned period has not revealed substantial inaccuracies. Furthermore, the cash flow for the indicated period corresponds with the accounting principles.

**Director of LLC  
“Buhuchet i audit”**

**Seal/Signature**

**S. Yzgybaev**

**Seal**

State registration certificate No. 021779 of April 26, 2002 issued by the Ministry of justice of the KR, SR license No. 0035 of June 15, 2005 issued by the State commission under the Government of the KR on financial accounting and audit, code (industrial code) 22999062. TIN 02604200210117. Address: Bishkek, str. Sh. Rustaveli 46, apt. 31.

**Balance Sheet**  
as of January 1, 2006

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institution)

Unit:

(in thousands KGS)

No.	Title	reporting period 2005	previous period 2004
	<b>Assets</b>		
1	Cash assets and assets on settlement accounts	514,6	0,0
2	Deposits in banks and financial-credit institutions	1,6	0,0
3	Loans extended to customers	2506,9	0,0
4	Minus: LLR (Loan Loss Reserve)	50,0	0,0
5	Total net assets	2 456,9	0,0
6	Securities and investments	0,0	0,0
7	Other property	105,0	0,0
8	Other assets	50,0	0,0
9	<b>Total assets</b>	<b>3 128,1</b>	<b>0,0</b>
	<b>Liabilities</b>		
10	Deposits of the customers	0,0	0
11	Loans from banks and other financial institutions	1200,0	0,0
12	Accrued interest and dividends to be paid	0	0
13	Subordinate loans and liabilities	1542,8	0,0
14	Other liabilities	63,1	0,0
15	<b>Total liabilities</b>	<b>2 805,9</b>	<b>0,0</b>
	<b>Equity</b>		
16	Authorized equity	100,0	0,0
17	Equity	0,0	0,0
18	Reserves for anticipatory needs	0,0	0,0
19	Reserves for asset re-evaluation	0,0	0,0
20	Undistributed profit	222,2	0,0
	Profit/loss of previous years	222,2	0,0
	Profit/loss of the current year	0,0	0,0
22	<b>Total equity</b>	<b>322,2</b>	<b>0,0</b>
23	<b>Total liabilities and equity</b>	<b>3 128,1</b>	<b>0,0</b>

Director

Seal

Date

Signature

Accountant

Date

Signature

Seal/Signature S. Yzgybaev



**Cash Flow**  
as of January 1, 2006

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institutions)

Unit: (in thousand KGS)

No.	Title	reporting period 2005	previous period 2004
<b>Cash flow from operating activity</b>			
1	Interest and operating profits	396,0	0,0
2	(Tax payments)	-50,2	0,0
3	Return of previously written off loans	0,0	0,0
4	Payments to suppliers and employees	-115,5	0,0
5	Operating income before income tax and changes of operating assets	230,3	0,0
<i>(increase)/decrease of operating assets:</i>			
6	Deposits in financial institutions	0,0	0,0
7	Other assets	-2506,9	0,0
<i>Increase/(decrease) of operating liabilities</i>			
8	Deposits from customers	0,0	0,0
9	Other liabilities	2842,8	0,0
10	Net cash flow from operating activity before income tax	566,2	0,0
11	(paid income tax)	0,0	0
12	Net cash assets from operating activity	566,2	0,0
<b>Cash flow from investment activity:</b>			
13	Sale of fixed assets	0	0
14	(purchase of fixed assets)	50	0
15	operations	0,0	0,0
16	Net cash flow from investment activity	50,0	0,0
<b>Cash flow from financial activity:</b>			
17	Increase from fees, shares and stock issues	0,0	0,0
18	(cancelled stocks, withdrawn shares)	0,0	0,0
19	Earnings from issue of promissory notes	0	0
20	(Payments by promissory notes)	0,0	0,0
21	(Payments of dividends and profit distribution)	0,0	0,0
22	Increase/(decrease) of funds from other financial operations	0,0	0,0
23	Net assets from financial activity	0,0	0,0
24	Influence of fluctuation in exchange	0,0	0,0
25	Net increase (decrease) of cash assets and their equivalents	516,2	
26	Cash assets and their equivalents at the beginning of the period	0,0	0,0
27	Cash assets and their equivalents at the end of the period	516,2	0,0

Director

Seal

Date

Signature

Accountant

Date

Signature

Seal/Signature S/ Yzgybaev

**Statement on Changes in Equity**  
as of January 1, 2006

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institution)

Unit: (in thousand KGS)

No.	Title	reporting period 2005	previous period 2004
<b>Equity</b>			
1	Balance as of the beginning of the period	0,0	0,0
2	Increase within the reporting period	100,0	0,0
3	Decrease within the reporting period	0,0	0,0
4	Balance as of the end of the period/Equity entered in excess of face value	<b>100,0</b>	<b>0,0</b>
<b>Equity entered in excess of face value</b>			
5	Balance as of the beginning of the period	0,0	0,0
6	Excess of equity from stock issue	0,0	0,0
7	Other changes	0,0	0,0
8	Balance as of the end of the period	<b>0,0</b>	<b>0,0</b>
<b>Profit</b>			
9	Balance as of the beginning of the period	0,0	0,0
10	Profit (losses) of the previous reporting period	222,2	0,0
11	Dividends announced according to the results of the previous reporting period as cash assets		
12	Other changes	0,0	0,0
13	Balance as of the end of the reporting period	<b>222,2</b>	<b>0,0</b>
<b>Reserve for anticipatory needs</b>			
14	Balance as of the beginning of the reporting period	0,0	0,0
15	Other flows of reserve for anticipatory needs	0,0	0,0
16	Balance as of the end of the reporting period	0,0	0,0
<b>Reserve for asset re-evaluation</b>			
17	Balance as of the beginning of the reporting period	<b>0,0</b>	<b>0,0</b>
18	Results of re-evaluation of fixed assets during the reporting period	0,0	0,0
19	Other flows from re-evaluation of fixed assets (Loan)	0,0	0,0
20	Results of re-evaluation of securities during the reporting period	0,0	0,0
21	Balance as of the end of the reporting period	<b>0,0</b>	<b>0,0</b>
22	<b>Total equity</b>	<b>322,2</b>	<b>0,0</b>

Director

Date

Signature

Seal

Accountant

Date

Signature

Seal/Signature S. Yzgybaev

**Balance Sheet**  
as of January 1, 2007

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institution)

Unit:

*(in thousands KGS)*

No.	Title	reporting period 2006	previous period 2005
	<b>Assets</b>		
1	Cash assets and assets on settlement accounts	595,6	514,6
2	Deposits in banks and financial-credit institutions	0,0	1,6
3	Loans extended to customers	10058,1	2506,9
4	Minus: LLR (Loan Loss Reserve)	7,3	50,0
5	Total net assets	10 050,8	2 456,9
6	Securities and investments	0,0	0,0
7	Other property	666,1	105,0
8	Other assets	4,1	50,0
9	<b>Total assets</b>	<b>11 316,6</b>	<b>3 128,1</b>
	<b>Liabilities</b>		
10	Deposits of the customers	0,0	0
11	Loans from banks and other financial institutions	6345,0	1200,0
12	Accrued interest and dividends to be paid	0	0
13	Subordinate loans and liabilities	3293	1542,8
14	Other liabilities	148,4	63,1
15	<b>Total liabilities</b>	<b>9 786,2</b>	<b>2 805,9</b>
	<b>Equity</b>		
16	Authorized equity	100,0	100,0
17	Equity	0,0	0,0
18	Reserves for anticipatory needs	201,0	0,0
19	Reserves for asset re-evaluation	0,0	0,0
20	Undistributed profit	1229,4	222,2
	Profit/loss of previous years	222,2	222,2
	Profit/loss of the current year	0,0	0,0
22	<b>Total equity</b>	<b>1 530,4</b>	<b>322,2</b>
23	<b>Total liabilities and equity</b>	<b>11 316,6</b>	<b>3 128,1</b>

Director

Seal

Date

Signature

Accountant

Date

Signature

Seal/Signature S. Yzgybaev

**Income statement**

as of January 1, 2007

**“Mol Bulak” MCC LLC.**

(name and location of the non-banking institution)

Unit:

(in thousand KGS)

No.	Title	reporting period 2006	previous period 2005
	<b>Interest income</b>		
1	Interest income from promissory notes	0,0	0,0
2	Interest income from deposits in banks and other financial institutions	0,0	0,0
3	Interest income and loan commissions	1986,5	501,0
4	<b>Total Interest income</b>	<b>1986,5</b>	<b>501,0</b>
	<b>Interest expenses</b>		
5	Interest expenses for deposits and debts	344,8	50,2
6	Other interest expenses	0,0	0,0
7	<b>Total interest expenses</b>	<b>344,8</b>	<b>50,2</b>
8	Net interest income	<b>1641,7</b>	<b>450,8</b>
9	Minus: LLR expenses	158,2	50
10	Net interest income after LLR	<b>1483,5</b>	<b>400,8</b>
	<b>Operating income</b>		
11	Service and commission fees	289,8	0,0
12	Income (expenses) from investments and trade operations (balance)	0,0	0,0
13	Other income	15,4	0,0
14	Total operating income	<b>305,2</b>	<b>0,0</b>
	<b>Operating expenses</b>		
15	Personnel expenses	249,8	50,0
16	Expenses for fixed assets and intangible assets	86,9	0,0
17	Administrative expenses	262,6	60,0
18	Loan and debt expenses	66,3	0,0
19	Other operating expenses	4,0	13,0
20	<b>Total operating expenses</b>	<b>669,6</b>	<b>123,0</b>
21	Income (expenses) after tax and unforeseen income and expenses	<b>1119,1</b>	<b>277,8</b>
22	Income tax	111,9	55,6
23	Deferred taxes	0,0	0,0
24	<b>Total expenses for income tax</b>	<b>111,9</b>	<b>55,6</b>
25	Net income (expenses) before unforeseen profits and expenses	1007,2	222,2
26	Expenses not subject to deduction	0,0	0,0
27	Unforeseen income tax expenses	0,0	0,0
	<b>Net income (expenses)</b>	<b>1007,2</b>	<b>222,2</b>

Director

Seal

Date

Signature

Accountant

Date

Signature

Seal/Signature

**Cash Flow**  
as of January 1, 2007

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institutions)

Unit: (in thousand KGS)

No.	Title	reporting period 2006	previous period 2005
<b>Cash flow from operating activity:</b>			
1	Interest and operating profits	2291,7	396,0
2	(Tax payments)	-344,8	-50,2
3	Return of previously written off loans	0,0	0,0
4	Payments to suppliers and employees	-249,8	-115,5
5	Operating income before income tax and changes of operating assets	1697,1	230,3
<i>(increase)/decrease of operating assets:</i>			
6	Deposits in financial institutions	0,0	0,0
7	Other assets	-3196,6	-2506,9
<i>Increase/(decrease) of operating liabilities</i>			
8	Deposits from customers	0,0	0,0
9	Other liabilities	148,4	2842,8
10	Net cash flow from operating activity before income tax	-1351,1	566,2
11	(paid income tax)	55,6	0
12	Net cash assets from operating activity	-1295,5	566,2
<b>Cash flow from investment activity:</b>			
13	Sale of fixed assets	0	0
14	(purchase of fixed assets)	599,3	50
15	operations	0,0	0,0
16	Net cash flow from investment activity	599,3	50,0
<b>Cash flow from financial activity:</b>			
17	Increase from fees, shares and stock issues	1972,2	0,0
18	(cancelled stocks, withdrawn shares)	0,0	0,0
19	Earnings from issue of promissory notes	0	0
20	(Payments by promissory notes)	0,0	0,0
21	(Payments of dividends and profit distribution)	0,0	0,0
22	Increase/(decrease) of funds from other financial operations	0,0	0,0
23	Net assets from financial activity	1 972,2	0,0
24	Influence of fluctuation in exchange	0,0	0,0
25	Net increase (decrease) of cash assets and their equivalents	77,4	516,2
26	Cash assets and their equivalents at the beginning of the period	516,2	0,0
27	Cash assets and their equivalents at the end of the period	595,6	516,2

Director

Seal

Date

Signature

Accountant

Date

Signature

Seal/Signature

**Statement on Changes in Equity**  
as of January 1, 2007

**“Mol Bulak” MCC LLC.**  
(name and location of the non-banking institution)

Unit: (in thousand KGS)

No.	Title	reporting period 2006	previous period 2005
	<b>Equity</b>		
1	Balance as of the beginning of the period	100,0	0,0
2	Increase within the reporting period	0,0	100,0
3	Decrease within the reporting period	0,0	0,0
4	Balance as of the end of the period/Equity entered in excess of face value	<b>100,0</b>	<b>100,0</b>
	<b>Equity entered in excess of face value</b>		
5	Balance as of the beginning of the period	0,0	0,0
6	Excess of equity from stock issue	0,0	0,0
7	Other changes	0,0	0,0
8	Balance as of the end of the period	<b>0,0</b>	<b>0,0</b>
	<b>Profit</b>		
9	Balance as of the beginning of the period	<b>222,2</b>	<b>0,0</b>
10	Profit (losses) of the previous reporting period	1007,2	222,2
11	Dividends announced according to the results of the previous reporting period as cash assets		
12	Other changes	0,0	0,0
13	Balance as of the end of the reporting period	<b>1229,4</b>	<b>222,2</b>
	<b>Reserve for anticipatory needs</b>		
14	Balance as of the beginning of the reporting period	0,0	0,0
15	Other flows of reserve for anticipatory needs	201,0	0,0
16	Balance as of the end of the reporting period	<b>201,0</b>	<b>0,0</b>
	<b>Reserve for asset re-evaluation</b>		
17	Balance as of the beginning of the reporting period	<b>0,0</b>	<b>0,0</b>
18	Results of re-evaluation of fixed assets during the reporting period	0,0	0,0
19	Other flows from re-evaluation of fixed assets (Loan)	0,0	0,0
20	Results of re-evaluation of securities during the reporting period	0,0	0,0
21	Balance as of the end of the reporting period	<b>0,0</b>	<b>0,0</b>
22	<b>Total equity</b>	<b>1530,4</b>	<b>322,2</b>

Director

Date January 15, 2007Signature

Seal

Accountant

Date January 15, 2007Signature

Seal/Signature

**Notes to the financial report of MCC “Mol Bulak” according to the status as of December 31, 2005 and 2006.**

**Note 1. “Major trends of activity”**

The main type of activity is provision of available services in microcrediting in order to fight poverty, increase the level of employment, and assist the development of entrepreneurship and social mobilization of the population of the Kyrgyz Republic.

The Company implements its established goals by extending microcredits to natural persons at the expense of its own and attracted funds.

**Note 2. “Major principles of financial accounting”**

Financial accounting of the Company is formed according to the new standards of business accounting applied amongst microcredit entities based in the KR. Business accounting is conducted in a memorial-order form.

**Note 3. “Fixed assets”**

Cash flow of the fixed assets during 2005 and 2006 is presented the following way (in thousands of KGS):

Depreciated cost as of Jan 1, 2005	0	Jan 1, 2006	50, 0
Receipt within a year	50, 0		654, 3
Retirement	0		0, 0
Amortization expenses	0		38, 2
Depreciated cost as of Dec 31, 2005	50, 0	Dec 31, 2006	666, 1

Amortization is calculated with the use of a uniform method based on the effective use of the fixed assets.

**Note 4. “Cash means”**

Cash means and their equivalents are considered the cash means in cash desk and on settlement account in a bank.

	<b>2005</b>	<b>2006</b>
Cash means in cash desk	514, 6	166, 4
Cash in bank	1, 6	429, 2
Total:	516, 2	595, 6

**Note 5. "Credit portfolio and loan loss reserve (LLR)"**

	<b>2005</b>	<b>2006</b>
Volume of the loan portfolio at the beginning of the year	0	2506,8
Loans extended within the accounting period	4712	19445,3
Loans repaid within the accounting period	2205,2	11894,0
Volume of the loan portfolio at the end of the year	2506,8	10058,1
LLR	50,0	208,3
Net loans	2456,8	9849,8

Charge of interest for each loan was conducted in accordance with the requirements of the credit policy.

**Note 6. "Profits and expenses"**

In the income statement has been used accrual concept. Profits are indicated on the dates of their addition to the accounting business. Expenses are calculated when they occur or during conduction of operations.

**Note 7. "Profits"**

	<b>2005</b>	<b>2006</b>
Profits from interests	501, 0	1986, 5
Other interest profits	0	15, 4
Profits from commission services	0	289, 8
<b>Total:</b>	<b>501, 0</b>	<b>2291, 7</b>

**Note 8. "Salary and administrative expenses"**

Salaries and administrative expenses consist of the following clauses:

	<b>2005</b>	<b>2006</b>
Salary and Social insurance	50, 0	236, 0
Training	0, 0	13, 8
<b>Total:</b>	<b>50, 0</b>	<b>249, 8</b>
Office rent	3, 5	15, 2
Reconstruction of the office	0, 0	39, 7
Communal expenses	1, 1	8, 5
Amortization of DC	0, 0	38, 2
Travel expenses	0, 0	6, 6
Communication service	6, 9	21, 6
Office equipment	6, 2	25, 7
Company vehicle maintenance expenses	0, 0	29, 1
Representative expenses	11, 2	25, 3
Other expenses	31, 0	139, 6
Charity	0, 0	4, 0
Taxes	13, 1	23, 1

LLR	50, 0	158, 2
Income tax	55, 6	43, 2
Interest expenses on loans	50, 2	344, 8
<b>Total:</b>	<b>228, 8</b>	<b>922, 8</b>
<b>All together:</b>	<b>278, 8</b>	<b>1172, 6</b>

**Note 9. "Other liabilities"**

Other liabilities are divided the following way (thousands KGS)

	<b>2005</b>	<b>2006</b>
Social fund	1, 7	5, 8
Taxes	5, 7	25, 3
Income taxes	55, 6	111, 9
Other liabilities	0, 1	5, 4
<b>Total liabilities</b>	<b>63, 1</b>	<b>148, 4</b>

**Note 10. "Taxation"**

Tax fees of the LLC MCC "Mol Bulak" are conducted in accordance with the tax legislations of the KR. Tax payments, reports and declarations are disseminated to the State Tax Inspection in proper time and the total amount of taxes and payments are transferred to the budget within the established period.

**Director of LLC**  
**"Buhuchet i uchet"**

**Seal/Signature**

**S. Yzgybaev**

## Letter to the management

According to the results of the audit of the Financial accounting of LLC MCC "Mol Bulak" for 2005 and 2006

We have audited the financial reporting for 2005 and 2006. The audit includes analysis based on the selective examination of the data confirming the accuracy of the amounts indicated in the accounting documents.

According to the results of the auditing inspection based on the selective examination of the data provided in the balance sheet and financial accounting for 2005 and 2006, we have issued a statement.

The total amount of income for 2005 is estimated at 277, 8 thousand KGS and income tax charge of 55, 6 thousand KGS.

The total amount of income for 2006 is estimated at 1119,1 thousand KGS and income tax charge of 111,9 thousand KGS.

On March 14, 2005, 213895 KGS were deposited by the founders without indication of each depositor and registered as follows: by debit as cash, by credit as chartered capital.

On March 14, 2005, 50% (50000 KGS) of the chartered capital was emitted from funds and placed on savings account in bank and registered as follows: by debit as settlement account, by credit as cash funds; when instead it should have been registered the following way: by debit as payment fees of the founders and by credit as cash.

According to the balance for 2005 the chartered capital is indicated in the amount of 213895 KGS, but according to the charter the chartered capital is 100000 KGS. In the balance it should have been indicated that the chartered capital is 100000 KGS, and the difference in the amount of 113895 KGS should have been indicated on separate account as the capital deposited in excess of face value, account No. 40021. More than that, other deposits of the founders were registered on the capital account (40001).

Bookkeeping documents for 2005 do not contain copies of the orders for representative expenses as well as when deducting them it was not indicated what events they were used for. No documentations provided.

Salary and Social Fund expenses were registered on one account when instead salaries should have been registered on account 80001 and Social fund expenses on account 80051.

Documents on the interest charge for the loans extended during 2005 were not filed.

In other cases, in advance reports the amounts of money taken from cashiers do not correspond with the factually taken amounts indicated in disbursement vouchers, but according to the book-keeping documents each amount is registered properly.

In disbursement vouchers for 2005 and 2006 it does not indicate the correspondent accounts; some of the account-books and cashier's report do not have the chief accountant's signature.

The advance report in the amount of 6932 KGS prepared by Sultanakmatova N., dated July 29, 2005, containing expenditure order for cash payment to Kuvashenko V. in the amount of 3500 KGS for the provided service, is missing his passport data.

**Recommendations:**

- Bring the registration of the chartered capital and deposits of the founders in excess of face value into compliance.
- Enclose copies of the orders for representative expenses in book-keeping documents and deduction of the expenses must be conducted in accordance with the rules.
- Pay attention to the accuracy of completion of the expense reports.
- In disbursements vouchers all props must be completed and must checked and signed by the chief accountant.

**Director of LLC      Seal/Signature**  
**“Buhuchet i audit”**

**S. Yzgybaev**