

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

Financial Statements
for the year ended December 31, 2016

and Independent Auditors' Report

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, 2016

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-5, 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, 2016, 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, 2016 were approved and authorized for issue by the Management of the Company on February 28, 2017.

On behalf of the Management:

Dzhumataev Taalibek
Chief Executive Officer

February 28, 2017
Bishkek, Kyrgyz Republic



Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, Kyrgyz Republic



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Micro-Lending Company "Frontiers", LLC (the "Company"), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and 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) and requirements of the National Bank of the Kyrgyz Republic (the "NBKR"). 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) 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 these requirements and the IESBA Code. 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with 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 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 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 related to events or conditions that may cast significant doubt on the Company'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 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.

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.

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.

February 28, 2017

Yuliya Abdumanapova



Certificate of auditor of the Kyrgyz Republic # A 0164

“Baker Tilly Bishkek” LLC,
License Series A # 0049 issued by the State Committee
on Review and Regulation of the financial market of the
Kyrgyz Republic

MICRO-LENDING COMPANY "FRONTIERS", LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest income	5	144,468	188,410
Interest expenses	5	(52,090)	(98,812)
NET INTEREST INCOME BEFORE ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		92,378	89,598
Recovery /(accrual) of allowance for impairment losses on interest bearing assets	6	17,422	(104,799)
NET INTEREST INCOME/(LOSS)		109,820	(15,201)
Net gain/(loss) on foreign exchange operations	7	457	(14,301)
Fee and commission income	8	6,982	8,333
Fee and commission expense	8	(838)	(1,888)
Share in profit of investments	14	159	18,054
Accrual of allowance for impairment losses	6, 17	(8,981)	-
Other income/ (expenses)		68	(836)
NET NON-INTEREST (LOSS) /INCOME		(2,153)	9,362
OPERATING INCOME / (LOSS)		107,667	(5,839)
Operating expenses	9	(34,881)	(28,681)
PROFIT / (LOSS) BEFORE INCOME TAX		72,786	(34,520)
Income tax (expenses) /benefit	10	(7,069)	1,746
NET PROFIT / (LOSS) FOR THE YEAR		65,717	(32,774)

On behalf of the Management:

Dzhumataev Taalaibek
Chief Executive Officer

February 28, 2017
Bishkek, Kyrgyz Republic



Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, Kyrgyz Republic

The notes on pages 12-50 form an integral part of these financial statements. The Independent Auditors' Report is on pages 3-5.

MICRO-LENDING COMPANY "FRONTIERS", LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
NET PROFIT / (LOSS) FOR THE YEAR		<u>65,717</u>	<u>(32,774)</u>
OTHER COMPREHENSIVE INCOME / (LOSS)			
Exchange differences on translating foreign operations		<u>(26,556)</u>	<u>(1,792)</u>
Net loss recognized directly in equity		<u>(26,556)</u>	<u>(1,792)</u>
Income tax relating to components of other comprehensive income	10	<u>2,656</u>	<u>179</u>
TOTAL COMPREHENSIVE INCOME / (LOSS)		<u>41,816</u>	<u>(34,387)</u>

On behalf of the Management

Dzhumataev Taalaibek
Chief Executive Officer

February 28, 2017
Bishkek, Kyrgyz Republic



Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, Kyrgyz Republic

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MICRO-LENDING COMPANY "FRONTIERS", LLC

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 (in thousands of Kyrgyz soms)

	Notes	December 31, 2016	December 31, 2015
ASSETS:			
Cash and cash equivalents	11	95,217	136,668
Due from banks	12	10,628	244,538
Loans to customers	13	574,800	735,596
Investments	14	105,874	135,206
Property, equipment and intangible assets	15	393	500
Financial instruments at fair value through profit or loss	16	3,667	445
Other assets	17	3,162	1,634
TOTAL ASSETS		793,741	1,254,587
EQUITY AND LIABILITIES:			
LIABILITIES:			
Short-term borrowed funds	18	194,248	518,161
Long-term borrowed funds	18	65,808	243,674
Deferred income tax liabilities	10	2,662	2,488
Other liabilities	19	7,010	5,134
TOTAL LIABILITIES		269,728	769,457
EQUITY:			
Charter capital	20	175,000	175,000
Associate share premium	20	12,415	15,483
Foreign currency translation reserve		(15,709)	8,191
General reserve		5,000	5,000
Retained earnings		347,307	281,456
TOTAL EQUITY		524,013	485,130
TOTAL EQUITY AND LIABILITIES		793,741	1,254,587

On behalf of the Management:

Dzhumataev Taalaibek
Chief Executive Officer

February 28, 2017
Bishkek, the Kyrgyz Republic

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Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, the Kyrgyz Republic

MICRO-LENDING COMPANY "FRONTIERS", LLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016**
(in thousands of Kyrgyz soms)

	Notes	Charter capital	Foreign currency translation reserve	General reserve	Retained earnings	Associate share premium	Total Equity
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>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>485,130</u>
Profit for the year		-	-	-	65,717	-	65,717
Effect of changes in the general reserves of an associate		-	-	-	(2,934)	-	(2,934)
Change in associate share premium		-	-	-	3,068	(3,068)	-
Translation effect		-	(23,900)	-	-	-	(23,900)
December 31, 2016	20	<u>175,000</u>	<u>(15,709)</u>	<u>5,000</u>	<u>347,307</u>	<u>12,415</u>	<u>524,013</u>

On behalf of the Management

Dzhumataev Taalaibek
Chief Executive Officer



February 28, 2017
Bishkek, Kyrgyz Republic

Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, Kyrgyz Republic

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MICRO-LENDING COMPANY "FRONTIERS", LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		147,528	188,351
Interest paid		(60,085)	(105,090)
Income on services and commissions received		7,966	6,579
Commissions paid		(345)	(2)
Foreign exchange gain		(531)	(4,644)
Other income / (expenses)		62	(836)
Payroll and bonuses to employees		(26,107)	(19,456)
Administrative expenses		(8,038)	(8,761)
Cash inflow from operating activities before changes in operating assets and liabilities		60,450	56,141
Changes in operating assets and liabilities			
(Increase) / decrease in operating assets:			
Financial assets and liabilities at fair value through profit or loss		(8,004)	11,298
Due from banks		223,114	257,389
Loans to customers		161,248	240,334
Other assets		(431)	(546)
Increase / (decrease) in operating liabilities:			
Other liabilities			376
Cash inflow / (outflow) from operating activities before taxation and interest		436,377	564,992
Income tax paid		(258)	(1,729)
Net cash inflow from operating activities		436,119	563,263
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments		(6,080)	3,342
Dividends received		6,080	-
Payments for property, equipment and intangible assets	13	(118)	(282)
Proceeds from sale of property, equipment and intangible assets		1	6
Net cash (outflow) / inflow from investing activities		(117)	3,066
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowed funds		(461,611)	(469,130)
Net cash outflow from financing activities		(461,611)	(469,130)

MICRO-LENDING COMPANY "FRONTIERS", LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
Translation to the presentation currency of foreign subsidiary operations			(1,613)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(15,842)	18,374
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(41,451)	113,960
CASH AND CASH EQUIVALENTS, beginning of year	11	136,668	22,708
CASH AND CASH EQUIVALENTS, end of year	11	<u>95,217</u>	<u>136,668</u>

On behalf of the Management:

Dzhumataev Taalaibek
Chief Executive Officer

February 28, 2017
Bishkek, Kyrgyz Republic

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Suleimanova Bermet
Chief Accountant

February 28, 2017
Bishkek, Kyrgyz Republic