

Independent auditor's report

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To Council of the Hungarian Kyrgyz Development Fund

Opinion

We have audited the financial statements of the Hungarian Kyrgyz Development Fund (hereinafter the Fund), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and comprehensive income, statement of changes in equity 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 accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our auditor's report. We are independent of the Company in accordance 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Important circumstances

We draw attention to Note 3.3 "Functional and Reporting Currency" to the financial statements, which provides information that the Fund has reviewed its prior period financial statements and changed the functional and presentation currency of the financial statements. Previously, the Fund reported in US dollars, however, due to changes in estimates and judgments applied, the Fund's Management decided to present the financial statements in Kyrgyz soms.



We draw attention to the fact that earlier in respect of previous periods the auditors presented a disclaimer of opinion in connection with the lack of sufficient and appropriate audit evidence in connection with the absence of an established accounting system of the Fund. The Fund has resolved this matter in the current period. We do not express a modified opinion on this matter.

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;

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- 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.

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 1, 2016



April 29, 2024
Bishkek

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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 thousands of Kyrgyz soms

	Note	December 31, 2023	December 31, 2022 (restated)	December 31, 2021 (restated)
<i>Assets</i>				
Cash and cash equivalents	10	893,791	1,353,423	1,354,121
Amounts due from banks	11	444,762	-	-
Loans to customers	12	55,384	-	-
Property and equipment	13	876	578	-
Other assets		63	7	-
Total assets		1,394,846	1,354,008	1,354,121
<i>Liabilities and equity</i>				
Other liabilities	14	8,827	8,936	1,134
Total liabilities		8,827	8,936	1,134
<i>Equity</i>				
Share capital	15	1,356,670	1,356,670	1,356,670
Retained earnings/(loss)		29,349	(11,598)	(3,683)
Total equity		1,386,019	1,345,072	1,352,987
Total liabilities and equity		1,394,846	1,354,008	1,354,121

Financial statements were approved on April 23, 2024 by

Ulan Sarbanov

Chairman of the Management Board



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 36.

Statement of profit or loss and other comprehensive income

In thousands of Kyrgyz soms		Year ended December 31, 2023	Year ended December 31, 2022 (restated)
	Note		
Interest and similar income	6	4,361	2
		4,361	2
Other income		658	22
Provision for expected credit losses	7	(2,121)	1
Net income from operations with foreign currency	8	53,668	14,299
Depreciation of fixed and intangible assets		(130)	(46)
Administrative and other expenses	9	(15,489)	(22,193)
Income/(Loss) before income tax		40,947	(7,915)
Income tax expenses		-	-
Income/(Loss) for the year		40,947	(7,915)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		40,947	(7,915)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 36.

Statement of changes in equity

In thousands of Kyrgyz soms	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1, 2021	-	-	-
Additions to share capital	1,356,670	-	1,356,670
Loss for the year	-	(3,683)	(3,683)
Balance as of December 31, 2021	<u>1,356,670</u>	<u>(3,683)</u>	<u>1,352,987</u>
Loss for the year	-	(7,915)	(7,915)
Balance as of December 31, 2022	<u>1,356,670</u>	<u>(11,598)</u>	<u>1,345,072</u>
Income for the year	-	40,947	40,947
Balance as of December 31, 2023	<u>1,356,670</u>	<u>29,349</u>	<u>1,386,019</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 36.

Statement of cash flows

In thousands of Kyrgyz soms

	December 31, 2023	December 31, 2022
Cash flows from operating activities		
Interest received	4,071	-
Operational expenses paid	(15,771)	(14,347)
Cash outflow from operating activities before changes in operating assets and liabilities	<u>(11,710)</u>	<u>(14,347)</u>
<i>Change in operating assets</i>		
Amounts due from banks	(444,762)	-
Loans to customers	(55,384)	-
Net cash flows used in investing activities	<u>(500,146)</u>	<u>-</u>
<i>Cash flows from investing activities</i>		
Other cash outflows	(428)	(647)
Net cash flows used in investing activities	<u>(428)</u>	<u>(647)</u>
<i>Cash flows from financing activities</i>		
Additions to share capital	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>(512,284)</u>	<u>(14,994)</u>
Effect of exchange rate differences on cash and cash equivalents	52,622	14,296
Cash and cash equivalents at the beginning of the year	1,353,423	1,354,121
Cash and cash equivalents at the end of the year (Note 10)	<u>893,761</u>	<u>1,353,423</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 36.