

**Russian-Kyrgyz Development Fund**

Financial Statements

for the year ended 31 December 2016



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## **Independent Auditors' Report**

*To the Council of Russian-Kyrgyz Development Fund*

### **Opinion**

We have audited the financial statements of Russian-Kyrgyz Development Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund 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. 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 IFRS, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' 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 auditors' 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fund 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

  
**Yelena Kim**  
**Audit Partner**  
**KPMG Bishkek LLC**

10 February 2017



**Russian-Kyrgyz Development Fund**  
*Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016*

		<b>2016</b>	<b>For the period from 30 December 2014 (date of incorporation) to 31 December 2015</b>
	<b>Notes</b>	<b>USD'000</b>	<b>USD'000</b>
Interest income	4	12,497	2,838
Interest expense	4	(952)	(246)
<b>Net interest income</b>		<b>11,545</b>	<b>2,592</b>
Fee and commission expense		(131)	(108)
<b>Net fee and commission loss</b>		<b>(131)</b>	<b>(108)</b>
Net foreign exchange income		515	24
<b>Operating income</b>		<b>11,929</b>	<b>2,508</b>
Impairment losses	5	(6,382)	(371)
Other general administrative expenses	6	(2,969)	(1,430)
<b>Profit before income tax</b>		<b>2,578</b>	<b>707</b>
Income tax expense		-	-
<b>Profit for the year/period</b>		<b>2,578</b>	<b>707</b>
<b>Other comprehensive loss</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		1,253	(679)
<b>Other comprehensive loss for the year/period</b>		<b>1,253</b>	<b>(679)</b>
<b>Total comprehensive income for the year/period</b>		<b>3,831</b>	<b>28</b>

The financial statements as set out on pages 5 to 40 were approved by management on 10 February 2017:

*Russian-Kyrgyz Development Fund*  
*Statement of Financial Position as at 31 December 2016*

	Note	2016 USD'000	2015 USD'000
<b>ASSETS</b>			
Cash and cash equivalents	7	21,766	55,046
Available-for-sale financial assets			
- Held by the Fund	8	272,560	115,033
- Pledged under sale and repurchase agreement	8	5,086	-
Deposits with the National Bank of the Kyrgyz Republic	14	30,024	19,294
Deposits with commercial banks	9	900	85,479
Loans to banks	10	58,775	15,513
Loans to customers	11	34,043	1,101
Held-to-maturity investments and other investment in securities	12	121,744	74,208
Property, equipment and intangible assets	13	378	476
Other assets		233	88
<b>Total assets</b>		<b>545,509</b>	<b>366,238</b>
<b>LIABILITIES</b>			
Loan from the National Bank of the Kyrgyz Republic	14	27,221	15,864
Other borrowings		-	196
Other liabilities	15	14,429	150
<b>Total liabilities</b>		<b>41,650</b>	<b>16,210</b>
<b>EQUITY</b>			
Charter capital	16	500,000	350,000
Revaluation reserve for available-for-sale financial assets		574	(679)
Retained earnings and special reserves		3,285	707
<b>Total equity</b>		<b>503,859</b>	<b>350,028</b>
<b>Total liabilities and equity</b>		<b>545,509</b>	<b>366,238</b>

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

*Russian-Kyrgyz Development Fund*  
*Statement of Cash Flows for the year ended 31 December 2016*

	31 December 2016 USD'000	For the period from 30 December 2014 (date of incorporation) to 31 December 2015 USD'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	15,439	2,530
Interest payments	(913)	(191)
Fee and commission payments	(125)	(98)
General administrative expenses payments	(2,889)	(1,346)
<b>(Increase) decrease in operating assets</b>		
Deposits with the National Bank of the Kyrgyz Republic	(10,730)	(19,294)
Deposits with commercial banks	84,100	(85,000)
Loans to banks	(42,794)	(18,441)
Loans to customers	(34,553)	(1,120)
<b>Increase in operating liabilities</b>		
Loan from the National Bank of Kyrgyz Republic	9,431	18,375
Other liabilities	12,409	-
<b>Cash flows from/(used in) operating activities</b>	<b>29,375</b>	<b>(104,585)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	(163,878)	(115,127)
Purchases of held-to-maturity investments	(49,991)	(74,999)
Purchases of property, equipment and intangible assets	(94)	(497)
<b>Cash flows used on investing activities</b>	<b>(213,963)</b>	<b>(190,623)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of other borrowed funds	-	221
Repayment of other borrowed funds	(195)	(26)
Receipts from contributions to the charter capital	150,000	350,000
<b>Cash flows from financing activities</b>	<b>159,236</b>	<b>350,195</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(34,783)</b>	<b>54,987</b>
Effect of changes in exchange rates on cash and cash equivalents	1,503	59
Cash and cash equivalents as at the beginning of the period	55,046	-
<b>Cash and cash equivalents as at the end of the period (Note 7)</b>	<b>21,766</b>	<b>55,046</b>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

*Russian-Kyrgyz Development Fund*  
*Statement of Changes in Equity for the year ended 31 December 2016*

USD'000	Charter capital	Revaluation reserve for available-for-sale financial assets	Retained earnings and special reserves	Total equity
Balance as at 30 December 2014 (date of incorporation)	-	-	-	-
<b>Total comprehensive income</b>				
Profit for the period	-	-	707	707
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets	-	(679)	-	(679)
<b>Total comprehensive income for the period</b>	-	(679)	707	28
<b>Transactions with owners, recorded directly in equity</b>				
Contributions to the charter capital	350,000	-	-	350,000
<b>Total transactions with owners</b>	<b>350,000</b>	-	-	<b>350,000</b>
<b>Balance as at 31 December 2015</b>	<b>350,000</b>	<b>(679)</b>	<b>707</b>	<b>350,028</b>
Balance as at 1 January 2016	350,000	(679)	707	350,028
<b>Total comprehensive income</b>				
Profit for the year	-	-	2,578	2,578
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets	-	1,253	-	1,253
<b>Total comprehensive income for the period</b>	-	1,253	2,578	3,831
<b>Transactions with owners, recorded directly in equity</b>				
Contributions to the charter capital	150,000	-	-	150,000
<b>Total transactions with owners</b>	<b>150,000</b>	-	-	<b>150,000</b>
<b>Balance as at 31 December 2016</b>	<b>500,000</b>	<b>574</b>	<b>3,285</b>	<b>503,859</b>

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.