



imon
international

**Micro Lending Organization "IMON
International"**

Financial report

for the year ended December 31, 2009

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A WORD FROM CHAIRMAN OF THE BOARD OF DIRECTORS OF MICRO LENDING ORGANIZATION "IMON INTERNATIONAL"

My fellow Board members join me in congratulating IMON International for another excellent year in 2009. Despite a global economic crisis and a volatile local economic environment, this team applied their financial services acumen and social commitment, helping our clients weather the economic storm. This storm included inflation levels during the year of 18%, a currency devaluation of 28% and a sharp decline in remittance flows from migrant workers as the economic crisis impacted Russia and neighboring states.

In the past year we celebrated the 10th anniversary of the establishment of the partnership between the National Association of Business Women of Tajikistan and Mercy Corps. Led by two exceptional women, Sanavbar Sharipova and Gulbahor Makhamova and supported by Mercy Corps, this partnership led to the creation of the organization which has become IMON International. Today IMON International stands as the largest MFI in Tajikistan with TJS 126 million in outstanding loans to over 26,000 active clients. While loans have risen nearly eightfold since 2005, quality has not been sacrificed, evidenced by receipt during the year of an "A" rating from an independent MFI rating agency.

The economic climate in Tajikistan reflects the need for microfinance now more than ever. Micro and small entrepreneurs require creative new products and services to manage risk and meet unexpected life events. New entrepreneurs require start-up loans to launch their businesses, established businesses need longer terms to get through these times and families need consumer credit for school tuition, home improvements or health care. IMON International has responded to these needs with products that help people meet these challenges while coping with the effects of inflation and reduced remittance flows. And while access to credit is important, the ability to manage risk and overcome economic shocks which can devastate household savings are equally important. Therefore, IMON International will continue to pursue a deposit taking license to offer savings products and will explore opportunities to offer risk management services, including microinsurance for urban and rural clients.

Looking ahead to another decade of leadership in financial services in Tajikistan, IMON International will continue to design and offer a range of demand-driven products and services to micro and small entrepreneurs. The Board and management will work together to raise new capital where needed and introduce new partners to realize these goals while remaining mission focused and committed to the dream of the two women whose vision led to the creation of this organization.

James Anderson
Chairman of the Board of Directors

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AUDITOR'S REPORT

To the Board of Directors
Micro Lending organization "IMON International"

Report on the financial statements

We have audited the accompanying financial statements of Micro Lending organization "IMON International" ("IMON International") which comprise the statement of financial positions as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of "IMON International" as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 28, 2010



Finconsult Ltd
Dushanbe
Tajikistan

GENERAL INFORMATION

Micro Lending Organization "IMON International" LLC is a microfinance organization which provides financial services to the vulnerable members of the population in Tajikistan.

The mission of Micro Lending Organization "IMON International" is to facilitate economic development in Tajikistan and assist in improving living standards by providing stable access to credit to the economically active population.

The view of Micro Lending Organization "IMON International" believes that the people of Tajikistan should have access to quality, innovative and fairly priced financial services delivered in a transparent manner.

Micro Lending Organization "IMON International" was registered with the Ministry of Justice of Tajikistan on April 8, 2008 and re-registered on January 22, 2009 and holds a license from the National Bank of Tajikistan dated May 20, 2008.

In accordance with its charter Micro Lending Organization "IMON International" conducts the following types of activities:

Micro lending;

Financial leasing operations (micro-leasing);

Providing consulting and advisory services.

Background

In accordance with the Law of Tajikistan on "Microfinance organizations" and the Founders Agreement dated November 17, 2004, Mercy Corps and National Association of Business Women of Tajikistan were equal joint founders of International Micro Loan Fund "IMON" ("the Fund"). The goal of the Fund was to contribute in mitigating and reducing poverty and related problems, addressing social and educational problems and contributing toward the general improvement of living standards in Tajikistan through support of social, charitable, cultural, educational and other initiatives. The Fund also supported social causes, including job placements, entrepreneurship and providing financial services to the underserved population of Tajikistan.

In November 2007 the Fund's founders established the new commercial entity Micro Lending Organization "IMON International". After successfully completing a transformation process the new organization started operations on July 1, 2008 as Micro Lending Organization IMON International LLC.

As of December 31, 2009 the founders of Micro Lending Organization "IMON International" are: International Micro-Loan Fund "IMON" (0.10%), Mercy Corps (44.95%), National Association of Business Women of Tajikistan (NABWT) (44.95%) and Mennonite Economic Development Associates (10%).

BOARD OF DIRECTORS

The Board of Directors of "IMON International" comprises the following persons:

James Anderson	Chairman	Mercy Corps
Michael Bowers	Member	Mercy Corps
Gulbahor Makhkamova	Member	National Association of Business Women of Tajikistan
Kimberly Pityn	Member	Mennonite Economic Development Associates
Nabijon Yuldashev	Member	National Association of Business Women of Tajikistan

SENIOR MANAGEMENT

Senior management of "IMON International" comprises the following persons:

Sanavbar Sharipova	General Director
Gulbahor Makhkamova	Deputy General Director
Rakhimjon Melikbaev	Financial Director
Bakhodur Akbarov	Operational Department Manager
Gairat Ibragimov	Chief Accountant

NUMBER OF AUTHORIZED OFFICES AND REGISTERED ADDRESS

As at December 31, 2009 the activities of "IMON International" were carried out by 8 branches and 28 Centers for Client Services (CCS):

Soghd region

Khujand branch	96 Orzhonikidze street	Khujand
Ovchi Kalacha CCS	96 Iskandarova Street	Ovchi Kalacha
Spitamen CCS	29 Lenina Street	Spitamen
Dj.Rasulov CCS	1 Nurmatova	Dj. Rasulov
Asht CCS	Somoni Street, Supermarket	Asht
Istaravshan branch	79 Gagarina Street	Istaravshan
Istaravshan CCS	Central market, 2d floor, room 198	Istaravshan
Shakhristan CCS	11 Istaravshan Street	Shjakhristan
Zafarabad CCS	8 Somoni Street	Zafarabad
Gonchi CCS	13 M. Tago Street	Gonchi
Isfara branch	2 Lenin Street	Isfara
Vorukh CCS	Pravda Street	Vorukh jamoat
Kanibadam CCS	360 Lenin Street	Kanibadam
Lohuti CCS	15 Lenin Street	Lohuti
Penjikent branch	85 Rudaki Street	Penjikent
Penjikent CCS	Jamoati Dehoti, L. Sherali str	Gusar district

Regions of Republican Subordination

Dushanbe branch	3 Loik Sherali Street	Dushanbe
Dushanbe CCS	100 N. Karabaeva street	Dushanbe
Hissar CCS	7 Somoni street	Hissar
Rudaki CCS	14 Somoni Street	Somonien
Vakhdat CCS	14 Borbad Street	Vakhdat
Tursun-Zade branch	37-A Navruz str	Tursun-Zade
Shahrinaiu CCS	7 Somoni Street	Shahrinaiu

Khatlon Region

Shaartuz branch	39 Somony Street	Shaartuz
Djilikul CCS	14 Lenin Street	Djilikul
Nuri Vakhsh CCS	Nuri Vakhsh jamoat	Djilikul, Nuri Vakhsh
Panj CCS	Lenin Street, shop	Panj
Kumsangir CCS	9 Pervomay street	Kumsangir
Kabodien CCS	45 Lenin Street	Kabodien
Kurgan Tube branch	47 Sadridin Aini	Kurgan Tube
Kolkhozabad CCS	4 Tugalang Street	Kolkhozabad
Vakhsh CCS	58 H. Davlatova str	Vakhsh
Rumi CCS	18 Lenin str	Rumi
Jomi CCS	10 Shohimardonov Street	Jomi
Yavan CCS	Bazarnaya Street	Yavan
Dangara CCS	1 Omar Hayam str	Dangara

The head office is located at 157 Kamoli Khujandi Street, 735700 Khujand, Tajikistan.

"IMON INTERNATIONAL" STRATEGIC PLAN FOR 2010

IMON International will further grow its market share and support the development of competitive Micro and Small business in Tajikistan by using innovation together with personalized customer service and through implementation of the following steps:

- Further optimization of credit policies and procedures;
- Skills building of branch and credit managers on credit analysis, delinquency management and portfolio analysis;
- Review, develop and oversee implementation of a loan officer incentive scheme that takes account of the new procedures and the recent division between front office and back office;
- A review of current organizational risk management tools and identifying gaps in the risk management function of the organization to further develop the risk management department within IMON International;
- Assess Internal Control System of the Company to determine the optimal size of the Company's business;
- Strengthening of Internal Control department, including review of current policies and procedures to better manage recent changes in structure and divisions of departments;
- Development and establishment of a permanent training and capacity building center for loan officers and back office staff into integrated career development functions;
- Product development: Review appropriateness of existing products in view of market development.

FINANCIAL REPORT

Statement of comprehensive income

	Notes	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
			TJS
Interest and similar income	5	44,707,638	15,998,733
Interest expense and similar charges	5	(11,421,935)	(3,652,920)
Loan impairment charges	6	(4,926,913)	(397,985)
Net interest income after loan impairment charges		28,358,790	11,947,828
Fee and commission income	7	2,644,056	1,303,565
Fee and commission expense	7	(293,911)	(59,177)
Net fee and commission income		2,350,145	1,244,388
Net gains/(losses) on financial instruments classified as held for trading	8	(158,335)	(6,421)
Exchange difference on translation of foreign operations		(1,105,509)	(62,807)
Personnel expenses	9	(8,019,915)	(3,313,955)
General and administrative expenses	10	(2,815,877)	(1,090,780)
Depreciation and amortisation expenses	11	(482,854)	(132,092)
Other operating expenses	12	(2,878,523)	(1,033,758)
Profit for the year before income tax		15,247,922	7,552,403
Income tax expense	13	(5,328,525)	(1,998,865)
Profit for the year after income tax expense		9,919,397	5,553,539
Other comprehensive income			
Grant income	14	72,921	29,108
Other comprehensive income		2,232	3,077

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Other comprehensive income for the year before income tax		75,153	32,185
Income tax relating to components of other comprehensive income	15	(18,788)	(8,046)
Total comprehensive income for the year		9,975,762	5,577,677

The accompanying notes on pages 17 to 49 are an integral part of these financial statements.
 Signed on behalf of the management on March 26, 2010:

Sanavbar Sharipova
 General Director of "IMON International"

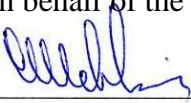
Rakhimjon Melikbaev
 Financial Director of "IMON International"

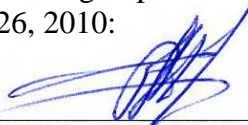


Statement of financial position

	Notes	Dec 31, 2009	Dec 31, 2008
			TJS
ASSETS			
Cash and balances with banks	16	8,929,920	5,526,749
Loans and advances to banks	18	17,922,700	1,656,912
Loans and advances to customers	19	121,763,398	105,053,490
Property and equipment	20	9,414,565	1,079,685
Intangible assets	21	93,440	75,588
Current income tax assets		161,775	4,773
Deferred income tax assets		100,268	-
Accrued interest receivable	22	2,091,222	1,570,723
Accrued penalties receivable	23	312,128	
Other assets	24	1,671,617	17,216
Total assets		162,461,033	114,985,136
LIABILITIES			
Accrued interest payable	25	2,033,478	1,357,886
Other short term liabilities	26	3,027,433	2,113,557
Due to banks and non-banking financial institutions (short-term and demand loans)	27	32,903,191	18,351,178
Due to banks and non-banking financial institutions (long-term loans)	28	67,610,401	43,287,887
Subordinated debt	29	17,110,935	19,553,806
Total liabilities		122,685,438	84,664,314
EQUITY			
Charter capital	28	22,986,402	22,986,402
Retained earnings	29	9,975,762	5,577,677
General reserve	30	6,813,431	1,756,743
Total equity		39,775,595	30,320,822
Total equity and subordinated debt		56,886,530	49,874,628
Total equity and liabilities		162,461,033	114,985,136

The accompanying notes on pages 17 to 49 are an integral part of these financial statements.
Signed on behalf of the management on March 26, 2010:


Sanavbar Sharipova
General Director of "IMON International"


Rakhimjon Melikbaev
Financial Director of "IMON International"



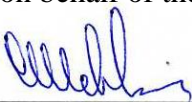
Statement of changes in equity

Statement of changes in net equity <i>(all amounts expressed in TJS)</i>	Notes	Charter capital	Capital surplus	General reserve	Retained earnings	Total capital
Balance at 30 June 2008		40,000	22,946,402	1,756,743	-	24,743,145
Result for the period		-	-	-	5,577,677	5,577,677
Transfers*	28	22,946,402	(22,946,402)	-	-	-
Balance at 31 Dec 2008		22,986,402	-	1,756,743	5,577,677	30,320,822
Result for the year	29				9,975,762	9,975,762
Dividends paid	30			(520,989)		(520,989)
Transfers	29,30			5,577,677	(5,577,677)	-
Balance at 31 Dec 2009		22,986,402	-	6,813,431	9,975,762	39,775,595

* On July 1, 2008 IMLF IMON transferred net assets for the total amount of TJS 22,986,402 to IMON International with the declared capital of IMLF IMON in IMON International of TJS 40,000. The difference of TJS 22,946,402 has been recorded as the capital surplus. In 2008 changes have been made to the charter of IMON International regarding charter capital, the company capital has been increased for the amount of the capital surplus.

The accompanying notes on pages 17 to 49 are an integral part of these financial statements.

Signed on behalf of the management on March 26, 2010:


 Sanavbar Sharipova
 General Director of "IMON International"


 Rakhimjon Melikbaev
 Financial Director of "IMON International"



Statement of cash flows

<i>(all amounts expressed in TJS)</i>	Notes	Jan 1 - Dec 31 2009	July 1 - Dec 31 2008
Cash flows from operating activities			
Profit before income tax		15,247,922	7,552,403
Adjustments for non-cash items:			
Loan impairment charges		4,540,225	339,597
Depreciation and amortisation		482,854	132,092
Changes in deferred tax assets and liabilities		(100,268)	-
Net interest income		(157,035)	334,016
Exchange-rate changes on cash and cash equivalents		1,105,509	62,807
Other non-cash items		48,794	3,077
		21,168,001	8,423,992
Changes in loans and advances to banks		(16,265,788)	(1,656,912)
Changes in loans and advances to customers		(21,250,133)	(25,065,356)
Changes in other assets		(1,654,401)	(17,216)
Changes in other liabilities		14,625,530	4,633,606
Income tax paid		(4,663,956)	(174,964)
Net cash generated from operating activities		(8,040,747)	(13,856,849)
Cash flow from investing activities			
Purchase of property and equipment		(8,823,737)	(265,408)
Purchase of computer software		(29,303)	(28,488)
Net cash used in investing activities		(8,853,040)	(293,896)
Cash flows from financing activities			
Grants received		43,813	29,108
Long term liabilities		24,322,514	9,531,049
Subordinated debt		(2,442,870)	6,123,424
Dividends paid		(520,989)	-
Net cash from financing activities		21,402,468	15,683,581

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Financial Statements for the year ended December 31, 2009



Cash and cash equivalents at beginning of year	5,526,749	4,056,720
Net cash provided by operating activities	(8,040,747)	(13,856,849)
Net cash used by investing activities	(8,853,040)	(293,896)
Net cash provided by financing activities	21,402,468	15,683,581
Effects of exchange-rate changes on cash and cash equivalents	(1,105,509)	(62,807)
Cash and cash equivalents at end of year	8,929,920	5,526,749

The accompanying notes on pages 17 to 49 are an integral part of these financial statements.

Signed on behalf of the management on March 26, 2010:

Sanavbar Sharipova
 General Director of "IMON International"

Rakhimjon Melikbaev
 Financial Director of "IMON International"



NOTES TO THE FINANCIAL STATEMENTS

1 General information

Microlending Organization "IMON International" ("IMON International"), located at the following address: 157 Kamoli Khujandi str, Khujand, Tajikistan, is a limited liability company, incorporated in accordance with the laws of the National Bank of Tajikistan on April 8 2008 and re-registered on January 22, 2009. "IMON International" has a license of the National Bank of Tajikistan dated May 20, 2008.

Founders of "IMON International" are:

- International Microloan Fund "IMON": 157 Kamoli Khujandi, Khujand, Tajikistan.
- Mercy Corps: 45 SW Ankeny Street, Portland OR, 97204, USA.
- National Association of Business Women of Tajikistan: 123 Firdavsi atr, Khujand, Tajikistan.
- Mennonite Economic Development Associates: 155 Frobisher Drive, Division 1-106, Waterloo, Ontario, Canada.

Proportion of founders participation is given below:

	Participation amount	Participation %
National Association of Business Women of Tajikistan	10,332,387.47	44,95%
Mercy Corps	10,332,387.47	44,95%
Mennonite Economic Development Associates	2,298,639.97	10,00%
Microloan Fund "IMON"	22,986.09	0,10%
Total	22,986,401	100%

Financial statements are approved by the management of "IMON International" on March , 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of accounting

The financial statements have been prepared in accordance with generally accepted accounting principals. The financial statements have been prepared under the historical cost convention, financial assets and financial liabilities held at fair value through profit or loss. Property and equipment is valued at fair value.

"IMON International" maintains its books and records in Tajik Somoni and in compliance with the statutory and central banking regulations prevailing in Tajikistan. Certain adjustments to the Tajik accounts were made in order to present the financial statements in conformity with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying IMON's accounting policies, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.2 Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Tajik Somoni, which is IMON's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The exchange rates used for the financial statements are the official exchange rates as issued by the National Bank of Tajikistan. As of December 31, 2009 and December 31, 2008 the exchange rates for principal currencies were:

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
1 US dollar =	4.3710	3.4519
1 Euro =	6.2839	4.8677

2.3 *Interest income and expense*

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, "IMON International" estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.4 *Fee and commission income*

Fees and commissions are generally recognized on an accrual basis when the service has been provided.

2.5 *Grant/grants*

"IMON International" receives grants for operational expenses and trainings from various donors. When a grant is received it is recognized as short-term liability (funds received from other agencies). The donor money is expensed in the income statement once the actual spending takes place. The remaining grant amount is payable to the donors according to the grant agreements between "IMON International" and donors.

2.6 *Financial assets*

"IMON International" classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. Management determines the classification of its investments at initial recognition.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when "IMON International" provides money, goods or services directly to a debtor with no intention of trading the receivable.

Purchases and sales of financial assets at fair value through profit or loss are recognized on trade date – the date on which "IMON International" commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where "IMON International" has transferred substantially all risks and rewards of ownership.

"IMON International" issues loans in TJS and USD indexed loans in TJS. The issue is made using NBT official exchange rate USD-TJS as of the day of transaction. The repayment is made based on NBT official exchange rate USD-TJS as of the day of repayment.

2.7 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.8 *Impairment of financial assets*

(a) Assets carried at amortized cost

"IMON International" assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

"IMON International" first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If "IMON International" determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(b) Assets carried at fair value

"IMON International" assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement.

2.9 *Fixed assets*

Fixed assets are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to "IMON International" and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
Furniture and equipment	10
Vehicles	20
Computer equipment	20

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.10 Intangible fixed assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by "IMON International", and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2.11 Provisions

Provisions are recognized when "IMON International" has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are of a short-term nature and are not discounted.

2.12 Pension obligations

"IMON International" operates a defined social security contribution plan. The pension fund is generally funded by payments from employees and by "IMON International" to a state pension fund. Contributions of "IMON International" are charged to the income statement in the year to which they relate. "IMON International" has no further obligations in respect of defined contribution schemes other than its contributions.

2.13 Deferred income taxes

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes. The principal temporary differences arise from depreciation on property, plant and equipment and provisions for loans.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Income taxes payable on profits, based on the applicable tax law in each jurisdiction is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

2.14 *Borrowings*

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.15 *Share capital*

(a) *Dividends*

Dividends on participation in share capital are recognised in equity in the period in which they are approved by the Company's shareholders meeting. Dividends for the year that are declared after the balance sheet date are described in the "subsequent events" note to this Financial Statements.

3 Use of financial instruments

3.1 Strategy in using financial instruments

By its nature "IMON International" activities are principally related to the use of financial instruments. "IMON International" takes loans from international institutions at fixed, variable and nil rates and for various periods and seeks to earn above average interest margins by investing these funds in the form of microloans.

3.2 Credit risk

"IMON International" takes on exposure to credit risk, which is the risk that a borrower will be unable to pay amounts in full when due. "IMON International" structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors of "IMON International". Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit risk management involves the following key roles and responsibilities in "IMON International":

- (a) Definition of guidelines and development of methods for credit risk evaluation, management, measurement and monitoring (i.e. evolution of portfolio risk is managed by diversifying lending activity, i.e. by industry, sector or geographical area).
- (b) Definition of principles for identifying risk positions and monitoring evolution of the credit portfolio.
- (c) Compliance with Tajik banking law and related projects.

Various credit risk mitigation techniques are used in order to limit credit risk. These include financial collateral, certain forms of physical collateral as well as guarantees.

Maximum exposure to credit risk

	31 Dec 2009	31 Dec 2008
Credit risk exposures relating to on-balance sheet assets:	TJS	TJS
Placements with other banks	17,922,700	1,656,912
Loans to customers	121,763,398	105,053,490
Accrued interest receivable	2,491,400	1,570,723
	142,177,498	108,281,125
Total credit risk exposure	142,177,498	108,281,125

The above table represents a worse case scenario of credit risk exposure.

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An overview of the loan portfolio as at 31 December 2009 and 31 December 2008 per type of loan is as follows:

Dec 31, 2009	Loans in TJS		USD indexed loans		Total	
	TJS	%	TJS	%	TJS	%
Individual trade	9,679,708	35%	59,023,234	60%	68,702,941	54%
Agriculture and livestock	11,357,696	41%	18,406,289	19%	29,763,985	24%
Individual production	926,100	3%	5,067,876	5%	5,993,976	5%
Services	1,774,278	6%	9,024,250	9%	10,798,528	9%
Consumer loans	4,035,822	14%	4,039,643	4%	8,075,466	6%
Loans to employees	93,575	0%	3,214,750	3%	3,308,325	3%
Impairment	(1,079,230)		(3,800,591)		(4,879,821)	
Total net of impairment	26,787,948		94,975,450		121,763,398	

Dec 31, 2008	Loans in TJS		USD indexed loans		Total	
	TJS	%	TJS	%	TJS	%
Individual trade	12,729,096	36%	42 155 774	60%	54,884,870	52%
Agriculture and livestock	13,806,210	39%	9 943 550	14%	23,749,760	23%
Individual production	1,310,771	4%	3 086 495	4%	4,397,266	4%
Services	2,453,728	7%	6 207 989	9%	8,661,717	8%
Consumer loans	4,912,520	14%	6 618 966	9%	11,531,485	11%
Loans to employees	456,388	1%	1 711 602	2%	2,167,990	2%
Impairment	(114,934)		(224,664)		(339,598)	
Total net of impairment	35,553,778		69,499,712		105,053,490	

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An overview of the loan portfolio as at 31 December 2009 and December 31, 2008 per type of collateral is as follows:

Dec 31, 2009	Loans in TJS		USD indexed loans		Total	
	TJS	%	TJS	%	TJS	%
Real estate	816,962	3%	60,063,127	61%	60,880,089	48%
Solidarity group	16,282,294	58%	13,451,133	14%	29,733,427	23%
Guarantees	3,353,160	12%	6,559,659	7%	9,912,819	8%
Household property	7,110,836	26%	17,615,772	18%	24,726,609	20%
Mixed (moveables and guarantees)	210,352	1%	767,071	1%	977,422	1%
Unsecured loans (loans to employees)	93,575	0%	319,280	0%	412,854	0%
Impairment	(1,079,230)		(3,800,591)		(4,879,821)	
Total net of impairment	26,787,948		94,975,450		121,763,398	

Dec 31, 2008	Loans in TJS		USD indexed loans		Total	
	TJS	%	TJS	%	TJS	%
Real estate	833,623	2%	40,060,812	57%	40,894,435	39%
Solidarity group	23,698,947	66%	7,723,990	11%	31,422,937	30%
Guarantees	2,844,043	8%	5,288,377	8%	8,132,420	8%
Household property	7,687,773	22%	15,758,985	23%	23,446,758	22%
Mixed (moveables and guarantees)	147,937	0%	892,213	1%	1,040,150	1%
Unsecured loans (loans to employees)	456,388	1%	-	-	456,388	0%
Impairment	(114,934)		(224,664)		(339,598)	
Total net of impairment	35,553,778		69,499,712		105,053,490	

The fair value of the collateral is assessed based on its market value.

For real estate up to 100% of its market value is applied while calculating the value for the collateral.

For vehicles from 40% to 80% of market value of the vehicle depending on the year of manufacture is applied while calculating the value for the collateral.

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An overview of the loan portfolio in arrears as at 31 December 2009 and December 31 2008 per type of loan is as follows:

	31 December 2009		
	Total loan portfolio	Loans in arrears	% of arrears to total loan portfolio
	TJS	TJS	%
Individual trade	68,702,941	4,156,528	6.05%
Agriculture and livestock	29,763,985	2,317,983	7.79%
Individual production	5,993,976	226,572	3.78%
Services	10,798,528	359,591	3.33%
Consumer loans	8,075,466	331,902	4.11%
Loans to employees	3,308,325	-	0.00%
Total	126,643,220	7,392,576	

	31 December 2008		
	Total loan portfolio	Loans in arrears	% of arrears to total loan portfolio
	TJS	TJS	%
Individual trade	54,884,870	334,910	0,06%
Agriculture and livestock	23,749,760	296,523	1,25%
Individual production	4,397,266	81,900	0,02%
Services	8,661,717	47,686	0,55%
Consumer loans	11,531,485	75,754	0,66%
Loans to employees	2,167,990	-	0%
Total	105,393,088	836,774	

An overview of the impairment as a % to the total loan portfolio in arrears as at 31 December 2009 and December 31 2008:

	Dec 31, 2009	Dec 31, 2008
	TJS	TJS
Loans in arrears	7,392,576	836,774
Loan impairment	4,879,822	339,597
% of impairment to the total loans in arrears	66%	41%

The total collateral (real estate) for the loans in arrears amounts to TJS 6,812,557 (2008: TJS 998,486

In total "IMON International" had 16,435 loans outstanding as at 31 December 2009 (2008: 15,165).

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3.3 *Market risk*

"IMON International" takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

3.4 *Currency risks*

"IMON International" is exposed to risks that the exchange rate of the Tajik Somoni relative to other currencies may change in a manner that has an adverse effect on the reported value of that portion of the "IMON International" assets, which are denominated in currencies other than the Tajik Somoni, as shown in the currency analyses table below:

Currency analysis

The amount of total assets and total liabilities analysed by currency at December 31, 2009 is as follows:

all amounts are expressed in TJS

	TJS	USD/USD indexed	EURO	Total
Assets				
Cash and balances with banks	6,513,644	2,405,731	10,545	8,929,920
Loans and advances to banks	1,750,000	16,172,700	-	17,922,700
Loans and advances to customers	26,787,948	94,975,450	-	121,763,398
Property and equipment	9,414,565	-	-	9,414,565
Intangible assets	93,440	-	-	93,440
Current income tax assets	161,775	-	-	161,775
Deferred income tax	100,268	-	-	100,268
Accrued interest receivable	280,433	1,810,789	-	2,091,222
Accrued penalties receivable	41,856	270,272	-	312,128
Other assets	1,671,617	-	-	1,671,617
Total assets	46,815,546	115,634,942	10,545	162,461,033
Liabilities				
Accrued interest payable	-	2,033,478	-	2,033,478
Other short term liabilities	764,956	2,164,599	97,878	3,027,433
Due to banks and non-banking financial institutions (short-term and demand loans)	1,719,551	31,183,640	-	32,903,191
Due to banks and non-banking financial institutions (long-term loans)	3,390,000	64,220,401	-	67,610,401
Subordinated debt	-	17,110,935	-	17,110,935
Total liabilities	5,874,507	116,713,053	97,878	122,685,438
Total assets -/- liabilities	40,941,038	(1,078,111)	(87,333)	39,775,595

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The amount of total assets and total liabilities analysed by currency at December 31, 2008 is as follows:

all amounts are expressed in TJS

	TJS	USD/USD indexed	Total
Assets			
Cash and cash equivalents	2,569,879	2,956,870	5,526,749
Placements with other banks	-	1,656,912	1,656,912
Loans and advances to customers	35,553,778	69,499,712	105,053,490
Property and equipment	1,079,685	-	1,079,685
Intangible assets	75,588	-	75,588
Current income tax assets	4,773	-	4,773
Accrued interest receivable	582,747	987,976	1,570,723
Other assets	17,216	-	17,216
Total assets	39,883,666	75,101,470	114,985,136
Liabilities			
Accrued interest payable	78,297	1,279,589	1,357,886
Other liabilities	1,999,293	114,264	2,113,557
Due to non-banking financial institutions	2,867,617	15,483,561	18,351,178
Long term liabilities	-	43,287,887	43,287,887
Subordinated debts	-	19,553,805	19,553,805
Total liabilities	4,945,207	79,719,106	84,664,313
Total assets -/- liabilities	34,938,459	(4,617,636)	30,320,823

"IMON International" tries to mitigate the currency risk, to avoid significant currency mismatches, by increasing the number of issued loans indexed in US Dollars or in Somoni. As of December 31, 2009 "IMON International" outstanding net portfolio of US Dollar indexed loans amounted to TJS 94,975,450 – 78% (2008: TJS 69,499,712 - 66%) of the total outstanding loan portfolio.

3.5 Interest rate risk

"IMON International" takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The range of interest rates on interest-bearing assets and liabilities are comprised as following:

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	2009		2008	
	TJS (%)	USD (%)	TJS (%)	USD (%)
Assets				
Placements with other banks	22	4-18	-	4-7
Loans to customers	38-48	12-38	22 - 42	12 – 38
Liabilities				
Due to non-banking financial institutions	21,5	0-11	18,5	0-10
Long-term liabilities	18,5	0-11,36	-	8,6-12

3.6 *Liquidity risk*

Liquidity risk arises from the possibility that "IMON International" may be unable to satisfy current and future financial commitments.

"IMON International" is exposed to calls on its available cash resources from maturing loans received by "IMON International" and loan draw downs. "IMON International" tries to maintain cash resources to meet these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted quite reasonably, by means of assets and liabilities management.

Within "IMON International", the following definitions apply to the components of liquidity risk:

1. **Liquidity Mismatch Risk** refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows.
2. **Liquidity Contingency Risk** refers to the risk that future unexpected events could require a greater amount of liquidity than the amount foreseen as necessary for "IMON International". This risk could arise as a result of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis.
3. **Market Liquidity Risk** refers to the risk that "IMON International" may incur losses as a result of the sale of assets deemed to be liquid or in extreme is not able to liquidate such positions due to not sufficient liquidity offered by the market or keeps the position that is too large when compared to market turnover. Market liquidity risk is primarily handled via the VaR system.
4. **Operational Liquidity Risk** appears whenever a financial institution cannot meet its current obligations resulting from the current in- and outflows still remaining solvent.
5. **Funding Risk** refers to the potential change in the cost of funding (own credit and market liquidity spreads) affecting future income of the institution.

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“IMON International” fulfils its payment obligations in the following ways:

1. by using cash inflows deriving from its maturing assets
2. by holding cash or assets which are easily sold on the market;

Reports on short-term liquidity positions and structural liquidity positions are prepared by Risk Management. Short-term liquidity risk management considers the events that will impact the "IMON International" liquidity position from 1 day up to one year. Structural liquidity positions consider the events that will impact the "IMON International" liquidity position in a long-term period. The primary objective is to maintain an adequate ratio between total liabilities and medium-/long-term assets, with a view to avoiding pressures on short-term sources (both current and future), while in the meantime optimizing the cost of funding.

Maturity analysis

The amount of total assets and total liabilities analyzed over the remaining period to the contractual maturity date at December 31, 2009 and December 31, 2008 is as follows:

December 31, 2009	Demand (including arrears)	Up to 6 months	From 6 months to 1 year	Over 1 year	No specified maturity	Total
	TJS	TJS	TJS	TJS	TJS	TJS
Assets						
Cash and balances with banks	8,929,920	-	-	-	-	8,929,920
Loans and advances to banks	-	17,922,700	-	-	-	17,922,700
Loans and advances to customers	2,512,754	64,147,318	33,691,810	21,411,516	-	121,763,398
Property and equipment	-	-	-	-	9,414,565	9,414,565
Intangible assets	-	-	-	-	93,440	93,440
Current income tax assets	-	-	161,775	-	-	161,775
Deferred income tax assets	-	-	-	100,268	-	100,268
Accrued interests receivable	-	2,091,222	-	-	-	2,091,222
Accrued penalties receivable	-	312,128	-	-	-	312,128
Other assets	-	-	126,831	1,544,786	-	1,671,617
Total assets	11,442,674	84,473,368	33,980,416	23,056,570	9,508,005	162,461,033
Liabilities						
Accrued interests payable	-	2,033,478	-	-	-	2,033,478
Due to non-banking financial institutions	-	16,023,233	16,879,958	-	-	32,903,191
Other short term liabilities	-	3,027,433	-	-	-	3,027,433
Long term liabilities	-	-	-	67,610,401	-	67,610,401
Subordinated debt	-	-	-	17,110,935	-	17,110,935
Total liabilities	-	21,084,144	16,879,958	84,721,336	-	122,685,438
Net liquidity gap	11,442,674	63,389,224	17,100,458	(61,664,766)	9,508,005	39,775,595

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December 31, 2008	Demand (including arrears)	Up to 6 months	From 6 months to 1 year	Over 1 year	No specified maturity	Total
	TJS	TJS	TJS	TJS	TJS	TJS
Assets						
Cash and balances with banks	5,526,749	-	-	-	-	5,526,749
Loans and advances to banks	-	1,656,912	-	-	-	1,656,912
Loans and advances to customers	504,240	55,946,538	31,974,780	16,627,932	-	105,053,490
Property and equipment	-	-	-	-	1,079,685	1,079,685
Intangible assets	-	-	-	-	75,588	75,588
Current income tax assets	-	1,570,723	-	-	-	1,570,723
Deferred income tax assets	-	21,989	-	-	-	21,989
Total assets	6,030,989	59,196,162	31,974,780	16,627,932	1,155,273	114,985,136
Liabilities						
Accrued interest payable	-	1,357,886	-	-	-	1,357,886
Other liabilities	-	2,113,557	-	-	-	2,113,557
Due to non-banking financial institutions	103,524	8,269,547	9,978,107	-	-	18,351,178
Long term liabilities	-	-	-	43,287,887	-	43,287,887
Subordinated debt	-	-	-	19,553,805	-	19,553,805
Total liabilities	103,524	11,740,990	9,978,107	62,841,692	-	84,664,313
Net liquidity gap	5,927,465	47,455,172	21,996,673	(46,213,760)	1,155,273	30,320,823

3.7 Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions and damages caused by internal processes, personnel, systems and external events. Legal and compliance risk is a sub-category of operational risk. It is the risk to earnings from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards. Risk Management Function monitors the "IMON International" operational risk exposure in accordance with standards and policies, collects operational risk data, performs the risk indicators' identification, the scenario analysis assessment and assures the quality of data gathered in accordance to the applicable standards and prepares risk mitigation plans.

3.8 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value:

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	Carrying amount		Fair value	
	2009	2008	2009	2008
	TJS	TJS	TJS	TJS
Financial assets				
Loans and advances to banks	17,922,700	1,656,912	17,922,700	1,656,912
Loans and advances to customers	121,763,398	105,053,490	121,763,398	105,053,490
Financial liabilities				
Due to banks and non-banking financial institutions (short-term and demand loans)	32,903,191	18,351,178	32,903,191	18,351,178
Due to banks and non-banking financial institutions (long-term loans)	67,610,401	43,287,887	52,736,113	33,764,552
Subordinated debts	17,110,935	19,553,805	13,346,529	15,251,968

The fair value of the financial assets and liabilities that are presented on "IMON International" balance sheet approximates their carrying value. The fair value is calculated as follows:

(a) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(b) Borrowings

The estimated fair value of fixed and nil interest-bearing borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(c) Loans and advances to banks

Loans and advances to banks represent deposits in local banks.

The carrying amount of deposits is a reasonable approximation of fair value.

(d) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

4 Critical accounting estimates, and judgements in applying accounting policies

"IMON International" makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

"IMON International" reviews its loan portfolio to assess impairment at a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the "IMON International" makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in "IMON International". Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

5 Net interest and similar income

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Interest and similar income		
Loans and advances to customers	41,538,871	15,542,145
Loans and advances to banks	911,468	47,478
Other interest income-penalties	2,257,299	409,110
Total interest income	44,707,638	15,998,733
Interest expense and similar charges		
Interest expense	11,421,935	3,652,920
Total interest expenses	11,421,935	3,652,920
Net interest income	33,285,703	12,345,813

Interest income from loans and advances to banks represents interest received on interest bearing deposits with commercial banks.

All income arises within Tajikistan.

6 Loan impairment charges

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Impairment on loans and advances to customers	5,588,709	397,985
Release of provision	(661,796)	-
Total loan impairment charges	4,926,913	397,985

7 Net fee and commission income

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Fee and commission income		
Credit related fees and commissions	2,644,056	1,303,565
Total fee and commission income	2,644,056	1,303,565

Micro Lending Organization "IMON International"
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Fee and commission expenses		
Commission expenses	293,911	59,177
	<u>293,911</u>	<u>59,177</u>
Total fee and commission expenses	293,911	59,177
	<u>2,350,145</u>	<u>1,244,388</u>
Net fee and commission income	2,350,145	1,244,388

8 Net gains/(losses) on financial instruments classified as held for trading

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Foreign exchange gain	585,273	-
Foreign exchange loss	(743,608)	(6,421)
	<u>(158,335)</u>	<u>(6,421)</u>
Net gains/(losses) on financial instruments classified as held for trading	(158,335)	(6,421)

9 Personnel expenses

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Wages and salaries	5,960,083	2,442,596
Incentive fees	436,482	204,743
Social security costs	1,600,077	661,847
Other benefits	23,273	4,769
	<u>8,019,915</u>	<u>3,313,955</u>
Total personnel expenses	8,019,915	3,313,955

The average number of persons employed by "IMON International" during the reporting period was 350 (2008: 339).

10 General and administrative expenses

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
IT and software costs	97,537	49,517
Rent expenses	995,925	365,833
Office maintenance expenses	351,959	129,243
Transportation	338,675	180,376
Advertising and publicity expense	212,987	68,051
Travel	328,458	84,739
Representation and Entertainment Expense	54,960	49,974
Telecommunication and postage	215,193	86,951
Security Service Expense	103,417	22,001
Other administrative expenses	116,766	54,095
Total General and administrative expenses	2,815,877	1,090,780

11 Depreciation and amortization expenses

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Depreciation of property, plant and equipment (note 20)	471,403	128,190
Amortisation of software and other intangible assets (note 21)	11,451	3,902
Total depreciation and amortization expenses	482,854	132,092

12 Other operating expenses

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Loss/(gain) on sale of intangible assets and property and equipment	11,227	-
Expenses on property insurance	237,607	69,685
Consulting costs	178,485	94,961
Auditing costs	97,878	80,596
Donations and charity payments	25,050	-
Road tax	645,297	245,707
Bank charges	225,528	147,227
Other taxes and licenses	1,441,669	395,582
Fines and penalties	15,782	-
Total other operating expenses	2,878,523	1,033,758

13 Income tax expense

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
Current income tax for the reporting period	5,428,793	1,998,865
Deferred tax	(100,268)	-
Total income tax expense	5,328,525	1,998,865

Profit tax is calculated at 25% of taxable profits that is in accordance with the legislation of the Republic of Tajikistan. Taxable profits differ from accounting profit for the amount of certain expenses, such as representation expenses, bad loans write off due to borrower's death and other expenses.

Deferred taxation reflects the impact of timing differences between the amounts of assets and liabilities recognized for financial reporting purposes, and those amounts of assets and liabilities recognized for taxation purposes.

A deferred tax asset has only been accounted for in the financial statements, as the crystallization of such an asset appears to be likely i.e. the asset can be offset against tax charges in the first year after the period under review.

Income tax calculation is outlined below:

	Jan 1 – Dec 31 2009	July 1 – Dec 31 2008
	TJS	TJS
Profit before income tax	15,247,922	7,552,403
Tax calculated at tax rate of 25%	3,811,981	1,888,101
<i>Effect of expenses not deductible for tax purposes including:</i>	1,516,545	110,764
Loan impairment charges	1,397,177	99,496
Loans written off due to borrowers' death	(22,372)	(1,226)
Collected previously written off loans	(472)	-
Release of provision	(165,449)	-
Representation and entertainment expenses	13,740	12,494
Travelling expenses exceeding the limit	10,790	-
Fines and penalties	3,946	-
Fixed assets written off	2,807	-
Exchange difference on translation of foreign operations	276,377	-
Total income tax	5,328,525	1,998,865

14 Grant income

	Jan 1 – Dec 31, 2009	July 1 – Dec 31, 2008
	TJS	TJS
European Bank for Reconstruction and Development	6,818	29,108
International Labor Office	66,103	-
Total grant income	72,921	29,108

15 Income tax effects relating to components of other comprehensive income

	before tax amount	2009 tax (expense)/ benefit	Net-of-tax amount	before tax amount	2008 tax (expense)/ benefit	Net-of-tax amount
	TJS	TJS	TJS	TJS	TJS	TJS
Grant income	72,921	(18,230)	54,691	29,108	(7,277)	21,831
Other comprehensive income	2,232	(558)	1,674	3,077	(769)	2,308
Total	75,153	(18,788)	56,365	32,185	(8,046)	24,139

NOTES TO THE STATEMENT OF FINANCIAL POSITION

16 Cash and balances with other banks

	<u>Dec 31, 2009</u>	<u>Dec 31 2008</u>
	TJS	TJS
Cash in hand	122,381	11,833
Balances with banks other than mandatory reserve deposits	8,807,539	5,514,916
	<u>8,929,920</u>	<u>5,526,749</u>
Included in cash and cash equivalents (Note 17)	8,929,920	5,526,749
	<u>8,929,920</u>	<u>5,526,749</u>
Total cash and balances with other banks	8,929,920	5,526,749

Balances with other banks are non-interest bearing.

17 Cash and cash equivalents

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Cash and balances with banks (Note 16)	8,929,920	5,526,749
Loans and advances to banks (deposits) (Note 18)	17,922,700	1,656,912
	<u>26,852,620</u>	<u>7,183,661</u>
Total cash and cash equivalents	26,852,620	7,183,661

Balances with other banks are non-interest bearing. Interest rates for foreign currency deposits vary from 4% to 18% (2008: 4-7%), interest rate for local currency deposit is 22% annual.

18 Loans and advances to banks (Deposits)

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Eskhata Bank	-	1,656,912
Tojiksodirotbank	9,616,200	-
Agroinvestbank	8,306,500	-
	<u>17,922,700</u>	<u>1,656,912</u>
Included in cash and cash equivalents	17,922,700	1,656,912
	<u>6,995,200</u>	<u>1,656,912</u>
Up to 3 months	6,995,200	1,656,912
3-6 months	10,927,500	-
	<u>17,922,700</u>	<u>1,656,912</u>
Total loans and advances to banks	17,922,700	1,656,912

Interest rates for foreign currency deposits vary from 14% to 18% (2008: 4%), interest rate for local currency deposit is 22% annual.

19 Loans and advances to customers

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Gross loans and advance to customers	126,643,220	105,393,087
Less: allowance for impairment	(4,879,822)	(339,597)
Total net loans to customers	121,763,398	105,053,490

19.1 Analysis by sector

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Individual trade	68,801,137	54,884,870
Agriculture other and livestock	29,763,984	23,749,760
Individual production	5,993,976	4,397,265
Services	10,798,528	8,661,717
Consumer	7,980,744	11,531,485
Loans to staff	3,304,851	2,167,990
Provision for impairment	(4,879,822)	(339,597)
Total loans to customers	121,763,398	105,053,490

19.2 Analysis by type of collateral

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Real estate	60,880,089	40,894,435
Solidarity group	29,733,427	31,422,937
Guarantee	9,912,819	8,132,420
Household property	24,726,609	23,446,757
Mixed (moveables and guarantees)	977,422	1,040,150
Without collateral (Loans to staff)	412,854	456,388
Provision for impairment	(4,879,822)	(339,597)
Total loans to customers	121,763,398	105,053,490

19.3 *Geographical analysis*

As of December 31, 2009 the geographic spread of "IMON International" loan portfolio within Tajikistan is as follows:

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Khujand	29,006,845	23,318,689
Istaravshan	24,010,767	19,314,219
Isfara	13,844,861	13,362,652
Penjikent	7,834,414	6,912,124
Dushanbe	26,215,858	17,631,952
Tursunzoda	7,745,916	5,534,641
Shartuz	9,472,227	9,214,281
Kurgan-Tube	8,512,331	10,104,529
Provision for impairment	(4,879,822)	(339,597)
Total loans to customers	121,763,398	105,053,490

19.4 *Arrears*

The amounts of loans in arrears are analysed as follows:

	Outstanding principal	
	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Up to 30 days	1,622,292	415,895
30 – 60 days	1,113,655	83,770
60 – 90 days	665,038	92,549
>90 days	3,991,591	208,932
Total arrears	7,392,576	843,836

19.5 *Provisions*

The movements in provisions for losses are as follows:

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Balance at 1 January	339,597	-
Increase in impairment allowances	4,926,913	397,985
Bad debts written off	(390,145)	(58,388)
Collected previously written off loans	3,457	-
Balance at 31 December	4,879,822	339,597

19.6 *Rescheduled loans*

According to the lending procedures of IMON International any changes made in original schedule of the loan is considered as loan rescheduling. The loan is restructured, by changing its schedule with or without maturity lengthening. The following events might be one of the reasons to reschedule the loan:

Fire, death, legitimated property confiscation, theft, damage to borrower's property by natural disaster, poor harvest or cattle plague.

All cases of loan rescheduling are considered by the Credit Committee at branch or head office levels depending on decision making levels and limits.

According to provisioning policy of IMON International the loan loss provision for rescheduled loans is formed in amount of 100% of the outstanding portfolio of rescheduled loans.

The outstanding amount of the rescheduled loans as of December 31, 2009 comprises:

- 27 loans for the total amount of TJS 121,697 (as of Dec 31, 2008: 6 loans for the total amount of TJS 42,690).

20 Property and equipment

	Buildings	Buildings under construction	Computers	Furniture & Office equipment	Vehicles	Other	Total
	TJS	TJS	TJS	TJS	TJS	TJS	TJS
As at December 31, 2008							
Historical cost	-	-	823,033	394,042	250,556	117,067	1,584,698
Accumulated depreciation	-	-	(300,548)	(104,074)	(82,382)	(18,009)	(505,013)
Net book value	-	-	522,485	289,968	168,174	99,058	1,079,685
Movements 2009							
Opening net book value	-	-	522,485	289,968	168,174	99,058	1,079,685
Additions - fixed assets	6,847,358	2,770,152	295,441	268,539	-	562	10,182,052
Additions - depreciation	-	-	-	(6,226)	-	-	(6,226)
Disposals	-	(1,358,315)	(40,058)	(2,956)	-	(105)	(1,401,434)
Depreciation charge	(160,097)	-	(192,584)	(77,953)	(35,938)	(4,831)	(471,403)
Disposal of depreciation	-	-	29,981	1,873	-	37	31,891
As at December 31, 2009	6,687,261	1,411,837	615,265	473,245	132,236	94,721	9,414,565
Historical cost	6,847,358	1,411,837	1,078,416	659,625	250,556	117,524	10,365,316
Accumulated depreciation	(160,097)	-	(463,151)	(186,380)	(118,320)	(22,803)	(950,751)
Net book value	6,687,261	1,411,837	615,265	473,245	132,236	94,721	9,414,565

Buildings, computers, furniture and office equipment are insured with "London Dushanbe" insurance company.

21 Intangible assets

	Computer software	Other	Total
	TJS	TJS	TJS
As at December 31, 2008			
Historical cost	89,695	-	95,061
Accumulated depreciation	(18,040)	(1,433)	(19,473)
Net book value	71,655	3,933	75,588
Movements 2009			
Opening net book value	71,655	3,933	75,588
Additions - fixed assets	29,303	-	29,303
Depreciation charge	(9,482)	(1,969)	(11,451)
As at December 31, 2009	91,476	1,964	93,440
Historical cost	118,998	5,366	124,364
Accumulated depreciation	(27,522)	(3,402)	(30,924)
Net book value	91,476	1,964	93,440

22 Accrued interest receivable

	Dec 31, 2009	Dec 31, 2008
	TJS	TJS
Accrued interest on loans and advances to banks	1,688	-
Accrued interest on loans and advances to customers	2,089,534	1,570,723
Total accrued interest receivable	2,091,222	1,570,723

23 Accrued penalties receivable

Accrued penalties receivable represents penalties accrued on over-due payments at daily rate of 1% on the loan amount in arrears. The company stops accruing of penalties after the repayment amount is over-due more than 28 days.

24 Other assets

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Due from MLF IMON	1,544,786	-
Prepayments	55,819	-
Other assets	71,013	17,215
Total other assets	<u>1,671,618</u>	<u>17,216</u>
Current	126,832	17,216
Non-current	1,544,786	-

The amount due from IMLF IMON represents amount of taxes paid by IMON International behalf of IMLF IMON representing tax which should have been withheld from Founders proceeds at the time of transformation. This payment was approved by the Board of Directors of IMON International and IMLF IMON on November 19, 2009. This obligation is long-term and non-interest bearing.

25 Accrued interest payable

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Accrued interest payable	2,033,478	1,357,886
Total accrued interest payable	<u>2,033,478</u>	<u>1,357,886</u>

26 Other short-term liabilities

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Audit fee payable	97,878	81,935
Excess payments received	6,765	4,314
Income tax payable	2,677,079	1,836,720
Road tax payable	54,685	65,357
Nonresidents' withholding tax	189,178	124,941
VAT payable	1,584	-
Social security contribution payable	-	155
Other accounts payable	264	135
	<u>3,027,433</u>	<u>2,113,557</u>

27 Due to banks and non-banking financial institutions

Short-term and demand borrowings

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Mercy Corps	131,086	103,524
Oikocredit	1,748,400	1,838,447
Triodos	1,719,551	3,445,500
Blue Orchard	4,371,000	1,725,950
EBRD	3,337,853	1,255,235
IFC	1,365,938	-
Incofin / Impulse	4,371,000	6,903,800
KIVA	3,838,113	1,784,259
MicroCredit Enterprises	-	1,294,463
Symbiotics	4,371,000	-
Triple Jump	7,649,250	-
	<u>32,903,191</u>	<u>18,351,178</u>

Long-term borrowings

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Oikocredit	1,748,400	2,761,520
Triodos	6,668,249	-
Blue Orchard	10,927,500	1,725,950
EBRD	9,179,100	4,707,139
IFC	9,561,563	8,629,750
KIVA	21,339	5,766
MicroCredit Enterprises	3,278,250	1,294,463
Symbiotics	26,226,000	24,163,300
	<u>67,610,401</u>	<u>43,287,887</u>

Total due to banks and non-banking financial institutions by currency

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Local currency	5,240,636	2,867,617
Foreign currency	95,272,955	78,325,253
	<u>100,513,592</u>	<u>81,192,870</u>

Total due to banks and non-banking financial institutions by interest rate

	<u>Dec 31, 2009</u>	<u>%</u>	<u>Dec 31, 2008</u>	<u>%</u>
	TJS		TJS	
Local currency	5,240,636	0-21,5	2,867,617	0-18,5
Foreign currency	95,272,955	0-11,36	78,325,253	0-12
	<u>100,513,592</u>		<u>81,192,870</u>	

All loans from banks and non-banking financial institutions are unsecured

28 Subordinated debt

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
Deutsche Bank	10,554,435	8,335,130
Triple Jump	6,556,500	11,218,675
	<u>17,110,935</u>	<u>19,553,805</u>

Subordinated loans are unsecured. Annual interest rates of Deutsche Bank and Triple Jump subordinated debt are 11.35% and 13.64% respectively.

29 Charter capital

	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
	TJS	TJS
National Association of Business Women of Tajikistan	10,332,387	17,980
Mercy Corps	10,332,387	17,980
Mennonite Economic Development Associates	2,298,640	2,073,973
International Microloan Fund "IMON"	22,987	20,876,468
Total Charter capital	<u>22,986,401</u>	<u>22,986,401</u>

30 Retained earnings

	<u>2009</u>	<u>2008</u>
	TJS	TJS
Balance as at January 1	5,577,677	-
Transfer to general reserves	(5,577,677)	-
Result	9,975,762	5,577,677
Balance as at December 31	9,975,762	5,577,677

31 General reserve

	<u>2009</u>	<u>2008</u>
	TJS	TJS
Balance as at January 1	1,756,743	1,756,743
Transfer from retained earnings	5,577,677	-
Dividend	(520,989)	-
Balance as at December 31	6,813,431	1,756,743

32 Dividends

Final dividends are not accounted for until they have been ratified at the General Shareholders Meeting. In 2009 dividends for the total amount of TJS 520,989 was declared and distributed among participants.

33 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of "IMON International" transactions are entered into with related parties in the normal course of business. These include loans issued to employees. These transactions were carried out on commercial terms and conditions and at market rates. The outstanding balances at 31 December 2009 is TJS 3,304,851 (2008: TJS 2,167,990).

Interest income on loans to employees for year 2009 is TJS 386,324 (2008: TJS 166,617).

During the reporting period, four employees (2008: six employees) of "IMON International" were at the same time employed by MLF "IMON" on the basis of labor agreement, with no remuneration (on unpaid basis).

In 2009 IMON International paid TJS 1,544,786 on behalf of IMLF IMON for tax which should have been withheld from Founders proceeds at the time of transformation. This payment was approved by the Board of Directors of IMON International and IMLF IMON on November 19, 2009.

34 Directors' remuneration

A listing of the members of the Board of Directors and members of the Senior Management are shown on page 8 of the financial statements. During 2009 the remuneration to the members of the Board of Directors is nil. The total payments consisting of salaries, bonuses and other fares of the management amounted to TJS 565,349 (July-Dec 2008: TJS 294,567).

35 Commitments, contingent liabilities and off-balance sheet financial instruments

Undrawn loan commitments

"IMON International" has no undrawn loan commitments.

36 Events after the date of the statement of financial position

No events have occurred since the balance sheet date, which significantly affect the state of affairs of "IMON International" at the balance sheet date or which require additional disclosure.