

Independent auditor's report

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The Council of the Hungarian-Kyrgyz Development Fund

Refusing to express an opinion

We were engaged to audit the financial statements of the Hungarian-Kyrgyz Development Fund (the "Fund"), which comprise the statement of financial position as of December 31, 2021 and December 31, 2022, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Fund. Due to the significance of the matters described in the Basis for Disclosure of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to support our opinion on these financial statements.

Basis for refusal to express an opinion

The Fund has not implemented a computerized accounting system as part of its accounting organization. Moreover, the Fund does not keep systematic accounting in any format, which leads to numerous errors in the preparation of financial statements of the Fund. Moreover, the Fund could not provide corresponding statements of accounts for accounting, the turnover statement for the audited periods, and the bases confirming the amounts recognized in the financial statements and their primary sources. Also within the framework of the works performed the Fund could not provide all primary documents evidencing the accounting entries. Besides, the Fund did not provide the complete financial statements with all the notes, which are required to be disclosed in accordance with the International Financial Reporting Standards.

We were unable to confirm or verify, through alternative procedures, the amounts reported in the financial statements other than cash balances. As a result of these circumstances, we were unable to determine whether adjustments should be made to the amounts reported or not in the accounting and statement of financial position for all line items as well as elements of the statement of comprehensive income, the



statement of changes in shareholders' equity and the statement of cash flows.

Responsibilities of management and those responsible for corporate governance and financial reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for the internal control system 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 relevant cases, related to going concern and using the going concern basis of statement preparations unless management either intends to liquidate the Fund or to cease operations, or unless management has no realistic alternative but to do so.

Individuals responsible for corporate governance are responsible for overseeing the financial reporting process of the Fund.

Auditor's responsibility for the audit of 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 International Standards on Auditing 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.

During an audit conducted in accordance with International Standards on Auditing, we apply professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the followings:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures in response 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, because 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 made by management and related disclosures;
- 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 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 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 present the underlying transactions and events in a manner that achieves fair presentation.



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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.



Armen Vanyan
Director/ Partner
Qualification certificate of the auditor
Series A No. 0264 dated July 11, 2016

June 30, 2023
Bishkek

Grant Thornton LLC
License for auditing
State Service for Regulation and Supervision of the Financial Market
under the Government of the Kyrgyz Republic, on May 3, 2013

Statement of financial position

In US dollars

	Note	December 31, 2022	December 31, 2021
<i>Assets</i>			
Cash and cash equivalents	10	15,817,935	16,000,000
Fixed assets, intangible assets and right-of-use assets	13	5,980	-
Other assets	14	509	-
Total assets		15,824,424	16,000,000
<i>Liabilities and equity</i>			
Other liabilities		-	-
Total liabilities		-	-
<i>Equity</i>			
Chartered capital	16	16,000,000	16,000,000
Retained earnings		(176,686)	-
Total equity		15,824,424	16,000,000
Total liabilities and equity		15,824,424	16,000,000

The financial statements were approved on June 30, 2023, by

U. Sarbanov

Chairman of the Management Board

U. Karmysnikov

Deputy Chairman of the Board

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

In US dollars	Note	Year ended December 31, 2022	Year ended December 31, 2021
Interest earnings calculated using the effective interest rate		-	-
Net interest income		-	-
Provision for expected credit losses		-	-
Net interest income after expenses for credit losses		-	-
Other income		296	
Net income from operations with foreign currency		(781)	-
Depreciation of fixed and intangible assets		(412)	-
Administrative and other expenses		(175,789)	-
Loss before tax		(176,687)	-
Income tax expense		-	-
Loss for the year		(176,686)	-
Other comprehensive income		-	-
Total comprehensive loss for the year		(176,686)	-

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

Statement of changes in equity

In US dollars	<u>Chartered capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2021	-	-	-
Loss for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Increase the chartered capital	16,000,000	-	16,000,000
Balance as of December 31, 2021	<u>16,000,000</u>	<u>-</u>	<u>16,000,000</u>
Loss for the year	-	(176,686)	(176,686)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(176,686)	(176,686)
Increase the chartered capital	-	-	-
Balance as of December 31, 2022	<u>16,000,000</u>	<u>(176,686)</u>	<u>15,824,424</u>

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

Statement of cash flows

In US dollars

	Year ended December 31, 2022	Year ended December 31, 2021
Operating activities		
Paid operating expenses	(145,488)	-
Other payments from operating activities	(29,113)	-
Other cash outflows	(322)	-
Net cash flows used in operating activities	(174,922)	-
<i>Cash flows from investing activities</i>		
Other cash outflows	(7,034)	-
Net cash flows used in investing activities	(7,034)	-
<i>Cash flows from financing activities</i>		
Additions to share capital	-	16,000,000
Other income from financial activities	296	-
Net cash flows from financing activities	296	16,000,000
Net increase/(decrease) in cash and cash equivalents	(181,661)	16,000,000
Effect of exchange rate differences on cash and cash equivalents	(404)	-
Cash and cash equivalents at the beginning of the year	16,000,000	-
Cash and cash equivalents at end of year (Note 10)	15,817,935	16,000,000

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.