



**MICROLOAN FUND
"MICROINVEST"**

**Financial Statements
and Auditor's Report**

For the year ended 31 December 2008

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INDEPENDENT AUDITOR'S REPORT

To the management of the MLF "Microinvest"

- 1 We have audited the accompanying financial statements of Microloan Fund "Microinvest" (the "MLF") which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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

- 3 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.
- 4 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.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the MLF as of 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

- 7 Without qualifying our opinion we draw your attention to Note 2 to the accompanying financial statements. In the recent years the Republic of Tajikistan faces significant financial and economic difficulties. At present it is impossible to determine the future effect of the present economic uncertainty on the borrowers, clients and suppliers of the MLF. Since the effect of the said factors on the operations of the MLF cannot be predicted, the accompanying financial statements do not include provisions of any adjustments which would be needed due to such uncertainty. Possible adjusting entries can be made to the statements when the need to reflect them would be evident and they become known and estimable.

Firuz Bulbulov, Managing Partner

The License for audit of bank activities has been granted by National Bank of Tajikistan on 16/05/2007.

Dushanbe, Tajikistan, 28 April 2009

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MLF "MICROINVEST"
Statement of Financial Position

<i>(in Somoni)</i>	Notes	31 December 2008	31 December 2007
ASSETS			
Cash and cash equivalents	5	2 428 809	644 030
Microcredits to customers	6	28 014 647	18 364 967
Fixed assets	7	1 334 539	1 135 674
Intangible assets	8	36 655	37 332
Other assets	9	651 992	89 321
TOTAL ASSETS		32 466 642	20 271 324
LIABILITIES			
Loans	11	24 822 279	15 411 812
Other liabilities	10	950 321	648 057
TOTAL LIABILITIES		25 772 600	16 059 869
EQUITY			
Founders donations		1 925 034	1 925 034
Reserve for unforeseen circumstances	12	603 943	313 966
Retained earnings		4 165 065	1 972 455
TOTAL EQUITY		6 694 042	4 211 455
TOTAL LIABILITIES AND EQUITY		32 466 642	20 271 324

General Director
Fatulloyeva S.

Chief Accountant
Shafiyev A.

MLF "MICROINVEST"
Income Statement

<i>(in Somoni)</i>	Notes	2008	2007
Interest income	13	11 237 014	5 064 808
Interest expense	13	(3 229 248)	(1 265 034)
<hr/>			
Net interest income		8 007 766	3 799 774
Provision for loan impairment		(858 899)	(139 769)
<hr/>			
Net interest income after provision for loan impairment		7 148 867	3 660 005
Gains less losses from trading in foreign currencies		208 662	(95 147)
Administrative and other operating expenses	14	(3 999 450)	(1 938 766)
Other nonoperating income	15	136 834	130 312
<hr/>			
Profit before tax		3 494 912	1 756 405
Income tax expense	16	(1 012 325)	(453 575)
<hr/>			
Profit for the year		2 482 587	1 302 830
<hr/>			

General Director
Fatulloeva S.

Chief Accountant
Shafiyev A.

MLF "MICROINVEST"
Statement of Changes in Equity

<i>(In Somoni)</i>	Notes	Founders donations	Reserve for unforeseen circumstances	Retained earnings	Total equity
Balance at 31 December 2007		1 925 034	313 966	1 972 455	4 211 455
Profit for the year				2 482 587	2 482 587
Reserve for unforeseen circumstances			289 977	(289 977)	-
Balance at 31 December 2008		1 925 034	603 943	4 165 065	6 694 042

General Director
 Fatullojeva S.

Chief Accountant
 Shafiyev A.

MLF "MICROINVEST"
Statement of Cash Flows

<i>(In Somoni)</i>	Notes	2008	2007
Cash flows from operating activities			
Interest received		10 915 770	4 869 351
Income received from trading foreign currencies			
Other operating income received			
Administrative and other operating expenses paid		(4 272 809)	(2 007 023)
Income tax paid		(759 839)	(332 669)
Cash flows from operating activities before changes in microcredit's portfolio		5 883 123	2 529 659
Changes in microcredit's portfolio			
Net increase in microcredit's portfolio		(10 168 722)	(11 178 619)
Net cash (used in)/provided from operating activities		(4 285 599)	(8 648 960)
Cash flows from investing activities			
Acquisition of fixed assets		(374 343)	(305 346)
Proceeds from disposal of fixed assets			
Acquisition of intangible assets		(3 396)	(4 146)
Proceeds from disposal of intangible assets			
Purchase of financial assets (investment to equity of MDO)		(350 000)	
Net cash used in investing activities		(727 738)	(309 492)
Cash flows from financing activities			
Loans received		25 012 249	14 656 686
Repayment of loans		(14 458 854)	(4 046 009)
Interests paid		(3 754 766)	(1 092 756)
Net cash from financing activities		6 798 629	9 517 922
Effect of exchange rate changes on cash and cash equivalents		(512)	3 618
Net (decrease)/increase in cash and cash equivalents		1 784 778	563 088
Cash and cash equivalents at the beginning of the year		644 030	80 942
Cash and cash equivalents at the end of the year		2 428 809	644 030

General Director
 Fatulloeva S.

Chief Accountant
 Shafiyev A.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008 for Microloan Fund "Microinvest" (further – «MLF»).

MLF has been established on 15 March 2006. MLF was incorporated and is domiciled in the Republic of Tajikistan. The MLF is a non-commercial organization.

Unique founder of the MLF is an international noncommercial organization "ACDI/VOCA" which is established according to laws of the United States of America.

Primary activity. MLF according to terms stated in the license provided by the National Bank of Tajikistan (given on 13 June 2005) can provide the microcredits.

As of 31 December 2008 MLF had 171 workers.

Registered address and place of business. MLF's registered address is 27/6 Sharq street, Khujand, Republic of Tajikistan.

Presentation currency. These financial statements are presented in Somoni (further "Somoni").

2 Operating Environment of the MLF

The Tajikistan displays certain characteristics of an emerging market, including the existence of a currency that is in practice not convertible in most countries outside of the country, relatively high inflation and strong economic growth. The banking sector in the Tajikistan is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity.

The tax, currency and customs legislation within the Tajikistan is subject to varying interpretations, and changes, which can occur frequently. The future economic direction of the country is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Occurrence of instability in the global financial markets. In 2008 year the volume of collectibles from pledges has increased in the high-risked mortgage market in the USA. Influence of the processes mentioned has spread out of the mortgage market of the USA as the international investors were forced to reestimate the risks that have led to growth of instability and reduction in liquidity in the fixed-income and, shared and derivative financial instruments markets. Shrinkage of loan markets can affect opportunities of Banks to refinance loans and, deposits of clients and other obligations, and also to value of a credit portfolio of Banks. According to IFRS, the reduction in fair value of financial assets lower than its amortized costs, caused by increase in the base interest rate, usually is not an attribute of depreciation. At the moment it is not obviously possible to estimate influence on a financial position of MLF of possible further reduction in liquidity and growth of instability in the financial market.

The present financial statement does not include any corrections which would be necessary owing to the settlement of such uncertainties in the future. Possible corrections can be included into the reporting, when a necessity of their reflection becomes obvious and estimation of their numeric values becomes possible.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below.

Adjustments. Certain adjustments have been made to the financial statements as at 31 December 2007 and for the year then ended to provide fair view of the financial position of the Company and better disclosure.

Financial Statement line	As per previews report (a)	As per current report (b)	Change (c) = (b) - (a)
Assets			
Provision for loan impairment	(338 991)	(173 676)	165 315
Fixed Assets	1 148 873	1 173 006	24 133
Deferred expenses	129 972	88 196	(41 776)
Total for assets			147 672
Liabilities			
Other accrued expenses	51 225	63 923	12 698
Advances received	219 974	238 655	18 681
Other liabilities	19 975	23 630	3 655
Total for liabilities			35 033
Equity			
Retained earnings	1 859 817	1 972 455	112 639
Total for equity			112 639
Total for equity and liabilities			147 672

Key measurement terms.

Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other

institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Funds restricted for a period of more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Microloans. Microloans (microcredits) to customers are recorded when the MLF advances money by way of giving microloans to originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Microloans to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment losses are recognised through an allowance account (provision for loan losses) to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The provision for loan losses is created according to following rates:

- *Standard loans – 0,5% of the principal amount;*
- *1 to 7 days overdue - 0,5% of the principal amount;*
- *8 to 15 days overdue – 10% of the loans remaining balance;*
- *16 to 30 days overdue – 25% of the loans remaining balance;*
- *31 to 45 days overdue – 50% of the loans remaining balance;*
- *46 to 60 days overdue – 75% of the loans remaining balance;*
- *61 to 75 days overdue – 100% of the loans remaining balance;*
- *Revised loans – 50% of the loans remaining balance.*

Loans overdue by 180 days are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Derecognising of financial assets. MLF derecognises financial assets when:

- i. the assets are redeemed or the rights to cash flows from the assets otherwise expired or
- ii. MLF has transferred substantially all the risks and rewards of ownership of the assets or
- iii. MLF has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Fixed assets. Fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, fixed assets are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation of Fixed assets is calculated using the declining-balance method i.e. by multiplying residual value of an asset to the following annual rates:

- *Office and computer equipment – 20% per annum;*
- *Office furniture – 15% per annum;*
- *Buildings – 7% per annum;*
- *Others – 10% per annum.*

The residual value of an asset is the estimated amount that MLF would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if MLF expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Operating leases. Where MLF is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lesser to MLF, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Received loans. Received credits and loans are non-derivative liabilities and are carried at amortised cost.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Tajik legislation enacted or substantively enacted by the balance sheet

date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when MLF 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.

Reserves for unforeseen circumstances. Reserve for unforeseen circumstances is created in order to minimize currency and other risks and is formed at the rate of 5% of the net foreign exchange position.

Income and expense recognition. Interest income and expense are recorded in the income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by MLF to originate loans at market interest rates are integral to the effective interest rate if it is probable that MLF will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. MLF does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Foreign currency translation. Functional currency of MLF is the currency of the primary economic environment in which the MLF operates. MLF's functional currency and presentation currency is the national currency of the Republic of Tajikistan -Tajik Somoni

Monetary assets and liabilities are translated into Somoni at the official exchange rate of the National Bank of Tajikistan (NBT) at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the NBT are recognised in Income Statement. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The principal rate of exchange used for translating foreign currency balances was 1 USD = 3,4519 Somoni on 31 December 2008 and 1 USD = 3,4649 on 31 December 2007.

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

Staff costs and related contributions. Wages, salaries, salary-related taxes, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of MLF.

Grant income. The accounting of grants/donations is made in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance".

Grants received for acquisition of assets (fixed assets or intangible assets) are initially recognized in liabilities as deferred income and then recognized as income on a systematic and rational basis over the useful life of the assets.

Grants awarded as compensation for expenses are recognised as income of the period in which the expenses occurred and are presented separately in the financial statements under the heading of "Other income".

Grants received for replenishment of the loan portfolio are recognized in the period in which the MLF qualifies to receive it.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

MLF 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 management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant

adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. MLF regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, MLF 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 a group, or national or local economic conditions that correlate with defaults on assets in the group. 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.

Tax legislation. Tax, currency and customs legislation of the Republic of Tajikistan is subject to varying interpretations.

Initial recognition of related party transactions. In the normal course of business MLF enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 Cash and Cash Equivalents

<i>(in Somoni)</i>	2008	2007
Cash on hand	130 514	394 103
Bank account balance	2 298 294	249 928
Total cash and cash equivalents	2 428 809	644 030

6 Microcredits to customers

<i>(in Somoni)</i>	2008	2007
Current microcredits	27 720 573	18 142 518
Overdue microcredits	503 965	80 658
Interest receivable from microcredits	658 841	319 320
Less: Reserve for loan impairment	(868 732)	(177 530)
Total microcredits to customers	28 014 647	18 364 967

MLF "MICROINVEST"
Notes to Financial Statements - 31 December 2008

Below is the structure of loan portfolio (does not include interest receivable) by types of microcredits:

	2008		2007	
	Amount	%	Amount	%
Commercial	6 673 506	23,65	5 582 747	30,64
Stock-raising	8 193 699	29,03	5 735 886	31,48
Fruit processing	858 695	3,04	810 112	4,45
Individual-simple	8 692 947	30,80	3 993 835	21,91
Individual-consumer	2 729 830	9,67	1 529 591	8,39
Agricultural produce	392 757	1,39	394 470	2,16
Microloans to employees	513 104	1,82	169 531	0,93
Financial collaboration	170 000	0,60	7 004	0,04
Total Microcredits to clients (before impairment)	28 224 538	100%	18 223 177	100%

All of these loans have monthly principal and interest repayments.

Movements in the provision for loan impairment are as follows:

<i>(in Somoni)</i>	2008	2007
Reserve for loan impairment on 1 January	177 530	41 336
(Recovery)/Provision for loan impairment during the year	858 899	139 769
Net write off of loans and advances to customers during the year	(167 697)	(3 575)
Reserve for loan impairment on 31 December	868 732	177 530

MLF "MICROINVEST"
Notes to Financial Statements - 31 December 2008

7 Fixed assets

<i>(in Somoni)</i>	Buildings	Office and computer equipment	Other	Total
As at December 31, 2007	-	233 350	49 670	283 020
Movements for 2007				
Additions	812 944	140 723	33 438	987 105
Disposals	-	(5 190)	-	(5 190)
Charge for the period	(56 906)	(59 890)	(12 466)	(129 262)
As at December 31, 2007	756 038	308 993	70 642	1 135 674
Movements for 2008				
Additions	-	315 233	59 590	374 823
Disposals	-	(6 259)	-	(6 259)
Charge for the period	(52 923)	(97 241)	(19 535)	(169 699)
As at December 31, 2008	703 115	520 726	110 697	1 334 539

8 Intangible Assets

(in Somoni)

As at December 31, 2007	37 334
Movements for 2007	
Additions	4 146
Disposals	-
Charge for the period	(4 148)
As at December 31, 2007	37 332
Movements for 2008	
Additions	3 396
Disposals	-
Charge for the period	(4 073)
As at December 31, 2008	36 655

MLF "MICROINVEST"
Notes to Financial Statements - 31 December 2008

9 Other Assets

<i>(in Somoni)</i>	2008	2007
Debtors	-	-
Prepayments	41 497	1 125
Other	610 495	88 196
Total other assets	651 992	89 321

10 Other Liabilities

<i>(in Somoni)</i>	2008	2007
Income tax payable	685 306	321 850
Deferred income	169 563	238 655
Other	95 452	87 552
Total other liabilities	950 321	648 057

11 Loans payable

At 31 December 2008 the MLF has twenty two loans in the total amount of 24 822 279 Somoni including the interests payable, six of which are denominated in a Somoni and sixteen in foreign currency.

Loans payable as of 31 December 2008 consist of the following:

The name of Lender	Loan currency	Amount in loan currency	Amount in Somoni
1. EBRD	USD	155 556	536 962
2. OXFAM NOVIB	TJS	1 287 766	1 287 766
3. Dexia Micro Credit Fund	USD	150 000	517 785
4. KIVA MICROFUNDS	USD	287 411	992 114
5. Triple Jump	TJS	1 465 284	1 465 284
6. Dexia Micro Credit Fund	USD	400 000	1 380 760
7. Responsibility SICAV	USD	200 000	690 380
8. Micro Lending Company "Frontiers"	Kyrgyz Som	4 500 000	394 065
9. Oikocredit	USD	300 000	1 035 570
10. Oikocredit	TJS	1 039 590	1 039 590
11. Dexia Micro Credit Fund	USD	300 000	1 035 570
12. Finethic Microfinance S.C.A.	USD	270 000	932 013
13. Oikocredit	USD	300 000	1 035 570

MLF "MICROINVEST"**Notes to Financial Statements - 31 December 2008**

14.	Oikocredit	TJS	1 029 210	1 029 210
15.	Dual Return Fund S.I.C.A.V.	USD	300 000	1 035 570
16.	Micro Lending Company "Frontiers"	Kyrgyz Som	17 000 000	1 488 690
17.	RURAL IMPULSE FUND (Incofin)	USD	750 000	2 588 925
18.	Dual Return Fund S.I.C.A.V.	USD	400 000	1 380 760
19.	Triple Jump	USD	500 000	1 725 950
20.	Triple Jump	TJS	1 020 000	1 020 000
21.	OJSK "Agroinvestbank"	TJS	680 000	680 000
22.	OJSK "Bank Eskhata"	USD	300 000	1 035 570
Total			24 328 104	

Interest on loans payable as of 31 December 2008 consist of the following:

The name of Lender	Interest payable currency	Amount in loan currency	Amount in Somoni
1. Dexia Micro Credit Fund	USD	108	373
2. Triple Jump	TJS	67 403	67 403
3. Dexia Micro Credit Fund	USD	2 253	7 777
4. Responsibility SICAV	USD	8 471	29 241
5. Oikocredit	USD	17 729	61 199
6. Oikocredit	TJS	111 671	111 671
7. Dexia Micro Credit Fund	USD	9 942	34 319
8. Finethic Microfinance S.C.A.	USD	7 165	24 733
9. Oikocredit	USD	6 357	21 944
10. Dual Return Fund S.I.C.A.V.	USD	4 677	16 145
11. RURAL IMPULSE FUND (Incofin)	USD	3 977	13 728
12. Dual Return Fund S.I.C.A.V.	USD	5 294	18 274
13. Triple Jump	USD	13 110	45 256
14. Triple Jump	TJS	42 112	42 112
Total interest payable			494 174

12 Reserve for unforeseen circumstances

<i>(in Somoni)</i>	2008	2007
Reserve as at 1 January	313 966	-
Replenishment of the reserve	289 977	313 966
Writing off of the reserve	-	-
Reserve as at 31 December	603 943	313 966

13 Interest Income and Expense

<i>(in Somoni)</i>	2008	2007
Interest income		
Interest from microcredits	10 373 565	4 662 189
Commissions for handling microcredits	587 006	345 775
Penalties from overdue microcredits	273 211	56 844
Interest from short term investments	3 231	-
Total interest income	11 237 014	5 064 808
Interest expense		
Interest from loans received	3 100 568	1 223 408
Commissions expense	128 680	41 626
Total interest expense	3 229 248	1 265 034
Net interest income	8 007 766	3 799 774

14 Administrative and Other Operating Expenses

<i>(in Somoni)</i>	2008	2007
Staff costs	2 572 934	1 150 703
Administrative expenses	201 770	91 526
Depreciation of fixed and intangible assets	173 771	133 410
Rent expenses	229 588	118 276
Taxes other than on income	175 297	53 369
Travel and transportation expenses	174 657	60 165
Communication expenses	66 406	41 462
Professional services	117 621	163 911
Security services	12 643	6 370
Entertainment expenses	94 859	52 556
Other expenses	179 905	67 018
Total administrative and other operating expenses	3 999 450	1 938 766

The staff expenses included a social tax in the amount of 515981 Somoni for 2008 and 226748 Somoni for 2007.

15 Other nonoperating income

<i>(in Somoni)</i>	2008	2007
Recovery of written-off assets	21 845	4 595
Grant income	114 989	125 717
Total other nonoperating income	136 834	130 312

16 Income tax

The Company provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Tajikistan which may differ from International Financial Reporting Standards. For the years ended December 31, 2008 and 2007 in the Republic of Tajikistan the rate of income tax for legal entities was 25%. The Company is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain incomes. For this reason the effective income tax rate can vary from nominal tax rate.

Income tax expenses comprised of the following:

<i>(in Somoni)</i>	2008	2007
Current income tax	1 164 931	514 259
Deferred income tax assets	(147 516)	(74 164)
Deferred income tax liabilities	(5 090)	13 481
Income tax expense for the year	1 012 325	453 575

Reconciliation of effective tax rate:

<i>(in Somoni)</i>	2008		2007	
Profit/(loss) before income tax		3 494 912		1 756 405
Income tax using the domestic corporate tax rate	25,00%	873 728	25,00%	439 101
Non-deductible expenses	3,97%	138 597	0,82%	14 474
Total income tax expense in income statement	28,97%	1 012 325	25,82%	453 575

17 Financial Risk Management

The risk management function within MLF is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. MLF takes on exposure to credit risk which is the risk that a counterparty will be unable to pay all amounts in full when due. MLF structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or

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groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and borrower are approved regularly by the Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal 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.

MLF's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Market risk. MLF 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. The Management sets limits on the value of risk that may be accepted, which is monitored. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. MLF does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Management of MLF.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to successful management of MLF.

The analyzes of expected cash flows related to maturity of financial assets and liabilities existed on 31 December 2008 is presented below:

<i>(in Somoni)</i>	Less than 30 days	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 year	Total
<i>Repayment of loans granted</i>					
Principal amount	4 521 170	7 307 696	15 256 691	270 249	27 355 806
Interest	658 841	-	-	-	658 841
Total expected cash flows from maturity of loans granted	5 180 011	7 307 696	15 256 691	270 249	28 014 647
<i>Repayment of loans received</i>					
Principal amount	1 189 342	4 241 900	10 169 581	8 727 281	24 328 104
Interest	197 603	199 075	97 497	-	494 174
Total expected cash flows from maturity of loans received	1 386 945	4 440 975	10 267 078	8 727 281	24 822 279

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Net expected cash flows from maturity of financial assets and liabilities	3 793 067	2 866 721	4 989 613	-8 457 033	3 192 368
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Geographical risk. The geographical concentration of MLF's assets and liabilities at 31 December 2008 is set out below:

<i>(in Somoni)</i>	Tajikistan	UK	Luxem- burg	USA	the Ne- therlands	Kyrgyz- stan	Total
Assets							
Cash and cash equivalents	2 423 047	-	-	-	-	5 762	2 428 809
Microcredits to customers	28 014 647	-	-	-	-	-	28 014 647
Fixed assets	1 334 539	-	-	-	-	-	1 334 539
Intangible assets	36 655	-	-	-	-	-	36 655
Other assets	651 992	-	-	-	-	-	651 992
Total Assets	32 460 880					5 762	32 466 642
Liabilities							
Loans	1 715 570	536 962	9 706 353	992 114	9 988 525	1 882 755	24 822 279
Other liabilities	950 321	-	-	-	-	-	950 321
Total Liabilities	2 665 891	536 962	9 706 353	992 114	9 988 525	1 882 755	25 772 600
Net balance sheet position	29 794 989	(536 962)	(9 706 353)	(992 114)	(9 988 525)	(1 876 993)	6 694 042

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand and fixed assets have been allocated based on the country in which they are physically held.

Currency risk. MLF takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currencies which are monitored regularly. The table below summarises MLF's exposure to foreign currency exchange rate risk at 31 December 2008:

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	Somoni	USD	Kyrgyz Som	Total
Assets				
Cash and cash equivalents	688 996	1 739 813	-	2 428 809
Microcredits to customers	21 534 020	6 480 627	-	28 014 647
Fixed assets	1 334 539	-	-	1 334 539
Intangible assets	36 655	-	-	36 655
Other assets	651 992	-	-	651 992
Total assets	24 246 202	8 220 440	-	32 466 642
Liabilities				
Loans received	6 743 036	16 196 488	1 882 755	24 822 279
Other liabilities	950 321	-	-	950 321
Total liabilities	7 693 357	16 196 488	1 882 755	25 772 600
Net balance sheet position	16 552 845	(7 976 048)	(1 882 755)	6 694 042

Interest rate risk. MLF 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.

In practice MLF's interest rate risk is very low as a result of contractually fixed interest rates for assets and liabilities. The Management monitors and sets limits on the regular basis the level of mismatch of interest rate repricing that may be undertaken.

18 Contingencies and Commitments

Legal proceedings. No facts concerning any current claims (court proceedings), raised against of MLF or indirectly concerning MLF, or any facts of any claims (court proceedings) subject to raising against of MLF or indirectly concerning MLF in future, are available on the date of the report issue.

Tax legislation. Tajik tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of MLF may be challenged by the relevant authorities.

The Tajik tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes

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for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

19 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2008 and 31 December 2007 the outstanding balances and income and expense items for the year with related parties were as follows:

<i>(in Somoni)</i>	2008	2007
Investment to the equity of the MDO "Microinvest and the Partners"	350 000	-
Total	350 000	-
