

REPORT OF INDEPENDENT AUDITOR

To the Management and owners of “Asian Credit Fund” Microcredit Organization” LLC

We have audited the applied financial statements of “Asian Credit Fund” Microcredit Organization” LLC comprising the statement of financial position as at the 31st of December 2010 and the statement of comprehensive income, the statement of changes in equity capital, the statement of cash flow for the year then ended, as well as review of considerable provisions of the accounting policy and other explanatory notes.

Responsibility of the management for the financial statements

The management of the Company shall be responsible for preparation and fair representation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility shall include: working out, implementation and maintenance of internal control connected with preparation and fair representation of the financial statements, which do not contain material misstatements caused by fraud or error.

Auditor's responsibility

We are responsible for expression of opinion in relation to these financial statements on the basis of audit we had carried out. We carried out audit in accordance with the International Standards on Auditing. These standards oblige us to meet ethic requirements, as well as to plan and to carry out audit so as to get reasonable confidence that these financial statements do not contain material misstatements.

Audit includes procedures performed in order to obtain audit evidences confirming the amounts and disclosures in these financial statements. Selected procedures depend upon the auditor's opinion, including evaluation of risks of material misstatements caused by fraud or error. In the course of evaluation of such risks the auditor studies the internal control connected with preparation and fair representation of the entity's financial statements for the purposes of working out of audit procedures acceptable under these circumstances, but not for the purposes of expression of opinion on efficiency of internal control of the entity. Audit also includes evaluation of compliance of used accounting policy and reasonableness of accounting estimations made by the management, as well as evaluation of general representation of financial statements.

We consider that audit evidences collected by us are sufficient and appropriate to be basis for expression of our auditor's opinion.

Opinion

In our opinion, the financial statements fairly and reliably represent in all material aspects the financial position of "Asian Credit Fund" Microcredit Organization" LLC as at the 31st of December 2010, as well as its financial results and cash flow for the year then ended in accordance with the International Financial Reporting Standards.

Paragraph regarding other issues

The financial statements of the Company for the year ended on the 31st of December 2009 was not audited.

Auditor

**Qualification Certificate No.584
dated the 18th of August 2006**



T.P. Kosheleva

Director of "PKF Sapa-Audit" LLP

**License of a legal entity No.0000040 dated the 10th of July 2009
(original licenses No.0000030 dated 25.01.2000, No.0000232 dated 28.08.2002
in connection with change of the Company's name)**



Bazarbekova K.B.

**31st of May 2011
Almaty City**

«Asian Credit Fund» Microcredit organization» Limited Liability Company
Financial Statements for 2010

STATEMENT ON THE FINANCIAL POSITION

As at December 31, 2010

(in thousand of Kazakhstan tenge)

Statement items	Note	Year 2010	Year 2009
Assets			
Cash funds and their equivalents	1	41 552	66 373
Cash funds and accounts with the banks	2	249 000	165 355
Short-term loans, provided to the clients	3	337 566	184 231
Inventory	4	8 075	2 834
Current tax assets (Corporate income tax)	5	2 041	
Fixed assets	6	16 222	17 926
Investment property	7	7 085	
Intangible assets	8	1 643	1 350
Long-term loans, provided to the clients	3	25 208	107 104
Deferred tax assets	9	0	8 359
Other assets	10	14 009	9 817
Total assets		702 403	563 348
Liabilities			
Financial liabilities	11	635 759	487 746
Short-term estimated liabilities	12	3 275	2 488
Other short-term liabilities	13	3 444	2 129
Total liabilities		642 478	492 363
Capital	14		
Shareholder's capital		195 922	195 922
Retained Earnings (Loss)		(135 997)	(124 937)
Total capital		59 925	70 985
Total capital and liabilities		702 403	563 348

Zh.B. Zhakupova

D.B. Smazhanova

May 30, 2011



Executive director

Chief Accountant



«Asian Credit Fund» Microcredit organization» Limited Liability Company
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INCOME STATEMENT

For the year, ended on December 31, 2010

(in thousand of Kazakhstan tenge)

Items description	Note	Year 2010	Year 2009
Interest income			
Interest income on loans, provided to the clients		221 948	171 771
Interest income on accounts and deposits of the banks		15 151	564
Other interest income		228	146
Total interest income		237 327	172 481
Interest expenses			
Net interest income before provision for impairment losses	15	170 647	110 450
Provision for impairment losses on loans to the clients	3	3 551	(32 850)
Net interest income		174 197	77 600
Non-interest income			
Net (loss)/income from sale of non-financial assets		387	(917)
Income (reserves) from exchange rate difference		1 245	(21 016)
Other operational income		4 826	867
Non-interest income	16	6 459	(21 066)
Non-interest expenses			
Personnel costs		(94 719)	(61 938)
Amortization		(7 133)	(5 817)
Taxes besides income tax		(6 402)	(4 334)
Other operational expenses		(75 104)	(62 098)
Non-interest expenses	17	(183 357)	(134 187)
Profit (loss) before income tax		(2 701)	(77 653)
Expenses on corporate income tax	9	(8 359)	(1 858)
Net profit (loss) for the period		(11 060)	(79 511)

Zh.B. Zhakupova

D.B. Smazhanova

May 30, 2011



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Executive Director

Chief Accountant



«Asian Credit Fund» Microcredit organization» Limited Liability Company
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CASH FLOW STATEMENT

Indirect method

As at December 31, 2010

(in thousand of Kazakhstan tenge)

Items description	Year 2010	Year 2 009
I. CASH FLOW FROM OPERATING ACTIVITY		
<i>Profit before income tax</i>	-2 701	-77 653
<i>Profit adjustment, total</i>		
Interest expenses	66 680	62 032
Amortization	7 133	5 817
Expenses (restoration) of the provision for impairment losses on Loans to clients	(3 551)	32 850
Correction of reserve on non-used labor leaves	787	
Correction of loans' fees		4 797
Corrections of the last years		6 927
Exchange rate differences	(1 150)	6 705
Cash funds flow from operating activity prior to change in net operating assets	67 198	41 475
(Increase)/decrease of operating assets:	(71 344)	(103 580)
Loans to the clients	(60 084)	(96 390)
Accrued interest	(1 827)	1 666
Other assets	(9 433)	(8 856)
(Increase)/decrease in operating liabilities:	(7 375)	1 062
Other liabilities	(7 375)	1 062
Net inflow/(outflow) of cash funds from operations	(11 521)	(61 044)
Payment of interests	(65 324)	(61 691)
Profit tax, paid off	(2 041)	
Net inflow/(outflow) of cash funds from operating activity after payment of the profit tax	(78 887)	(122 735)
II. Cash funds flow from the investment activity		
1. Receipt of cash funds, total	000	12 316
including:		12 316
Increase of authorized capital	(10 095)	(11 865)
2. Retirement of cash funds, total		
including:		(11 703)
Purchase of fixed assets	(9 394)	(11 703)
Purchase of intangible assets	(701)	(162)
3. Net amount of cash funds from investment activity	(10 095)	451
III. Cash funds flow from the financial activity		
1. Receipt of cash funds, total	356 932	94 666
including:		
Loans receipt	356 932	
2. Retirement of cash funds, total	(207 699)	(16 800)
including:		



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Loans repayment	(207 699)	(16 800)
3. Net amount of cash funds from the financial activity	149 233	77 866
Net change of cash funds and their equivalents	60 250	(44 419)
Cash funds and their equivalents as of beginning of the reporting period	231 728	225 342
Effect of exchange rate difference change and rate of exchange on cash funds and their equivalents	-1 426	50 804
Cash funds and their equivalents as of end of the reporting period	290 552	231 728



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«Asian Credit Fund» Microcredit organization» Limited Liability Company
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STATEMENT OF CHANGES IN EQUITY
 For the year, ended on December 31, 2010
 (in thousand of Kazakhstan tenge)

Items	Charter capital	Profit, not available for distribution between the Participants	Retained earnings	Total
Balance as of January 1 of the reporting year 2010	195 922		(124 937)	70 985
Errors of the previous periods				
Recalculated balance	195 922		(124 937)	70 985
Profit/loss for the period			(11 060)	(11 060)
Total profit/loss for the period			(11 060)	(11 060)
Balance as of December 31 of the reporting year 2010	195 922		(135 997)	59 925
Balance as of January 1 of the previous year 2009	118 434	65 172	(52 353)	131 253
Errors of the previous periods			6 927	6 927
Recalculated balance	118 434	65 172	(45 426)	138 180
Increase of the authorized capital	77 488	(65 172)		12 316
Profit/loss for the period			(79 511)	(79 511)
Total profit/loss for the period			(79 511)	(79 511)
Balance as of December 31 of the previous year 2009	195 922		(124 937)	70 985



Zh.B. Zhakupova

D.B. Smazhanova

May 30, 2011



Executive Director

Chief Accountant

CONFIRMATION OF THE MANAGEMENT ON RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Management of “Asian Credit Fund” Microcredit organization” LLC (hereinafter referred to as the «Company») shall be responsible for preparation of the financial statements, authentically reflecting in all essential aspects the financial position of the Company as at December 31, 2010, as well as the results of the Company’s activity, cash funds flow in equity capital for the year, ending as of specified date, in accordance with the International Financial reporting Standards (IFRS).

While preparation of the financial statements of «MCO Asian Credit Fund» LLC the Management of the Company shall be responsible for:

- Selection of the due accounting principles and consistent application thereof;
- Application of the reasonable estimations and calculations;
- Compliance with IFRS requirements or disclosure of all material deviations from IFRS in the Notes to the separate Financial Statements; and;
- Preparation of the separate financial statements based on the assumption that the Group will continue its activities in the foreseeable future, except for the cases when such assumption is unlawful.

The Company Management shall be also responsible for:

- development, implementation and provision of operation of the efficient and reliable internal control system in the Company;
- maintenance of the accounting system allowing to prepare the information on the separate financial condition of the Group at any time with the sufficient extent of accuracy and provide compliance of the separate financial statements with IFRS requirements;
- taking measures within the scope of its competence for protection of the Company’s assets; and
- reveal and prevention of other mistakes, frauds and other abuses.

Attached financial statements for the year ended as of December 31, 2010 have been approved by the Management of the Company on May «30», 2011. In this case the Management means the Executive Director and Chief Accountant of the Limited Liability Company «Asian Credit Fund” Microcredit organization”.

Executive Director

Chief Accountant

May 30, 2011



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Zh.B. Zhakupova

D.B. Smazhanova



1. Description of the Company’s activities

Principal activity

These financial statements include the financial statements of the Limited liability company “Asian Credit Fund” Microcredit organization” (hereinafter referred to as the "Company" or ACF MCO LLC)

“Asian Credit Fund” Microcredit organization” LLC is the Limited Liability Company, registered on October 27, 2005 under the number 73630-1910-TOO and carrying out its activity in the territory of the Republic of Kazakhstan. ACF MCO LLC has been re-registered on 26.06.2009 in connection with the decision of Participants on acceptance of a new Participant - Mercy Corps.

“Asian Credit Fund” Microcredit organization” LLC carries out its activity according to the Civil code of the Republic of Kazakhstan, the Law Republic Kazakhstan №392-II «About microcredit organizations» dated March 6, 2003 (as amended and supplemented on December 8, 2006), Charter and constituent documents of ACF MCO LLC.

“Asian Credit Fund” Microcredit organization” LLC has been registered by the Justice Department of Almaty city. Certificate of state re-registration of the legal entity dated June 26, 2009, registration № 73630-1910-TOO.

Organizational - legal form - the Limited Liability Company.

Place of ACF MCO LLC location: Almaty, Kotelnikov street, 2.

ACF MCO LLC is registered in the Tax Department of Torkсіб district of Almaty city since 01.07.2009.

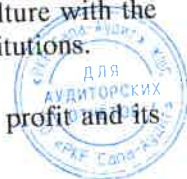
Taxpayer registration number - 600700564758, BIN 051040001396.

According to the Charter, the main activities of the Company are:

1. Granting of micro-credits in cash form on terms of repayment, term and recurrency in the amount not exceeding the size of eight thousand multiple monthly rated index, established by the law of the Republic of Kazakhstan on the national budget for appropriate financial year per one borrower;
2. Investing of temporary available assets into governmental securities, corporate securities, deposits of second level banks and in other ways which do not contradict with the laws of the Republic of Kazakhstan;
3. Closing transactions with collateral which was provided as collateral security for a microcredit in the manner stipulated by the laws of the Republic of Kazakhstan;
4. Sale of its property;
5. Rendering consulting services in connection with microcredit activity;
6. Providing training on a free of charge basis.

A predominant purpose of the Company is a comprehensive assistance in developing and strengthening of small and medium-size business in Kazakhstan, as well as development of entrepreneurial culture with the emphasis on relations establishment and strengthening between entrepreneurs and financial institutions.

The overall goal of the Company is accomplishment of the Company activity, gaining of net profit and its use in interests of Participants.



«Asian Credit Fund» Microcredit organization» Limited Liability Company
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(in thousands of Kazakhstan tenge)

As of the date of the financial statement approval the Company has 3 registered branch offices in the territory of the Republic of Kazakhstan, in such cities as Semei, Karaganda and Taraz.

Participatory shares in ACF MCO LLC are distributed in the following way:

Member	Country of activity carrying out	Share of participation %		Type of activity
		Year 2010	Year 2009	
Public Fund «Asian Credit Fund»	Republic of Kazakhstan	40%	40%	Granting of micro credits to the businessmen of small and medium scale business
Mercy Corps	USA	60%	60%	Rendering of assistance on economical development

In 2009, there was a change in the list of Participants of the Company based on the Minutes of the General Meeting of "MCO ACF" LLC dated April 21, 2009.

Participants' composition has changed by accepting Mercy Corps as a Participant with cash contribution of the latter to the authorized capital of the Company in the amount of 77,488 thousand tenge. As a result, the Company's share capital has increased to the amount of 195 921 thousand tenge. 77,488 thousand tenge contribution has been entirely made in cash.

MCO ACF" LLC Participants' shares in the Authorized capital stock are not proportional to contributions made. Recalculation of the Company Participants' shares in the in the Authorized capital stock is as follows:

- Mercy Corps: contribution amount - 77,488 thousand tenge, share in the authorized capital stock - 60%;
- Public Foundation «Asian Credit Fund»: contribution amount - 118 434 thousand tenge, share in the authorized capital stock - 40%.

The final proprietors of the Company's founders are:

- For the Public Fund "Asian Credit Fund" (PF ACF) final proprietor – individual person – it is not assumed to be. The Sole Founder of the Public Fund is the Mercy Corps, an organization registered as a non-profit corporation under the laws of the State of Washington, USA and existing on private donations. According to article VII of the Articles of Incorporation of Mercy Corps, in case of corporation liquidation the property right to the remained property and assets should be transferred to any other organization which meets the requirements of tax exemption, stipulated by article 501 (c) (3) RWC of Nonprofit Corporations Act of the State of Washington.

- For the Mercy Corps the final proprietor – individual person – it is not assumed to be. Definition of the proprietor is similarly to that of PF ACF.

As of December 31, 2010 the number of employees of the Company - 108 persons, 8 of them are in maternity leave; as of December 31, 2009 – 75 persons, 3 of them are in maternity leave.

The Company has its independent balance, settlement and currency accounts, a seal with indication of its name.



Conditions for carrying out of financial and economic activity in the Republic of Kazakhstan

The Republic of Kazakhstan experiences various political and economic changes which have rendered and can continue to make considerable impact on operations of enterprises carrying out their activity in the Republic of Kazakhstan. As a consequence, carrying out of financial and economic activity in Kazakhstan is related with risks which are not typical for the countries with market economy. Besides, recent reduction of capital market and credit market volumes has led to greater increase of economic situation uncertainty level. Attached financial statements reflect an assessment of the Company's management of possible influence of existing conditions of financial and economic activity carrying out on the activity results and on the Company's financial position. Subsequent development of conditions for carrying out of financial and economic activity can greatly differ from the Management's assessment.

2. Bases for submission of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IAS and IFRS), including all IAS standards accepted earlier and IFRS interpretations.

Below are the standards which have been issued, but haven't come into force yet as of the date of present financial statements of the Company issue. The list below includes standards and interpretations which the Company assumes to apply in future. The Company intends to apply these standards from the date of their coming into force.

- Amendment to IFRS (IAS) 24 (revised): «Disclosure of information on the related parties» (valid for the accounting periods since January 1, 2011);
- Amendment to IFRS (IAS) 32 «Financial instruments: information representation»: «Classification of share rights issue». (comes into effect for annual accounting periods beginning on February 1, 2010 or after this date).
- IFRS 9 «Financial instruments: classification and estimation». This Standard comes into effect in respect of annual accounting periods beginning on January 1, 2013 or after this date.
- Amendment to IFRIS Interpretation 14 «Advance payments in respect of claims on minimal financing». This amendment comes into effect for the annual accounting periods beginning on January 1, 2011 or after this date and is applied retrospectively.
- IFRIS Interpretation 19 «Repayment of financial liabilities by means of equity instruments granting». This Interpretation comes into effect for the annual accounting periods beginning on July 1, 2010 or after this date.

IFRS Improvements (published in May, 2010)

IFRS Council has published a complete set of amendments to standards «IFRS Improvements». Amendments haven't been applied, as they come into effect for the annual accounting periods beginning on July 1, 2010 or after this date, or on January 1, 2011 or after the accounting date:

- IFRS 3 «Consolidations of Business»
- IFRS 7 «Financial instruments: information disclosure»
- IFRS (IAS) 1 «Representation of the financial statements»
- IFRS (IAS) 27 «Consolidated and separate financial statements »
- IFRIC Interpretation 13 «Programs directed on support of the clients' loyalty»

The Management of the Company assumes that all stated above Standards and Interpretations will be accepted in the financial statements of the Company for the period beginning from January 1, 2011, and acceptance of these Standards and Interpretations will not make any essential influence on the financial statements of the Company during their initial application.



«Asian Credit Fund» Microcredit organization» Limited Liability Company
Notes to the financial statements for 2010

(in thousands of Kazakhstan tenge)

Statement of compliance

The present financial statements are prepared in accordance with the International Financial Reporting Standards and completely meet their requirements. Besides IFRS the base for financial statements formation are the accounting policies of the Company, working chart of accounts for bookkeeping, methodical recommendations, as well as other regulatory legal documents regulating the system of business accounting in the Republic of Kazakhstan. Accounting policy of the Company specifies the key rules of business account organization for preparation of the financial statements. The basic purpose and the main task of the Accounting policy – to reflect the Company’s activity, to generate full, objective and trustworthy information as much as possible.

Main principles and methods used for drawing up of the applied financial statements

Continuity principle

These financial statements have been prepared, proceeding from an assumption that the Company will continue its normal economic activities in the foreseeable future which fact assumes a compensation of assets value and repayment of liabilities in the course of normal activity.

Principle of charging

The attached financial statements, except for information on cash flows, were made up in accordance with the principle of charging (economic operations, as well as events, are recognized when they have really occurred (and not in the process of receipt or payment of money resources or their equivalents) and are registered in accounting registers and presented in the financial statements of those periods to which they refer). Expenses are recognized in incomes and expenses statements on the basis of direct comparison between the incurred expenses and concrete earned income items (correlation concept). Income is recognized at receipt of economic gains related with a transaction, and possibility to evaluate income amount authentically.

Functional currency and the currency of the financial statement data presentation

The national currency of the Republic of Kazakhstan is Kazakhstan tenge (hereinafter referred to as "tenge"). The Management of the Company has determined tenge as a functional currency of the Company as it reflects the economic essence of events and circumstances laying in the basis of the Company’s activity.

All numerical indicators presented in tenge are approximated to the nearest thousand unless otherwise stated by the Company.

Use of professional judgements, educated estimations and assumptions

At preparation of the present financial statements according to IFRS, the management of the Company used professional judgements, assumptions and educated estimations relating to the issues of assets and liabilities reflection, and disclosures of information on contingent assets and liabilities. Actual results can differ from these estimations.

Assumptions and educated estimations made on their basis are constantly analyzed for necessity of their change. Changes in educated estimations shall be recognized in that accounting period, in which such estimations have been revised, and in all subsequent periods affected by specified changes.

The following notes provide in particular information on the basic spheres demanding estimation of uncertainty, and on the most important judgements generated in the course of application of Accounting policy provisions which made the most considerable impact on amounts, reflected in the financial statements.

- Loans provided to the clients - Note 3

Disclosure of estimations used for drawing up of the financial statements

Actual purchase value (historical value, initial cost):

- assets shall be accounted at amount of cash funds or their equivalents paid for them or at fair value of cross presentation at their purchase;



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(in thousands of Kazakhstan tenge)

- liabilities shall be accounted at amount of cash funds or their equivalents which payment is expected at normal course of business.

Current value

- assets shall be reflected at amount of cash funds or their equivalents which should be paid in case of purchase of the same or similar assets at present moment;
- liabilities shall be reflected at current amount of cash funds or their equivalents which would be supposed to pay with to the purpose to fulfill liabilities at current moment at a normal course of business.

Possible sales value (execution value, sale price)

- assets shall be reflected at amount of cash funds or their equivalents which can be obtained at present moments from asset sale in normal conditions;
- liabilities shall be reflected at amount of cash funds at their repayment value, i.e at current amount of cash funds or their equivalents which would were supposed to be spent for repayment of liabilities at a normal course of business.

Discounted value

- assets shall be reflected in the current estimation of discounted value of future net receipts of cash funds in the course of normal business activity;
- liabilities shall be reflected at discounted value of future net payments of cash funds at normal course of business.

Allowance for impairment losses

The Company regularly carries out analysis of loans and accounts receivable for their depreciation or impairment. Proceeding from the available experience, the Company uses its subjective judgment at estimation of impairment loss in situations when the borrower faces with financial difficulties and there is no sufficient volume of actual data about similar borrowers. Similarly the Company estimates changes of future cash funds flows on the basis of the observable data pointing on adverse change in the status of liabilities repayment by the borrowers in composition of the group or on change of the state or local economic conditions which corresponds with cases of failure to fulfill liabilities on assets as a part of group. The Management of the Company uses estimations based on the historical data relating to the structure of losses in respect of assets with similar characteristics of credit risk and objective impairment features by groups of loans and accounts receivable. Proceeding from the available experience, the Company uses its subjective judgment at adjustment of observable data with reference to a group of loans or accounts receivable for current circumstances reflection.

3. Substantive provisions of the Accounting policy

Below are the substantive provisions of the Accounting policy applied at preparation of these financial statements of the Company. These provisions of the Accounting policy have been applied consistently.

Fixed assets

Recognition

Own fixed assets at the moment of theirs receipt are reflected in business accounting at initial cost which includes all actually made necessary expenses on purchase and preparation of fixed assets for their use. Gratuitously obtained assets are reflected at a value determined by an independent expert.

Measurement after recognition

The Company uses the method of accounting at revalued price representing a fair value of this object as of the revaluation date minus subsequently accrued amortization and impairment losses. Revaluation is made



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(in thousands of Kazakhstan tenge)

with sufficient regularity which does not admit any essential difference of balance value from that which would be determined with use of fair value as of end of the accounting period. Fair value of the land plots and buildings is defined on the basis of market data by estimation which is usually carried out by professional appraisers. Fair value of fixed assets objects usually corresponds to their market value determined by economic estimation.

In case of fair value market data absence, conditioned by a specific character of fixed assets object and by the fact that these objects, being the part of the Company's property complex are separately sold in vary rare cases. The Company will, probably, need to perform an estimation of fair value on the basis of rate of return method or accounting method on the basis of replacement value with allowance for accrued amortization.

Revaluation frequency depends on change of fixed assets objects fair value, subjected to revaluation. If the fair value of a revaluated asset essentially differs from its balance value, the Company carried out additional revaluation. Some objects of fixed assets are characterized by considerable and discretionary changes of fair value causing the necessity of annual revaluation. Such frequent revaluations are not required for fixed assets objects which fair value is exposed only to minor changes. Necessity in revaluation of such objects can occur only once in 3–5 years.

If a revaluation is made only for a separate object of fixed assets, all other assets relating to same class of fixed assets as the given assets shall be also subjected to revaluation.

The Company singles out the following classes of fixed assets:

- transport vehicles;
- computers and auxiliary equipment;
- machinery and equipment;
- other.

If the balance value of an asset increases as a result of revaluation, the amount of such increase shall be recognized in the structure of other cumulative profit and accrued in the capital under heading «increase of value from revaluation». However such increase should be recognized in the profit or loss structure to that extent in which it restores the amount of value reduction from revaluation of the same asset, earlier recognized as a part of profit or loss.

If the balance cost of an asset decreases as a result of revaluation, the amount of such reduction is included in profit or loss. Nevertheless, this reduction should be recognized as a part of other cumulative profit in the amount of the existing credit balance, if available, reflected in item «increase of value from revaluation», referring the same asset. Reduction recognized in the structure of other cumulative profit reduces the amount which has been accrued in the structure of capital under heading «increase of value from revaluation».

At the termination of asset recognition, value increase from its revaluation, included in the capital structure with reference to the fixed assets object, can be attributed directly on undistributed profit. Thus, value increase from revaluation can be completely attributed on undistributed profit at termination of asset operation. However a part of value increase from revaluation can be attributed on undistributed profit in process of asset operation. In that case the amount of attributed value increase represents the difference between depreciation amount calculated on the basis of revaluated balance value of an asset, and amount of the depreciation calculated on the basis of initial asset cost. Carrying over of the value increase from revaluation on undistributed profit shall be made without involvement of profit or losses accounts.

Tax effect (if available), resulting from revaluation of the fixed assets, shall be recognized and disclosed according to IFRS (IAS) 12 "Profit taxes".

Amortization

The Company uses the following useful service terms and depreciation rates of fixed assets:

Amortization group	Useful service term (years)	Annual depreciation rate (%)
Computers and equipment	2,5	40%



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(in thousands of Kazakhstan tenge)

Office equipment	2,5-6	15-40%
Transport vehicles	4	25%

Amortization of an object starts from the first day of a month following the month of object commissioning, and on retired fixed assets it stops from the first date of a month following the month of retirement. Deterioration is determined on the basis of straight-line basis for all classes of the fixed assets.

Net depreciated value, terms of useful life and methods of assets amortization charging shall be analyzed at the end of each fiscal year and shall be corrected as required.

Expenses for repair and reconstruction shall be attributed on expenses as far as they are made and included in the structure of other operational expenses.

Investment property

Under the investment property the Company understands a property at disposal of the Company for the purpose to obtain rent payments and/or incomes from capital value increase.

Initial evaluation

Investment property object is originally evaluated at cost price, including expenses on transaction.

Subsequent expenses

Subsequent expenses related with investment property reflected in the statements are attributed by the Company on increase of the balance value when such expenses can be authentically evaluated and carried over on the concrete asset. All other subsequent expenses of the Company are recognized as expenses in that period in which they have been incurred.

Subsequent evaluation

For subsequent evaluation of investment property the Company applies the fair value model, and change of the fair value is recognized in the cumulative income statement (it is not subjected to amortization and testing of object for depreciation). The Company carries out determination of a fair estimation of the property with attraction of independent appraisers.

Reclassification

The Company transfers the objects into investment property category or excludes such objects from this category only in case of objects assignment change:

- At transfer from the category of investment property in the category of property occupied by the Company and on the contrary;
- At the beginning of property reconstruction with the purpose of realization from investment property category into the Inventory category;

The Company carries out accounting at transfers of investment property at fair value as of the date of object assignment change.

Retirement

Recognition of the investment property object is terminated at retirement or final output of object from operation when no economical gains are supposed to be obtained after retirement of the object.



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(in thousands of Kazakhstan tenge)

Intangible assets

Intangible assets purchased by the Company, shall be accounted at the initial value minus accumulated depreciation and losses from devaluation.

Expenses for obtaining of the license for special software and its introduction shall be capitalized, proceeding from the expenses which have occurred as a result of special software purchase or bringing in the state condition for its further use.

Amortization on intangible assets is charged according to the straight-line method of depreciation within 15 years, term of their useful life, and shall be reflected in the structure of profit and losses statement.

Financial instruments

Financial instrument is a contract as a result of which one Company acquires a financial asset and the other company – a financial liability or equity instrument.

Financial instruments are classified into financial assets, financial liabilities and equity instruments.

Financial asset is an asset which represents

- cash funds;
- equity instrument of another company;
- a contractual right to receive of money resources or another monetary asset from the other organization or in exchange of financial assets or financial liabilities with another organization on potentially favorable conditions.

Financial liability is a liability which represents:

- a contractual commitment to provide money resources or another financial asset to another organization or to exchange financial instruments with another organization on potentially unprofitable for itself conditions;
- an agreement, settlements on which will be or can be made using own equity instruments of the organization.

Equity instrument - is any contract which gives evidence of the residual participation in an asset of the company after deduction of all its liabilities.

According to IFRS (IAS) 39 provisions, financial assets and financial liabilities are classified as financial assets and liabilities revaluated at fair value through profit or loss (held for trade); loans and accounts receivable; investments held till repayment; financial assets available for sale.

Recognition

The Company recognizes a financial asset or financial liability in its statement on the financial position only in that case when it becomes a party under contractual provisions of the instrument.

At initial reflection in business accounting financial assets are evaluated at fair value (in case of the financial instrument which is not estimated at fair value through profit and loss) plus expenses on the transaction, directly related with the purchase or issue of a financial instrument. As of accounting date the Company has only money resources and loans and accounts receivable out of the listed categories of financial assets. Loans and accounts receivable are non-derivative financial assets with fixed or definable payments not circulating in the active market, except for those which are:

- subjected to immediate assignment in the nearest future or in short-term prospect and classified as held for trade, as well as determined by the organization as subjected to reflection in business account at fair value through profit or loss after their initial recognition;



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- defined as available for sale; or
- the owner of which, owing to other reasons, rather than credit quality impairment, can fail to receive the most part of its initial investment back and which are classified as available for sale.

carries out accounting of loans by the way of their division into short-term (the remained loan term is less or equal to 12 months) and long-term (the remained loan term is more than 12 months) loans.

Subsequent evaluation of loans and accounts receivable

Loans and accounts receivable are reflected at amortized cost with the use of effective interest method. Incomes and expenses on such assets are reflected in the consolidated statement of profits and losses at termination of such assets recognition or depreciation.

Subsequent measurement of the financial liabilities

After initial recognition in the balance sheet, the Company measures all financial liabilities at amortized cost with application of effective interest method, except for:

- financial liabilities evaluated at fair value through profit or loss. Such liabilities, including derivative instruments being liabilities, should be evaluated at fair value, except for the derivative liability which is related with not-quoted equity instrument and calculations on which should be made under the delivery of such instrument which fair value can't be reliably defined and which should be evaluated at cost price;
- financial liabilities arising when the transfer of the financial asset doesn't fall under recognition termination or when the approach based on proceeding participation in an asset is used for its reflection in business accounting.

Setoff

Clearing of financial assets and liabilities with reflection only net balance in the consolidated statement on financial position is carried out only at availability of legally fixed right to make setoff and intentions to realize an asset simultaneously with liability settlement. As a rule it is not carried out in respect of the general agreements on setoff, and corresponding assets and liabilities are reflected in the consolidated statement on financial position in their full amount.

Depreciation of financial assets

As of end of each accounting period the Company assesses the availability of objective evidences of the fact of depreciation of a financial asset or group of financial assets. The financial asset or group of financial assets are conditionally defined as depreciated only when there is an objective evidence of depreciation as a result of one or more events which have occurred after initial recognition of an assets (occurred «case of loss approach»), and the case (or cases) of loss approach influences the expected future flows of cash funds from a financial asset or group of financial assets which can reliably be evaluated.

Depreciation features can include the evidences that a borrower or group of borrowers have essential financial difficulties, infringe their liabilities on interests payment or on the principal debt amount, high probability of bankruptcy or financial reorganization, as well as the evidence, basing on information of the observable market, of a decrease in expected future flows of cash funds, for example, changes in a level of overdue payments or economic conditions which correlate with losses on assets.

Depreciation of loans and accounts receivable

As of accounting date the Company evaluates the presence of objective features of depreciation of loans and accounts receivable. Originally the Company carries out evaluation of objective depreciation features availability on an individual basis for separately significant financial assets, or in aggregate for financial assets which aren't separately significant. If the Company makes a decision that there are no objective



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features of depreciation on the financial asset evaluated on an individual basis, irrespective of the fact whether it is significant or not, the Company shall include this asset into the group of financial assets with similar characteristics of credit risk and evaluates for depreciation on a cumulative basis. Assets which are evaluated for depreciation on an individual basis and in relation of which losses from depreciation are recognized shouldn't be evaluated for depreciation on a cumulative basis.

In case of availability of objective evidences of losses incurring from depreciation, the amount of loss represents a difference between the balance value of assets and the discounted value of estimated future flows of cash funds (which doesn't take into account future expected losses on loans which haven't been incurred yet). Balance value of an asset decreases at the expense of reserve account use, and the amount of loss is accounted in the consolidated statement on profits and losses. Interest incomes continue to be charged at reduced balance value on the basis of the initial effective interest rate on an asset. Loans and appropriate reserve are written off in case when there are no real prospects for compensation and the entire security has been sold or transferred to the Company. Next year, if the amount of estimated losses from depreciation increases or decreases in connection with the event which has occurred after such losses from depreciation have been recognized, earlier recognized amount of losses from depreciation shall increase or decrease by means of reserve account correction. If write-off is restored later, the restoration amount shall be reflected in the consolidated statement on profits and losses.

With the purpose of cumulative estimation of depreciation features presence, financial assets shall be divided into groups on the basis of internal system of credit ratings, taking into account credit risk characteristics, such as an asset type, economy branch, geographical position, type of security, timeliness of payments and other factors.

Future cash funds flows on group of financial assets which are evaluated for depreciation on a cumulative basis, shall be determined on the basis of the historical information relating to losses on assets, credit risk characteristics on which are similar to characteristics on group assets. Historical information on losses is corrected on the basis of the current information in the observable market with the purpose to reflect the influence of existing conditions which didn't render influence on those years for which there is a historical information on losses, and exception of conditions influence for the historical period which don't exist at present moment. Estimations of changes in cash funds flows reflect and correspond to changes in the corresponding information in the observable market for every year (for example, changes in unemployment rate, real estate prices, goods prices, payment status or other factors evidencing losses incurred by the Company and on their size). Methodology and assumptions used for evaluation of future cash funds flows are regularly reconsidered in order to reduce divergences between estimations of losses and actual results.

Restructuring of loans

Instead of enforcement of a charge the Company aspires, as far as possible to reconsider conditions on loans, for example, to extend contractual payment terms and to agree on new credit conditions. The loan is not considered as overdue if the terms and conditions on it have been reconsidered and payments on it are carried out in due time according to the new repayment schedule. The Management of the Company constantly reconsiders its restructured loans in order to be convinced of observance of all criteria and possibility to make future payments. Such loans continue to be estimated for depreciation on an individual or cumulative basis, and their compensated value is estimated with use of the initial effective interest rate on loan.

Termination of financial assets recognition

Financial asset (or where it is applicable — part of a financial asset or part of a group of similar financial assets) ceases to be recognized in the statement on financial position, if:

- validity period of rights to cash funds reception from an asset has expired;
- the Company has transferred its right to cash funds reception from an asset or has assumed an obligation to transfer the received cash funds completely and without any essential delay to the third party on the terms of "transit" agreement; and



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- the Company has either (a) transferred almost all risks and benefits from an asset, or (b) hasn't transferred, and did not reserve all risks and benefits from an asset, but has transferred control over that asset.

In case if the Company has transferred its rights to cash funds reception from an asset, thus neither having transferred, nor having reserved almost all risks and benefits related with it, as well without having transferred control over an asset, such asset shall be reflected in business accounting within the continuing participation of the Company in this asset. Continuation of participation in an asset, having the form of a guarantee on the transferred asset, shall be estimated at least of values of initial balance value of the asset and maximal size of compensation which can be due from the Company.

Termination of financial liabilities recognition

Deregistration of the financial liability shall occur in case of execution, cancellation or expiry of the validity period of appropriate liability.

At replacement of one existing financial liability with another liability to the same creditor at essentially different conditions, or in case of making essential changes into conditions of the existing liability, the initial liability shall be removed from the register, and the new liability shall be reflected in business accounting with recognition of difference in balance value of liabilities in the profits and losses statement.

Inventory

The Company considers Inventory as the assets held for sale during its usual business activity.

Initial and subsequent estimations

Inventory of the Company is measured at least of two values: at cost price or net value of possible sale.

Cost price of Inventory includes expenses for purchase, expenses for processing and other expenses, incurred in order to provide current position and state of Inventory. The Company defines the cost price of Inventory using specific identification of concrete expenses.

The principle of Inventory accounting provides for that assets should not be accounted at cost exceeding the amount which, predictably, can be received from their sale or use. In case if the cost price will appear to be higher, the Company shall write off the cost price of Inventory to the net sales price. The Company carries out educated estimation of net estimation price, using revaluation method as of end of the accounting period on each Inventory object separately. In each subsequent period estimation of net sale price is carried out again. If the circumstances which have caused the necessity of Inventory write-off to the level below the cost price, cease to exist or there is an obvious evidence of net sale price increase owing to the changed economic conditions, earlier written off amount shall be reversed (i.e. revising an entry shall be made within the limits of initial write-off amount) so that new balance value corresponded to the least of two values: cost price or revised possible net sale price. For example, it can occur when any stock item accounted at net sale price due to earlier decrease of sale price, still remains in Inventory in the subsequent period and its sale price has increased.

Recognition as expenses

At sale of Inventory the balance value of these Inventory is recognized as expenses in that period which appropriate gain is recognized. Amount of any Inventory reduced assessment to net sale price and all losses of Inventory are recognized by the Company as expenses in that period in which such reduced assessment has been performed or losses have occurred. Amount of any reversive record in respect of Inventory write-off, performed in connection with net sale price increase shall be recognized by the Company as the reduction of Inventory size reflected as a part of expenses in that period in which such reversive record has been made.



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Cash funds and their equivalents

The Company considers cash funds, its current accounts with the commercial banks, cash funds in cash desk and short-term deposits with initial term of repayment less than 3 months as cash funds and their equivalents. Equivalents of cash funds represent short-term highly liquid investments, easily reversible in preliminarily known amounts of cash funds and subjected to insignificant risk of their value change.

Reserves

Reserve – a liability with uncertain date of performance or a liability with uncertain value.

The Company recognizes a reserve in those cases, when simultaneously:

- the Company has an existing liability (legal or implicative), occurred as a result of any past event;
- it becomes probable that a retirement of resources containing economic gains will be required for liability settlement; and
- it is possible to perform a reliable settlement estimation of liability size.

If these conditions are not performed, such a reserve is not recognized.

Liability (for the purposes of recognition in the financial statements) is an existing liability of the Company arising from last events, settlement of which will, predictably, lead to retirement of resources containing economic gains from the Company.

The Company distinguishes reserves which are subjected to a recognition being real liabilities and conditional liabilities which are not subjected to recognition because they are either possible liabilities or current liabilities which don't meet the recognition criteria. Expected operational losses and expenses for expected repair and maintenance are not subjected to recognition as reserves.

Reserve valuation

Amount recognized as a reserve, represents the best valuation of expenses necessary for repayment of the current liability as of accounting date. The best valuation is the amount of expenses for immediate repayment of liability or transfer of liabilities to the third party. The best valuation is determined by means of the management's judgment, experience of similar operations, estimations made by independent experts. At valuation of a reserve the Company take into account

- uncertainty inherent to the concrete liability, but not overestimate a reserve;
- temporary value of money if it is essential;
- future events which can affect the amount of expenses if there is an objective enough evidence that they will occur;
- does not take into account profit from assets retirement even if they are closely connected with an event which has caused the occurrence of such reserve;
- adheres to a prudence concept.

Contingent assets and liabilities

The Company does not recognize contingent assets and liabilities, while information on them is disclosed in notes to the financial statements, except for cases when retirement of resources in connection with their repayment is improbable or remote.

Compensation

Company uses a reserve only for repayment of those expenses for which it has been created initially and for which it is estimated without taxes.

Reserve for unused labor leaves

The Company recognizes expected expenses for payment of short-term compensations to workers and employees in the form of paid absences at work in the following way:



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- in case of accumulated paid absences at work — at the moment when workers render services which increase future paid absences at work, to which these workers have lawful right;
- at non-accumulated paid absences at work — directly at approach of the fact of absence at work.

The Company pays the absence of workers in cases of the annual labor leaves, illness and short-term invalidity. Paid absences at work are subdivided on two categories – accumulated and non-accumulated. Non-used labor leaves are referred to accumulated and compensated (paid at dismissal) category, as can be carried over to future and are used in subsequent periods, in case if they haven't been used completely in the current period. Liability arises as far as the workers render services, as a result of which duration of paid absences at work which they can use in future increases. Liability exists and is recognized even in that case when paid absence at work is not compensable though the measurement of this liability falls under the influence of workers dismissal possibility before they exercise their right to accumulated non-compensable labor leave. The Company measures expected expenses for payment of accumulated paid absences at work as additional amount which it assumes to pay to a worker or employee for non-used paid absence at work, accrued as of end of the accounting period. The Company recognizes reserve on labor leaves for the purpose to distribute expenses to fulfillment of obligations to workers and employees uniformly and proportionally during the entire accounting period.

Taxes

Operational expenses for profit tax are calculated according to effective legislation of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the method of balance liabilities. Deferred profit taxes are reflected on all temporary differences arising between tax base of assets and liabilities and their balance value for the purposes of financial statements, except for cases when the deferred profit tax appears as a result of initial reflection of goodwill, asset or liability on transaction which doesn't represent a consolidation of companies and which at the moment of its accomplishment does not affect neither accounting profit, nor taxable profit or loss.

Deferred tax assets are reflected only to that extent in which there is a probability in future to receive a taxable profit against which can be these temporary differences reducing tax base can be off set. Deferred tax assets and liabilities are estimated at taxation rates which will be applied during the period of asset sale or liability settlement, proceeding from the legislation which has come or have actually come into force as of accounting date.

Deferred profit tax is reflected on temporary differences related with investments in affiliated and associated companies, as well as into joint ventures, except for cases when the time of revising an entry of the temporary difference falls under control, and it is probable that the temporary difference will not be reversed in the foreseeable future.

Along with that there are various operational taxes in the Republic of Kazakhstan applied in respect of the Company's activity. These taxes are reflected in the structure of other operational expenses.

Transactions with foreign currency

Transactions in foreign currencies are accounted in tenge at the market rate of currency exchange effective as of the date of transaction conclusion. As of the balance sheet drawing up date all monetary assets and liabilities expressed in foreign currencies, are transferred in tenge at the rate of exchange effective as of specified date. Positive and negative exchange rate differences as a result of different exchange rates use are included in the financial position statement.

Below are the currencies' exchange rates as of the end of periods, used by the Company at preparation of the financial statements.

	December 31, 2010	December 31, 2009
KZT / one dollars USA (USD)	147,5	148,46



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KZT / Kyrgyz som (KGS)

3,13

3,37

Liabilities on retirement benefits and other privileges to employees

The Company has no additional schemes on provision of pensions, except for participation in the state retirement benefits payment system of the Republic of Kazakhstan which provides for calculation of the current payments of an employer as an interest from the current general payments to workers and employees. These expenses are reflected in the accounting period to which appropriate salaries and wages correspond. Besides, the Company has no any essential privileges for employees after termination of their labor activity.

Recognition of incomes and expenses

The gain is recognized if there is a high probability that the Company will receive economic gains and if such gain can be reliably estimated. The following criteria should be carried out in the financial statements for recognition of gain:

Interest and similar incomes and expenses

Interest incomes or expenses are reflected at effective interest rate, at discounting on which expected future monetary payments or receipts throughout the prospective term of financial instrument use or during a shorter period of time, where applicable, are accurately reduced to balance value of a financial asset or financial liability in respect of all financial instruments valued at amortized cost, and interest financial instruments classified as trading instruments and instruments available for sale. At calculation its shall be required to take into account all contractual conditions on the financial instrument (for example, the right to advanced repayment) and commission fees or additional expenses directly related with the instrument which are an integral part of effective interest rate, but future losses on loans are not taken into account. Balance value of the financial asset or financial obligation is corrected in case the Company revises payments or receipts estimations. Corrected balance value is calculated on the basis of initial effective interest rate, and balance value change is reflected as interest incomes or expenses.

In case of decrease of the financial asset or group of similar financial assets reflected in the financial statements in value owing to depreciation, interest incomes continue to be recognized at initial effective interest rate on the basis of new balance value.

Loan fee incomes

The Company receives loan fee incomes by granting of loans and services which it renders to the clients. Loan fees received for rendering of services during a certain period of time, are charged during this period. Such items include commission incomes and fees for assets management, custody and other administrative and consulting services. Loan fees for liabilities on loans granting, if the probability of loan utilization is high, and the other fees related with loans granting, are attributed to future periods (along with expenses directly related with loans granting), and recognized as a correction of loan effective interest rate.

Disclosures of items of the Financial Statements

Note 1. Cash funds and their equivalents

Balance value of money placed with the banks adequately reflects their fair value. As of December 31, 2010 and December 31, 2009 cash funds of the Company on bank accounts and in cash desk are presented as follows:

Item name	Year 2010			Year 2009		
	Thousand tenge	in currency thousands of USD	in currency thousands of KGS	Thousand tenge	in currency thousands of USD	in currency thousands of KGS



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Money on settlement accounts with the banks, in KZT	23 836	-	-	6 552	-	-
Money on settlement accounts in foreign currency	17 612	119		59 137	398	-
Money on settlement accounts in foreign currency	14	-	5	-	-	-
Cash funds in cash desk	90	-	-	684	-	-
Total	41 552	119	5	66 373	398	-

There are no limitations for cash funds use as of accounting date.

Note 2. Cash funds and accounts with the banks

The Company carries out placement of free cash funds on deposits in KZT and in foreign currency in Kazakhstan banks.

Наименование статьи	Year 2010		Year 2009	
	thousands tenge	settlement currency thousands of USD	thousands tenge	settlement currency thousands of USD
Term deposits of «Eurasian Bank» JSC under the Bank deposit agreement «Urgent» №101 dated February 25, 2010	236 000	1 600	-	-
Term deposits of «Eurasian Bank» JSC under the Bank deposit agreement «Urgent» №32 dated December 30, 2010	13 000	-	-	-
Money security and pledge agreement №1-1127 ZL dated April 24, 2009	-	-	165 355	1 114
Total	249 000	1 600	165 355	1 114

As at December 31, 2010 funds granted to banks, included deposit in «Eurasian Bank» JSC at the rate of 249 000 thousand tenge, of which the currency deposit makes up 236 000 thousand tenge and 13 000 thousand tenge. Term deposit of «Eurasian Bank» JSC at interest rate comprising 7,75% is placed as a security of the credit facility line for 230 000 thousand tenge and accrued interests for 2010 under the given deposit have made up 15 110 thousand tenge, and 16 thousand tenge have been charged on «Bank Positive Kazakhstan» JSC.

As of December 31, 2009 funds granted to banks, included deposit in «Bank Positive Kazakhstan» JSC comprising 165 355 thousand tenge.

Note 3. Loans granted to clients

Loans granted to clients consist of short-term and long-term loans which have been granted to individuals – citizens of the Republic of Kazakhstan, as well as loans which have been granted to the legal entities residents of the Republic of Kazakhstan.



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Lending portfolio consists of loans which have been granted in the sphere of trade, manufacture and agriculture.

Long-term loans to clients include the following positions:

Name	Year 2010	Year 2009
Long-term loans	28 208	136 938
Accounts receivable on accrued interests	312	2 403
Minus – impairment reserves	(3 092)	(29 342)
Accounts payable – incomes of future periods on commission fees	(220)	(2 895)
Total long-term loans to the clients	25 208	107 104

Short-term loans to the client include the following positions:

	Year 2010	Year 2009
Short-term loans, including:	359 544	195 696
<i>Short-term part of long-term loans</i>	4 726	17 990
Accounts receivable on accrued interests	7 865	3 948
Minus – impairment reserves	(18 321)	(10 158)
Accounts payable – incomes of future periods from loan fees	(11 522)	(5 255)
Total short-term loans to the clients	337 566	184 231

Short-term loans include short-term part of long-term loans.

Amount of incomes of future periods consists of cash funds received from the clients on commission fees accounted by the Company at amortized cost.

Fee rate on credits granted to the clients vary from 30% to 36% per year (in 2009: from 33,6% to 36%).

Loans guaranteed by pledge, distinguished by a security are presented below:

	Year 2010	Year 2009
Loans, secured by pledge (real estate)	39 649	115 681
Loans, secured by pledge (movable property)	4 238	40 954
Unsecured loans	318 887	134 699
Total:	362 774	291 334
	2010	2009



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Analysis by economy sectors:

Trade	161 217	187 078
Service	13 330	23 920
Manufacture	9 425	13 626
Other	178 801	66 710
Total:	362 774	291 334

Quality of loans, making up a lending portfolio of the Company.

The table below presents information on quality of loans, making up a lending portfolio of the Company as of December 31, 2010 and as of December 31, 2009:

<i>Term, overdue and depreciated financial assets</i>							
	Term deposits	0-3 months	3-6 months	6 months-1 year	More than 1 year	Depreciated financial assets	Total as of 31.12.2010
Deposits with the banks	249 000						249 000
Loans granted to the clients	356 312	807	927	302	4 426		362 774
Total	605 312	807	927	302	4 426	-	611 774

<i>Term, overdue and depreciated financial assets</i>							
	Term deposits	0-3 months	3-6 months	6 months-1 year	More than 1 year	Depreciated financial assets	Total as of 31.12.2009
Deposits with the banks	165 355						165 355
Loans granted to the clients	241 091	28 338	4 717	10 216	1 567	5 405	291 334
Total	406 446	28 338	4 717	10 216	1 567	5 405	456 689

Depreciation and other instruments reducing credit risk

The Company uses its experience and professional judgments for estimation of the loss amount from depreciation loans granted to the clients.

Essential assumptions applied at determination of losses from loans depreciation, include:

- overdue repayment of debts for more than 90 days;
- inability/refusal of the client to repay debts, or intention of payment without real repayment, and absence of secondary source for repayment of loan;
- unwillingness of the client to cooperate with the Company, or absence of the client;
- termination of the client's business operation, or recognition of such client as bankrupt;
- the borrower prevents to sale of collateralized property;
- a group of borrowers is within an inch of dissolution or unable to bear joint responsibility on liabilities to the Company due to any other reasons;
- death of the client.



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Flow of the reserve for coverage of losses from depreciation of loans for the year ended on December 31, 2010, is presented as follows:

	Year 2010	Year 2009
As of year beginning	39 500	45 006
Net accrual of impairment reserve for the year	13 512	32 850
Net restoration of impairment reserve for the year	(17 063)	
Write-off of indebtedness on loans at the expense of earlier created reserves	(14 536)	(38 356)
As of year end	21 413	39 500

Within a year which has ended on December 31, 2010, the Company has reconsidered all initial terms of loans which would otherwise be overdue or depreciated. As a result a prolongation period has been provide to payments on the principal debt and accrued compensation fee to the total amount of 11 378 thousand tenge (on December 31, 2009 - 50 073 thousand tenge). Revision of payments schedule has been provided for a term necessary for the client to repay the amount of debts depending on its financial state.

Such re-structuring is aimed at management of mutual relations with the clients and possibility of debts repayment to the Company.

The size and type of collateral which provision is required by the Company, depends on assessment of the counterpart's credit risk and type of presented credit product. The Company has established the principles in respect of collateral types and assessment parameters admissibility described in Credit Policy of the Company.

Company receives movable and real estate, and also guarantees as maintenance under loans to clients.

Fair value of the pledge kept by the Company on loans, estimated on individual basis as of December 31, 2010 has comprised 222 600 thousand tenge (as at 31.12.2009 – 176 635 thousand tenge).

According to the requirements of the Accounting Policy of the Company, loans can be written off only at the decision of the Senior Credit Committee and in cases described in the Accounting Policy of the Company.

Amount of loans written off at the decision of the Senior Credit Committee in 2010 makes up 14 536 thousand tenge, in 2009 – 38 356 thousand tenge.

Note 4. Inventory

The structure of Inventory accounted by the Company is presented as follows:

Name	Year 2010	Year 2009
Other materials	109	1 023
Collateral property for sale	7 966	1 811
Total	8 075	2 834

The Company accounts collateral real estate of the borrowers who have failed to fulfill their obligations to the Company, to which the Company possess the right of ownership, being properly registered, as a part of the goods held for sale.

Having made an estimation of the possible net sale price of each of goods objects with the purpose to compare the last with the actual cost price, as of end of the accounting period the Company has left the book price without without changes. No expenses on goods impairment have been recognized as of December 31, 2010.



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The structure of goods is presented as follows:

Name of Inventory	Year 2010	Year 2009
Real estate located at the following address: Almaty oblast, Karasai area, Shamalga station	4 345	-
Real estate located at the following address: Almaty oblast, Talgar area, Erkin village	1 810	1 811
Real estate located at the following address: Almaty oblast, Enbekshikazakhskiyi area, Esik town	1 810	-
Total:	7 966	1 811

All property listed above has been provided as a mortgage security under the Revolving credit facility line agreement with “Eurasian Bank” JSC to the amount of 8 million tenge for the period of one year. Bank loan agreement №1 dated October 21, 2010 as attached to the Credit facility line Agreement №F06/39-IO/2010 dated October 11, 2010.

Note 5. Current tax assets

Current tax assets are presented as follows:

Name	Year 2010	Year 2009
Tax assets on Corporate Income Tax	2 041	
Total	2 041	

Tax asset on the Corporate Income Tax in the amount of 2 041 thousand tenge has been generated at the expense of the Corporate Income Tax at the source of payment withheld and transferred into by the bank to the budget at transfer deposits fees on settlement accounts of the Company (Note 2). According to the tax legislation of the Republic of Kazakhstan (in edition of 2010), amount of the Corporate Income Tax, subjected to payment into the budget decreases to the amount of the Corporate Income Tax, withheld at the source of payment from income in the form of interest fee. Considering the fact that basing on the results of 2010 the Company has received a loss for the purposes of taxation, amount of the Corporate Income Tax withheld by the bank in the amount of 2 041 thousand tenge is transferred to the subsequent ten tax periods.

Note 6. Fixed assets

Below are the flows under the items of the fixed assets:

	Computers and auxiliary equipment	Machinery and equipment	Transport vehicles	Production and household equipment	Other fixed assets	Total
1. Initial value						
As at 31.12.2009	9 160	4 573	10 945	5 431	1 118	31 227
Receipts	3 292	1 396	-	1 681	415	6 783
Total received	3 292	1 396	0	1 681	415	6 783
As at 31.12.2010	11 645	5 333	8 025	7 110	1 423	33 535

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2. Amortization						
Balance as at 31.12.2009	(6 232)	(2 507)	(2 388)	(1 648)	(525)	(13 300)
Accrued amortization	(1 500)	(425)	(879)	(991)	(218)	(4 013)
As at 31.12.2010	(7 732)	(2 932)	(3 267)	(2 639)	(743)	(17 313)
3. balance value						
As at 31.12.2009	2 928	2 066	8 557	3 783	592	17 926
As at 31.12.2010	3 913	2 401	4 757	4 471	680	16 222

The greatest specific weight in composition of fixed assets as at 31.12.2010 comprises of machinery and equipment which under the business accounting of the Company includes to a greater degree printers, copying equipment, uninterruptible power supply units.

As of end of the accounting period the Company has carried out testing of all groups of fixed assets for impairment. Basing on the results of testing the Management of the Company has come to an opinion that there is no impairment on all groups of fixed assets; fixed assets are accounted at fair value. Impairment occurs at the expense of amortization expenses. The Company has no fixed assets provided as a pledge.

As of December 31, 2010 there are no debts to suppliers for received fixed assets.

Note 7. Investment real estate

In the structure of investment real estate the Company accounts objects of mortgage security on which the Company has registered the property right and which has been leased on the basis of operational lease agreements.

Reclassification of the investment real estate structure has been made at fair value as of the date of the operational lease agreements conclusion. Estimation of fair value of investment real estate as of reclassification date and accounting date has been made by an independent appraiser "BaiKOS" LLP. The General State license №ЮЛ-0084 (44914-1910-ТОО) dated 12.02.2002, has been issued by the Registration Service Committee of the Ministry of Justice of the Republic of Kazakhstan.

As of December 31, 2010 the investment real estate is presented as follows:

Name of the investment real estate	Lease Agreement number and date	Lease term	Amount of monthly lease payments	Rental income as of 31.12.2010	Rental income as of 31.12.2009
Almaty oblast, Kaskelen town, Zhangozin street 14., Tandyr bakery with the land plot участком	Agreement w/n dated 31.08.2010	31.08.2010-30.08.2011	50	200	-
Almaty oblast, Zhambyl area, c. Uzunagach village, Satpaev street 59. Living premises with the land plot	Agreement № 28/10 dated 30.12.2010	30.12.2010-30.12.2011	15	-	-
Total				200	-

Income from revaluation comprising 257 thousand tenge on the object located in Uzunagach village is recognized as a part of profit as of the date of reclassification from the structure of Inventory to the structure of investment real estate – on December 30, 2010.

As of end of the accounting period – on December 31, 2010 the Company has carried out evaluation of investment real estate with involvement of independent appraiser of "BaiKOS" LLP in order to determine the fair value. Basing on the results of the updated valuation as of accounting date - December 31, 2010 there are no changes of fair value of the above-named property.

As of December 31, 2009 there is no investment real estate.

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Information on investment real estate lease is presented as follows:

Name of the investment real estate	Recognition date	Fair value	Balance value	Revaluation results, recognized in profit/(loss)
Almaty oblast, Kaskelen town, Zhangozin street 14., Tandyr bakery with the land plot участком	31.08.2010	3 828	3 828	-
Almaty oblast, Zhambyl area, c. Uzunagach village, Satpaev street 59. Living premises with the land plot	30.12.2010	3 257	3 000	257
Total		7 085	6 828	257

Investment real estate located to the address Almaty oblast, Kaskelen town, Zhangozina street, is presented as mortgage security under the credit facility line of Bank loan Agreement №1 to the Credit Facility Line Agreement №F06/39-IO/2010 dated October 11, 2010 and dated October 21, 2010 with «Eurasian Bank» JSC.

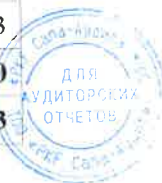
Investment real estate provided as mortgaging security as of 31.12.2010:

Name of the charged property	Balance value	Collateral value
Commercial real estate located to the following address: Kaskelen town, Zhangozin street 14, Cadastre number: 03-056-002-280	3 828	3 313
Total	3 828	3 313

Note 8. Intangible assets

Flows of intangible assets item are presented below.

	Software	Total
Balance as of 31.12.2009	2 580	2 580
Purchased	701	701
Total received	701	701
Sold/Written-off	-	-
Total retired	-	-
Balance as of 31.12.2010	3 281	3 281
2. Amortization:		
Balance as of 31.12.2009	1 230	1 230
Amortizations, accrued within the accounting period	408	408
Total accrued amortization	1 638	1 638
3. Balance value	1 643	1 643
Balance as of 31.12.2009	1 350	1 350
Balance as of 31.12.2010	1 643	1 643



Note 9. Deferred tax assets

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Temporary differences arising between the balance value of assets and liabilities, reflected in the financial statements, and amounts used for calculation of the taxable base, lead to occurrence of net claims under the deferred tax as of December 31, 2010. Future tax benefits can be received only in the event if the Company obtains profit on account of which it will be possible of offset an unused tax loss and if no changes will be made in tax legislation of Kazakhstan which can adversely affect the ability of the Company to use the specified benefits in future periods.

Flows of the deferred tax assets and liabilities with a breakdown into temporary differences within the years ended on December 31, 2010 and 2009 are presented as follows:

Name of indicators	Year 2010	Year 2009
Deferred tax assets	9 962	10 508
Carried over balance from the previous periods		1 752
Loans' provisions		7 460
Short-term estimated liabilities (reserves on labor leaves)	655	497
Carried over losses	4 241	799
Amortization of commission fees	5 066	
Deferred tax liabilities	24	2 149
Fixed assets and Intangible assets	24	756
Carried over balance from the previous periods		1 393
Net Deferred tax assets	9 938	8 359

The Company can't convincingly show the possibility of receipt of sufficient taxable profit in the subsequent periods as of accounting date, therefore deferred tax assets related with temporary deductible differences are not recognized as of accounting date.

The Company makes calculations on in come tax for the current period on the basis of data of tax accounting which is carried out according to the requirements of tax legislation of the Republic of Kazakhstan. The rate of Income tax in the territory of the Republic of Kazakhstan for the year, ended on December 31, 2010 for the legal entities has made up 20%.

Profit tax expense consists of the following items:

	Year 2010	Year 2009
Expenses on the current corporate income tax		
(Reimbursement) expenses on deferred tax	8 359	1 858
Total expenses on corporate income tax	8 359	1 858

Below there is a comparative check of expenditures on Income tax, reflected in the financial statements, and income/(loss) of the Company before taxation:

	Year 2010	Year 2009
Accounting profit /(loss) before taxation	(2 987)	(78 211)
Officially established rate of income tax	20%	20%
Tax effect of permanent differences		
TOTAL Accounting profit before taxation		
Conditional expenses on income tax		
Tax effect of temporary differences	8 359	



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Total expenses on profit tax	8 359	1 858
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At present time there are a number of laws operating in Kazakhstan which regulate various taxes, introduced by the republican and local authorities. Such taxes include value-added tax, income tax, social tax, etc. Introduced norms and standards are not always accurately stated or do not exist at all. Quite often there are various opinions concerning the juridical interpretation of provisions, both between the ministries and organizations, and inside them which fact creates some uncertainty and conflict situations. Tax declarations, as well as other spheres of legal regulation (for example, issues and matters of customs and currency control) are under control of several departments which, by operation of law, have the right to impose essential penalties for committed, in their opinion, infringements. The similar situation creates the great degree of tax risks probability in Kazakhstan, than, for example, in other countries with more developed tax legislation systems.

The Management considers that the Company carries out its activity strictly according to tax legislation of Kazakhstan.

Note 10. Other assets

For the accounting period the balance value of other accounts receivable is presented as follows:

	Year 2010	Year 2009
Other accounts receivable	29	85
Advance payments	7 019	4 674
Expenses of future periods	4 041	3 290
Accounts receivable for collateral property	2 920	1 768
Total other assets	14 009	9 817

The structure of accounts receivable accounts debts of individuals under collateral property:

Debtor's name	Agreement number and date	Balance as of 31.12.2010	Balance as of 31.12.2009
Abdiramanova Kumisai Musaevna	Agreement for purchase and sale of dwelling house and land plot by installments dated 15.04.2010 till 25.06.2014.	2 130	
Il'yasova Anarova Kairollaevna	Lease Agreement №1 dated 19.11.2010 with subsequent repurchase till 2015	842	
Polatbev Sabit Kengesvaevich	Agreement dated 29.06.2010 on property sale by installments	260	
Hozhsov Nukus Torshaevich	Lease Agreement with subsequent repurchase dated 01.06.2009 till 01.07.2014. Terminated on 15.03.2010		1 768
Interests for deferred payment		23	0
Discount*		(336)	0
Total accounts receivable		2 920	1 768

1 768

1 768

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The following collateral property has been sold with deferral of payments or transferred in lease with subsequent repurchase:

- Real estate located to the following address: Almaty oblast, Zhambylsky area, Uzunagach village, Babazhanova street 80A. Lease Agreement with subsequent repurchase from 01.06.2009 till 01.07.2014. The lessee Hozhasov N.T. On 31.03.2010 Lease Agreement with subsequent repurchase has been terminated on the basis of the Agreement on Lease Agreement cancellation. On 15.04.2010 there has been concluded an Agreement for purchase and sale of dwelling house and land plot by installments with Abdiramanova Kumisai, Purchaser. Term of installments making - from 15.04.2010 till 25.06.2014. Agreement amount makes up 2 520 thousand tenge. The discounted amount of future money flows makes up 2 060 thousand tenge; interest payments for the entire lease term make up 459 thousand tenge.
- Real estate located to the following address: Karaganda oblast, Shahtinsk city, Abai Kunanbaev avenue 72, apartment # 22, recognized at fair value on the basis of the independent appraiser’s report № 145\10 dated 07.06.2010 "Profexpertiza", according to value comprising 1 081 thousand tenge. The Company has concluded Lease Agreement with subsequent repurchase №1 dated 19.11.2010 with Il’yasova A.K. till 2015. Agreement amount makes up 1 081 thousand tenge. Current value of net investments makes up 876 thousand tenge. Thus, there is a loss from transaction in the amount of 205 thousand tenge;
- Land plot located to the following address: Almaty oblast, Enbekshikazahsky area, Kaipov village, Isaev street 42 with the cost price comprising 380 thousand tenge has been sold by installments for 600 thousand tenge on the basis of the Agreement dated 29.06.2010 till 10.08.2011. Discounted amount of future money flows makes up 574 thousand tenge; interest payments make up 26 thousand tenge.

Note 11. FINANCIAL LIABILITIES

Debts to the financial institutions includes by following positions:

	Repayment date Day/month/year	Interest rate,(%)	Principal debt amount as of 31.12.2010	Principal debt amount as of 31.12.2009
Deutsche Bank Aktionsgesellschaft	31.12. 2014	11.67%	150 984	152 123
Oikocredit	30.04.2012	9.17%	44 659	63 746
Oikocredit	30.11.2011	11,61%	52 336	64 317
Frontiers	01.07.2011	20.00%	15 650	-
Financial Group- Companion	09.07.2011	20.00%	74 548	-
Bank Positive Kazakhstan JSC	22.10.2010	16.00%	-	162 878
«Eurasian Bank» JSC	02.02.2011	12.25%	230 738	-
«Eurasian Bank» JSC	21.10.2011	16.00%	8 075	-
«Eurasian Bank» JSC	03.02.2011	5.00%	13 269	-
TOO Mittal Steel Sme Resource Fund	18.10.2011	8.00%	45 500	44 683
Total:			635 759	487 746



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As of December 31, 2010 and 2009 loans from the banks and other financial organizations included accrued, but not paid off liabilities on compensation fees in the amount of 4 789 thousand tenge and 3 433 thousand tenge accordingly.

Note 12. Short-term estimated liabilities

Type (assignment) of reserve capital	Year 2010	Increase	Decrease	Year 2009
Reserves on labor leaves	3 275	787	-	2 488
Total	3 275	787	-	2 488

Note 13. Other short-term liabilities

Other short-term liabilities are presented as follows:

Name	Year 2010	Year 2009
Accounts payable to workers and employees	85	232
Accounts payable to suppliers	1 020	489
Other Accounts payable	634	493
Tax indebtedness, except for income tax	1 698	908
Social insurance	7	7
Total other liabilities:	3 444	2 129

Note 14. Capital

Payments to authorized capital stock are reflected at their cost price. As of accounting date the Authorized capital stock of the Company makes up 195 922 thousand tenge. Participatory shares of the members are distributed as follows:

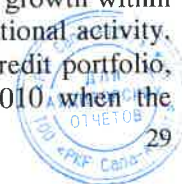
- Mercy Corps: contribution amount - 77 488 thousand tenge, participatory share in the Authorized capital stock – 60%;
- «Asian Credit Fund» Public Fund: contribution amount - 118 434 thousand tenge, participatory share in the Authorized capital stock – 40%.

As of December 31, 2010 accrued undistributed loss of the Company has made up 135 997 thousand tenge, as of December 31, 2009 - 124 937 thousand tenge.

The loss for 2010 has made up 11 060 thousand tenge, for 2009 - 79 511 thousand tenge. The loss for the accounting period has been generated basically at the expense of essential non-interest expenses comprising 183 357 thousand tenge (134 187 thousand tenge in 2009); interest expenses on loans received have comprised 66 680 thousand tenge (in 2009 - 62 032 thousand tenge).

The basic objective factors which have affected the loss ratio of the Company were:

1. In 2009 and 2010 the Company carried out intensive investment policy on development of branch offices network with the purpose to create an infrastructure base for development and growth within next years, which activity has required advance inflows of money resources in operational activity. As a result the Company has incurred high operational expenses in respect of the credit portfolio, basic income-bearing asset. This policy has started to pay its way from July, 2010 when the



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Company achieved the point of the operational break-even, however the limited access to credit resources has not allowed the Company to implement these capacities to the full extent in 2010.

- Limited access to credit resources owing to continuing negative impact of the financial crisis on Kazakhstan, especially during the seasonal period has led to omission of growth possibilities and accordingly to receipt of less incomes by the Company.

Basic disclosures on financial result formation for the accounting period are presented in Notes 15 - 17.

For the present day the Management of the Company has several ways to diced problems related with loss ratio, and has no doubts concerning its ability to continue its uninterrupted activity.

Note 15. Interest income

Name	Year 2010	Year 2009
Interests on loans, provided to the clients	221 948	171 771
Interests on deposits with the banks	15 151	564
Other interests incomes	228	146
Total interest income	237 327	172 481
Interest expense:		
Interests on loans, received from the banks and other financial organizations	(66 680)	(62 032)
Net interest income before formation of a reserve for impairment losses on loans, granted to the clients	170 647	110 450

Note 16. Non-interest income

Name	Year 2010	Year 2009
Net (loss)/income for sale of non-financial assets	387	(917)
Net incomes (expenses) on exchange rate difference	1 245	(21 016)
Other operational expenses	4 826	867
Total	6 459	(21 066)

Note 17. Non-interest expenses

Non-interest expenses include the following positions:

Non-interest expenses	Year 2010	Year 2009
Personnel expenses	94 719	61 938
Amortization	7 133	5 817
Taxes, except for income tax	6 402	4 334
Operational lease	18 181	14 017



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Professional services	628	852
Social tax	5 655	4 180
Advertising expenses	2 002	2 006
Communication services	6 610	5 783
Education and training	264	141
Business trip expenses	5 445	4 662
Fixed assets and intangible assets maintenance	1 070	924
Stationery and office supplies	1 251	1 827
Consultative services	3 113	6 670
Transport expenses	7 788	6 357
Bank services	7 751	5 653
Expenses for data base servicing	1 260	1 405
Other expenses	14 085	7 622
Total:	183 357	134 187

Increase in personnel expenses as compared with 2009 is connected with opening of new offices, acceptance of new employees in the number of 33 persons, increase of wages and salaries to workers and employees of the Company in 2010. As well as, in connection with credit portfolio increase as compared with 2009 payments on bonuses have accordingly increased.

Note 18. Settlements and transactions with the related parties

For the purposes of the present financial statements drawing up the parties are considered to be related if one of them has a possibility to control another or can render essential impact at making by other party of any financial and operational decisions as stated in IFRS 24 “Disclosure of information on the related parties”. Considering mutual relations with all related parties it shall be required to take into consideration the content of such mutual relations, and not just their legal form. Information on transaction of the Company with the related parties is presented below:

Name	Mutual relations character
Mercy Corps (USA)	Founder 60%
«Asian Credit Fund» Public Fund	Founder 40%
«Financial Group Kompanion» Microfinance Company CJSC	Mrs. Catherine Brown is included in composition of founders of «Financial Group Kompanion» Microfinance Company CJSC and in composition of Mercy Corps.

In 2010 basing on the Loan agreements №258-11-10 dated 1129.11.2010 and №270-1-12-10 dated 09.12.2010 with «Financial Group Kompanion» Microfinance Company CJSC the Company has obtained loans in the amount of 73 908 thousand tenge. Loans have been obtained at the rate of 20% annual that more than the average rate of lending in the second-tier Banks of the Republic of Kazakhstan. The rate of 20% is conditioned by the following factors: the Company has no sufficient mortgage security for reception of such loans in the territory of the Republic of Kazakhstan; the rate of 20% includes 2% tax at the source of payment (place of the Financial Group Kompanion location– the Kyrgyz Republic).

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The scope of transactions with the related parties for the year ended on December 31, 2010 is presented as follows:

Financial Group "Kompanion"

Transaction description	Amount
Balance as of 01.01.10 credit	
Received interest loan	73 908
Exchange rate difference	(353)
Accrued liability on interests	1 103
Balance as of 31.12.10 credit	74 658

No transactions with other related parties of the Company have been held in 2010.

Note 19. Remuneration to the management

Remuneration paid-off to the Management of the Company consists of the salary according to the staff list. Amount of remuneration to the Management in 2010 has made up 24 781 thousand tenge, in 2009 - 20 007 thousand tenge. No other payments to the Management have been made.

Note 20. Risk Management

Risks management is in the basis of financial activity and is an essential element of operational activity of the Company. The market risk including the price risk, risk of commission fee rates change and currency risk, as well as credit risk and liquidity risk are the basic risks which the Company faces with in the course of carrying out its activity.

Risk management policy and procedures

Risks management policy of the Company is developed with the purpose to reveal and analyze risks which the Company is exposed to, or to establish admissible limitation values of risk and appropriate mechanisms of control, as well as for risks monitoring and observance of the established restrictions. Risks management policy and procedures are revised on a regular basis with the purpose to reflect the changes in the market situation, offered services and appearing of best practice.

Supervisory Board of the Company bears responsibility for proper functioning of the risks management monitoring system, for management of the key risks and approval of risks management policies and procedures, as well as for approval of large bargains.

Supervisory Board also bears responsibility for monitoring and performance of measures on risks decrease, as well supervises performance of the Company’s activity within the established limits of risks.

Risks management and monitoring are carried out by the Credit Committee.

The process of independent risks control is not attributed to the risks of activity conducting, such as, for example, change of the economical environment, technology or changes in the industry branch. Such risks are supervised by the Company during the process of strategic planning.



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Market risk

Market risk is a risk of the Company’s income change or value of its loan portfolio owing to the change of market prices, including exchange rates, commission fee rates. Market risk consists of the currency risk, risk of commission fee rate change and other price risks. Market risk arises on open positions; in respect of interest, currency and equity financial instruments exposed to the influence of the general and specific changes in the market and changes in the market prices volatility level.

The goal of market risk management is the management and control over the exposure to market risk beyond the limits of acceptable parameters, thus providing optimization of profitability received for the accepted risk.

General management of the market risks is carried out by the Supervisory Board of the Company.

The Company manages the market risk specifying the of limits on open positions in respect of loan portfolio value on separate financial instruments, terms of commission fee rates change of a currency position, limits of losses and carrying out regular monitoring of their observance the results which shall be considered and approved by the Supervisory Board of the Company.

Risk of commission fee rates change

The risk of commission fee rates change is a risk of change in income of the Company or in value of its financial instruments’ portfolios owing to the commission fee rates change.

The Company is exposed to the influence of fluctuations of prevailing market commission fee rates on its financial position and cash funds flows. Such fluctuations can increase the level of the interest margin, and can reduce it or, in case of unexpected commission fee rates change, can lead to losses occurrence.

The risk of commission fee rates change arises in cases when available or forecasted assets with a certain repayment term are more or less in size of available or forecasted liabilities with the similar repayment term.

Currency risk

The Company has assets and liabilities expressed in several foreign currencies. Currency risk arises in those cases when available or forecasted assets expressed in any foreign currency, are more or less in size of available or forecasted liabilities expressed in the same currency.

The Company supervises the currency risk by management of open currency position. The Management of the Company checks the open currency position of the Company on a monthly basis.

Information regarding the extent of the Company’s exposure to the currency risk as of December 31, 2010 is presented below:

	thousand tenge	Dollars USA (thousand)	Total
ASSETS			
Cash funds and their equivalents	23 926	17 626	41 552
Deposits with the banks	13 000	236 000	249 000
Loans, provided to the clients	362 774	-	362 774
Inventory	8 075	-	8 075
Current tax assets on Corporate income tax	2 041	-	2 041
Fixed assets	16 222	-	16 222
Investment real estate	7 085	-	7 085
Intangible assets	1 643	-	1 643



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Investments

Deferred tax assets	-	-	-
Other assets	14 009	-	14 009
Total assets	448 777	253 626	702 403
LIABILITIES			
Financial liabilities	297 582	338 177	635 759
Short-term estimated liabilities	3 275	-	3 275
Liabilities on the current tax	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	3 444	-	3 444
Total liabilities	304 301	338 177	642 478
OPEN BALANCE SHEET POSITION	144 476	(84 551)	

Information regarding the extent of the Company's exposure to the currency risk as of December 31, 2009 is presented below:

	thousand tenge	Dollars USA (thousand tenge)	Total
ASSETS			
Cash funds and their equivalents	7 236	59 137	66 373
Deposits with the banks	-	165 355	165 355
Loans, provided to the clients	291 334	-	291 334
Inventory	2 834	-	2 834
Current tax assets on Corporate income tax	-	-	-
Fixed assets	17 926	-	17 926
Investment real estate	-	-	-
Intangible assets	1 350	-	1 350
Investments	-	-	-
Deferred tax assets	8 359	-	8 359
Other assets	9 817	-	9 817
Total assets	338 856	224 492	563 348
LIABILITIES			
Financial liabilities	207 560	280 186	487 746
Short-term estimated liabilities	2 488	-	2 488
Liabilities on the current tax	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	2 129	-	2 129



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Total liabilities	212 177	280 186	492 363
OPEN BALANCE SHEET POSITION	126 679	(55 694)	

Credit risk

Credit risk is a risk of financial losses occurring as a result of the borrowers; failure to fulfill their obligations to the Company. The Company has developed a policy and procedures of credit risk management, including requirements on establishment of the maximal amount of risk in respect of one borrower at the rate not more than 10% of the equity capital. Credit limit of the Company varies and substantially depends on individual risks and general market and economic risks.

Credit Committee, Supervisory Board and Credit Administration and Information Systems Department bear responsibility for risks management within the established limits. Daily management of risks is carried out by the Business Development Department, by the Chairman of the Credit committee and Credit Administration Department Head.

Considering credit application the Credit Committee is guided by the Credit policy, Credit procedures Guidelines and Rules for micro credits granting, approved by the Supervisory Board and General meeting of Participants, establishing credit restrictions, procedure of loans authorization and credit risk management methodology.

Credit policy, Credit procedures Guidelines and Rules for micro loans granting establish:

- terms and conditions of loans granting;
- structurization and mortgage security of loans;
- credit risk evaluation system;
- loans management system;
- Procedures of current monitoring of credits and collecting procedures.

The primary goal at credit risk management is carrying out of the weighed lending policy combining the earning power with the safety of the Company’s assets placement, control over the loan portfolio state basing on comprehensive, objective, full and qualified monitoring process.

The Company receives guarantees of individual persons, as well as pledge in respect of majority of its loans.

The table below following presents the maximal size of credit risk by components of the balance sheet. The maximal size of risk is presented in the total amount on loans granted.

Limits on credit risk as of December 31, 2010 and 2009 are presented as follows:

Name	Credit limit	repayment	Net credit limit after repayment	Credit security	Net credit limit after repayment and security payment
Cash funds and their equivalents	41 552	-	-	-	41 552
Deposits with the banks	249 000	-	-	-	264 126
Loans, granted to the clients as of 31.12.2010	362 774	-	362 774	43 902	318 872

Name	Credit limit	repayment	Net credit limit after	Credit security	Net credit limit after repayment and
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			repayment		security payment
Cash funds and their equivalents	66 373	-	66 373	-	66 373
Deposits with the banks	165 355	-	165 355	-	165 355
Loans, granted to the clients as of 31.12.2009	291 334	-	291 334	176 635	42 699

As of December 31, 2010 and 2009 the fair value of financial instruments of the Company has been equal to their balance value.

	December 31, 2010		December 31, 2009	
	Balance value	Fair value	Balance value	Fair value
Cash funds and their equivalents	41 552	41 552	66 373	66 373
Deposits with the banks	249 000	249 000	165 355	165 355
Loans received from the banks and other financial organizations	290 522	290 552	231 728	231 728

Geographical concentration

Company carries out its current operations in Kazakhstan. All assets are placed in Kazakhstan, liabilities are mainly in: the Republic of Kazakhstan, the Netherlands, Federal Republic of Germany, Kyrgyz Republic.

Information on geographical concentration of assets and liabilities is presented in tables below:

	Kazakhstan	Countries of Organization for Economic Cooperation and Development *	December 31, 2010 Total (thousand tenge)
ASSETS			
Cash funds and their equivalents	41 556	-	41 556
Deposits with the banks	249 000	-	249 000
Loans, provided to the clients	362 774	-	362 774
Inventory	8 075	-	8 075
Current tax assets on Corporate income tax	2 041	-	2 041
Fixed assets	16 222	-	16 222
Investment real estate	7 085	-	7 085
Intangible assets	1 643	-	1 643
Other assets	17 894	-	17 868
TOTAL ASSETS	706 292		706 292
LIABILITIES			
Financial liabilities	387 780	247 979	635 759
Short-term estimated liabilities	3 275		3 275
	3 609		3 609
TOTAL LIABILITIES	394 664	247 979	642 643
NET POSITION	311 628	(247 979)	



«Asian Credit Fund» Microcredit organization» Limited Liability Company

Notes to the financial statements for 2010

(in thousands of Kazakhstan tenge)

	Kazakhstan	Countries of Organization for Economic Cooperation and Development *	December 31, 2009 Total (thousand tenge)
ASSETS			
Cash funds and their equivalents	66 373	-	66 373
Deposits with the banks	165 355	-	165 355
Loans, provided to the clients	291 334	-	291 334
Inventory	2 834	-	2 834
Fixed assets	17 926	-	17 926
Intangible assets	1 350	-	1 350
Deferred tax assets	8 359	-	8 359
Other assets	9 817	-	9 817
TOTAL ASSETS	563 348	-	563 348
LIABILITIES			
Financial liabilities	207 560	280 186	487 746
Short-term estimated liabilities	2 488	-	2 488
Other liabilities	2 129	-	2 129
TOTAL LIABILITIES	212 177	280 186	492 363
NET POSITION	351 171	(280 186)	

*OECD - Organization for Economic Cooperation and Development - an international economic organization of the developed countries recognizing the principles of representative democracy and free market economy

Liquidity risk and financing sources management

Liquidity risk is the risk that the Company can face with the difficulties related with lack of money resources at performance of potential obligations relating to instruments. Liquidity risk arises at discrepancy of assets and liabilities repayment terms. Coincidence and/or controllable discrepancy on repayment terms and commission rates on assets and liabilities is the basic moment in liquidity risk management. Owing to the variety of conducted transactions and uncertainty related with them, full coincidence on assets and liabilities repayment terms is not a usual practice for financial institutions which fact gives the chance to increase the profit-earning capacity of transactions, but increases the risk of losses occurrence.

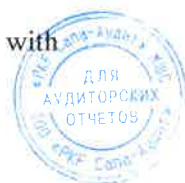
The Company supervises liquidity risk by means of analysis on repayment terms, defining the strategy of the Company for the next financial period. Management of current liquidity is carried out by the financial department of the Company which carries out operations in the monetary markets in order to maintain the current liquidity and optimize cash funds flows.

With the purpose of manage risk of liquidity the Company carries out daily check-out of expected future receipts from transactions with the clients and bank transactions, included in the process of assets and liabilities management.

The Company maintains the required level of liquidity with the purpose to provide constant availability of money for fulfillment of all liabilities as far as their repayment terms approach.

The Company's liquidity management policy consists of:

- forecasting of cash funds flows and calculation of the required level of liquid assets related with given cash funds flows;
- maintenance of diversified structure of financing sources;
- development of plans on debt financing;
- development of reserve plans on liquidity maintenance and pre-set level of financing;



«Asian Credit Fund” Microcredit organization” Limited Liability Company

Notes to the financial statements for 2010

(in thousands of Kazakhstan tenge)

Below is the analysis of liquidity risk of and interest risk as of December 31, 2010 and 2009, representing the following:

A remaining period before repayment of financial liabilities being not derivative financial instruments, calculated for non-discounted cash funds flows on financial liabilities (principal debt and interests) on the earliest of dates when the Company will be obliged to repay its liability, and

B. expected term of financial assets repayment being not derivative financial instruments, calculated for non-discounted cash funds flows on financial assets with allowance for interests which will be received on these assets basing on contract terms of repayment except for cases when the Company expects that cash funds flows will be posted in another time.

Loans, provided to the clients	33,69%	-	4 167	151 724	66 198	19 001	50 244	291 334
Total assets, on which fixed rates interests are charged	Average weighted % rate	Less than 1 month	1-3 months	3 months-1 year	1 year - 5 tears	More than 5 years	Overdue	December 31, 2010 Total (thousand tenge)
ASSETS :								
Deposits with the banks	7,75 %	-	249 000	-	-	-	-	249 000
Cash funds and their equivalents		-	-	-	-	-	-	-
Loans, provided to the clients		-	4 167	151 724	66 198	19 001	50 244	291 334
	38,31%	13 315	56 609	265 607	20 767	-	6 477	362 774
Total assets, on which fixed rates interests are charged								
Deposits with the banks		13 315	305 609	265 607	20 767	-	6 477	611 774
Deposits with the banks		-	-	-	-	-	-	-
Cash funds and their equivalents		41 552	-	-	-	-	-	41 552
			165 355	-	-	-	-	165 355
Cash funds and their equivalents		66 373	-	-	-	-	-	66 373
Total financial assets		54 867	305 609	265 607	20 767	-	6 477	653 326
LIABILITIES:								
Loans, received from the banks and other financial organizations	12, 53%	-	244 007	196 109	195 643	-	-	635 759
Total liabilities, on which fixed rates interests are charged		-	244 007	196 109	195 643	-	-	635 759
Total financial liabilities								
Total		-	244 007	196 109	195 643	-	-	635 759
financial assets								
Difference between assets and liabilities		54 867	61 602	69 498	(174 876)	-	6 477	17 567
Difference between assets and liabilities , on which interest are charged								
		13 315	61 602	69 498	(174 876)	-	6 477	(23 984)
Difference between assets and liabilities , on which interest are not charged		66 373	169 522	151 724	66 198	19 001	50 244	523 062
		41 552	-	-	-	-	-	41 552
	Average weighted % rate	Less than 1 month	1-3 months	3 months-1 year	1 year - 5 tears	More than 5 years	Overdue	December 31, 2009 Total (thousand tenge)
ASSETS :								
Deposits with the banks	0%	-	-	-	-	-	-	0%
Cash funds and their equivalents	0%	-	-	-	-	-	-	0%



Note 21. Litigations and court proceedings

As of the date of the applied Financial Statements approval the Company has 2 incomplete court proceedings which have arisen in the course of its usual activity conducting, to the total amount of 882 thousand tenge, including on principal amount at the rate of 661 thousand tenge. The Company has no any data or information which would cause any doubt of the given claims satisfaction in favor of the Company.

Note 22. Events after the accounting date

As of the date of the applied Financial statements approval the following events demanding disclosure in the applied financial statements have occurred: the Company has drawn two loans from Netri Private Foundation at the rate of 50 thousand US dollars and a loan from the Deutsche Bank Microcredit Development Fund.Inc in the amount of 150 thousand US dollars which serve as mortgage security in credit facility line in “Eurasian Bank” JSC comprising 32 000 thousand tenge dated 26.04.2011 with repayment term till 17.04.2012. This transaction has been carried out for the purpose of the Company’s currency risk hedging.

On May 14, 2013 the Company has procured a loan in the amount of 500,000 US dollars from “Frontiers” Microcredit Company, OOO, Kyrgyzstan for the term of 2 years.

On May 24, 2011 the Company has entered into the agreement of purchase and sale of collateral house with the land plot by installments to the amount of 3 942 000 tenge with the final payment term till July 10, 2011. Cost price of the house has made up 3 000 000 tenge.

On March 25, 2011 The Board of the National Bank of the Republic of Kazakhstan has made a Decision № 33 «On approval of the limiting size to the annual effective interest rate» in which the limiting rate on bank loans, micro credits, loans provided by the second-tier banks, organizations, carrying out separate kinds of bank operations, microcredit organizations and credit coops has been established at the level of 56% per year.

Besides these events the Company has no any other events which have occurred after the accounting date which require any correction or disclosure in notes to the financial statements.

Executive Director

Chief Accountant

May 30, 2011



Zh.B. Zhakupova

D.B. Smazhanova



Серия МФЮ - 2



№ 0000040

ГОСУДАРСТВЕННАЯ ЛИЦЕНЗИЯ

Выдана Товариществу с ограниченной ответственностью
(полное наименование, местонахождение, реквизиты юридического лица)
«РКФ Сапа - Аудит»

город Алматы

РНН 600400085995

на занятие аудиторской деятельностью.

Генеральная лицензия без ограничения срока действия на всей территории Республики Казахстан.

Организация, выдавшая лицензию Министерство финансов
Республики Казахстан

М. П.  Шолпанкулов Б.Ш.

Дата выдачи лицензии " 10 " июля 2009 г. Город Астана

Сериясы МФЮ - 2



№ 0000040

МЕМЛЕКЕТТІК ЛИЦЕНЗИЯ

Аудиторлық қызметпен айналысуға
(заңды тұлғаның толық атауы, орналасқан жері, деректемелері)
«РКФ Сапа - Аудит»

жауапкершілігі шектеулі серіктестігіне

Алматы қаласы, СТН 600400085995 берілді.

Қазақстан Республикасының бүкіл аумағында қолданылу мерзімі шектеусіз бас лицензия.

Лицензия берген орган Қазақстан Республикасының
Қаржы министрлігі.

М. П.  Шолпанқұлов Б.Ш.

Лицензия берілген күні 2009 жылғы " 10 " шілде Астана қаласы