



ACDI/VOCA
Microfinance program as implemented by
ACDI/VOCA and Micro-entrepreneur's
Development Support Center of
Tajikistan

Financial report for the period

March 1, 2002 - December 31, 2004

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To the board of directors of the
Micro-entrepreneur's Development Support Center of Tajikistan

Report of the independent auditors

Introduction

We have audited the accompanying balance sheet of the microfinance program as implemented by ACDI/VOCA and Micro-entrepreneur's Development Support Center of Tajikistan (hereafter referred to as 'the Program') as of December 31 2002, 2003 and 2004, the related income and cash flow statements for the years then ended (hereafter referred to as 'the financial report'). This financial report set out on pages 7 to 25 is the responsibility of the Entity's management. Our responsibility is to express an opinion on this financial report based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial report gives a true and fair view of the financial positions of the Program as of December 31 2002, 2003 and 2004 and of the results of its operations and its cash flows for the period March 1, 2002 – December 31, 2004 in accordance with the generally accepted accounting principles.



September 29, 2005

General information

Operations

The Micro-entrepreneur's Development Support Centre of Tajikistan (MDSCT) is a non-governmental, non-profit organization founded by ACDI/VOCA, private, nonprofit organization that promotes broad-based economic growth and the development of civil society in emerging democracies and developing countries.

The name ACDI/VOCA dates back to the 1997 merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance.

In October 2001 ACDI/VOCA received funding from USAID under cooperative agreement to implement and manage the Ferghana Valley Regional Microfinance Project which is part of the Stability and Food Security Program. The FVRM has established two non-governmental institutions in Uzbekistan and Tajikistan. Both institutions were established to support entrepreneurs in the Ferghana Valley to startup or expand micro enterprises in the region.

From March 2002 until January 2003 the microfinance program in Soghd region was implemented by ACDI/VOCA before MDSCT was established. From January 2003 MDSCT became the implementing agency of the program.

MDSCT's mission in general is to increase the living conditions of the population, create new opportunities for social and economic development by providing high quality financial and technical services to the entrepreneurs of urban and rural areas of Tajikistan. The main activity, but not sole, of MDSCT is micro-lending to micro and small entrepreneurs in local currency.

On August 16, 2004 ACDI/VOCA transferred USD 100,000 to MDSCT in local currency. These loan funds are the property of MDSCT but ACDI/VOCA retained the responsibility for the management of those funds.

At the beginning of 2005 a law on micro-finance institution was ratified by the Parliament of the Republic of Tajikistan and came into force. On June 9, 2005 ACDI/VOCA has founded a new micro-lending fund "MicroInvest" which continued implementation of the Program.

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

As at December 31, 2004 the Program provided the following loan products:

	Type of borrower	Sector	Interest rate (declining balance in Somoni)	Up-front fee	Amount (Somoni)	Term (months)	Savings/ Collateral
Khudjand:	Group	Trade	4%	0,5%	300-3,000	1-6	None
		Agriculture	3%	1%	500-3,000	2-6	None
	Individual	Trade	2,5%	1%	3050-9,000	1-6	Collateral valued 130% of loan amount
Istaravshan:	Group	Trade	3,5%	1,5%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None
	Individual	Trade	3%	1%	3,050-9,000	1-6	Collateral valued 130% of loan amount
Shakhristan:	Group	Agriculture	3%	1%	500-3,000	2-6	None
Spitamen:	Group	Trade	3,5%	1,5%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None
J. Rasulov, Mastcha:	Group	Trade	4%	1,5%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None
Isfara:	Group	Trade	4%	1%	300-3,000	1-6	None

As at December 31, 2003 the Program provided the following loan products:

	Type of borrower	Sector	Interest rate (declining balance in Somoni)	Up-front fee	Amount (Somoni)	Term (months)	Savings/ Collateral
Khudjand:	Group	Trade	4%	0,5%	300-3,000	1-6	None
		Agriculture	3%	1%	500-3,000	2-6	None
Istaravshan:	Group	Trade	4%	1%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None
Shakhristan:	Group	Agriculture	3%	1%	500-3,000	2-6	None
Spitamen:	Group	Trade	4%	1,5%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None
J. Rasulov:	Group	Trade	4%	1,5%	300-3,000	1-6	None
		Agriculture	4%	1,5%	500-3,000	2-6	None

As at December 31, 2002 the Program provided the following loan products:

	Type of borrower	Sector	Interest rate (declining balance in Somoni)	Up-front fee	Amount (Somoni)	Term (months)	Savings/ Collateral
Khudjand:	Group	Trade	4%	0,5%	200-3,000	1-6	None
Spitamen:	Group	Trade	4%	1,5%	200-3,000	1-6	None
J. Rasulov:	Group	Trade	4%	1,5%	200-3,000	1-6	None

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Board of Directors

The Board of Directors of Micro-entrepreneur's Development Support Center of Tajikistan (the microfinance program implementing agency) comprises the following persons:

Azizullo Avezov	Chairman
Emil Salou	Member
Gulshat Akimjanova	Member
Dilorom Atabaeva	Member
Askarali Khaidarov	Member

Executive Committee

The Executive Committee of Micro-entrepreneur's Development Support Center of Tajikistan comprises the following persons:

Shoira Sodikova	Director
Gulnora Yakubova	Deputy Director/Head of Credit Department
Kakhkhor Abdulloev	Chief Accountant
Mokhira Solieva	Head of Administrative Department
Abdusaid Razokkov	IT Manager

Number of authorized offices and registered address

As at December 31, 2004 the activities of the Program were distributed over 5 field offices in Soghd region:

Istaravshan field office	166 Lenin street	Istaravshan (from 2002)
Spitamen field office	1 B.Gafurova street	Spitamen (from 2002)
Dj. Rasulov field office	1 Nurmatova street	Dj. Rasulov (from 2002)
Isfara field office	Jomi street	Isfara (from 2004)
Buston field office	Lenin street	Buston (from 2004)

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Income statement

	Notes	2004	2003	2002
		TJS	TJS	TJS
Interest and similar income	4	625,091	172,170	23,401
Interest expenses and similar charges	4	(7,327)	-	-
Net interest income	4	617,764	172,170	23,401
Other operating income	5	1,676	-	-
Operating income		619,440	172,170	23,401
General and administrative expenses	6	412,822	251,349	89,257
Impairment (gains)/losses on loans	8	12,289	3,988	874
Operating expenses		425,111	255,337	90,131
Net operating result before grant income		194,329	(83,167)	(66,730)
Grant income	9	1,163,279	676,944	205,969
Net profit (before allocation)		1,357,608	593,777	139,239
Allocated to ACDI/VOCA		805,168	593,777	139,239
Allocated to MDSCT		552,440	-	-
Net profit/(loss) (after allocation)		-	-	-

The accompanying notes are an integral part of this financial report.

**Micro-credit Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Balance sheet

	Notes	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
		TJS	TJS	TJS
Assets				
Cash and cash equivalents	11	282,828	22,630	1,284
Loans and advances to customers	12	1,818,660	722,039	150,879
Property and equipment	13	99,702	5,631	-
Other assets	14	28,280	12,288	1,646
Total assets		2,229,470	762,588	153,809
Liabilities				
Short-term loans	15	75,925	-	-
Other liabilities	16	62,921	29,572	14,570
Total liabilities		138,846	29,572	14,570
Surplus of assets and liabilities				
Capital employed by ACDI/VOCA	17	1,538,184	733,016	139,239
Capital employed by MDSCT	18	552,440	-	-
Total surplus of assets and liabilities		2,090,624	733,016	139,239
Total surplus and liabilities		2,229,470	762,588	153,809

The accompanying notes are an integral part of this financial report.

Signed and authorized by:

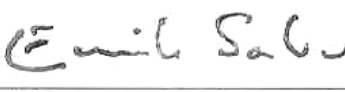
On behalf of

MDSCT



Shoira Sadykova
General Director

ACDI/VOCA



Emile Salou
Country Representative

September 29, 2005

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Statement of changes in surplus of assets and liabilities

	Capital employed by ACDI/VOCA	Capital employed by MDSCT	Total surplus of assets and liabilities
	TJS	TJS	TJS
Balance at December 31, 2002	139,239	-	139,239
Net result for the year	593,777	-	593,777
Balance at December 31, 2003	733,016	-	733,016
Net result for the year	805,168	552,440	1,357,608
Balance at December 31, 2004	1,538,184	552,440	2,090,624

The accompanying notes are an integral part of this financial report.

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Statement of cash flows

	<u>Notes</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
		TJS	TJS	TJS
Net profit (before allocation)		1,357,608	593,777	139,239
Depreciation		51,102	286	-
Cash flows from operating profits before changes in operating assets and liabilities		1,408,710	594,063	139,239
<i>Changes in operating assets and liabilities</i>				
Net (increase)/decrease in loans and advances to customers		(1,096,621)	(571,160)	(150,879)
Net (increase)/decrease in other assets		(15,992)	(10,642)	(1,646)
Net increase/(decrease) in other liabilities		33,349	15,002	14,570
Net cash used in operating activities		329,446	27,263	1,284
Cash flows from investing activities				
Purchase of property and equipment		(145,173)	(5,917)	-
Net cash (used in)/from investing activities		(145,173)	(5,917)	-
Cash flow from financing activities				
Net increase/(decrease) in funds received from other agencies		75,925	-	-
Net cash from financing activities		75,925	-	-
Net decrease in cash and cash equivalents		260,198	21,346	1,284
Cash and cash equivalents at beginning of year	11	22,630	1,284	-
Cash and cash equivalents at end of year	11	282,828	22,630	1,284

The accompanying notes are an integral part of this financial report.

Notes to the financial report

1 General information

These financial statements are the financial statements of Microfinance Program as implemented by ACDI/VOCA and Micro-entrepreneur's Development Support Centre of Tajikistan and reflect the financial position of the Microfinance program.

Micro-entrepreneur's Development Support Centre of Tajikistan is a non-governmental, non-profit organization founded by the International Non-governmental organization ACDI/VOCA.

2 Summary of significant accounting policies

The principal accounting policies adopted for the preparation of these financial statements are set out below:

2.1 Basis of accounting

The financial report is prepared in accordance with the generally accepted accounting standards under the historical cost convention as modified by the fair valuation of available-for-sale securities, financial assets and liabilities held-for-trading and all derivative contracts, if any.

The preparation of this financial report requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial report and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.2 Reporting currency

The Program has chosen the Tajik Somoni as its reporting currency, as required by the local legislation. Although the grants and most of the loans are denominated in USD, the management of the Program is of the opinion that it is more meaningful to use the Tajik Somoni as its measurement and reporting currency.

2.3 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Somoni at the rate of exchange established by the National Bank of the Republic of Tajikistan at the date of the financial report. Foreign currency assets and liabilities are principally held in US dollars and EURO.

Foreign currency transactions are translated into Somoni at 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 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses.

The exchange rates used for the financial report are the official exchange rates as issued by the National Bank of Tajikistan. As of December 31, 2004, December 31, 2003 and December 31, 2002 the principal exchange rates were:

	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Dec 31, 2002</u>
	TJS	TJS	TJS
1 US dollar =	3.0370	2.9565	3.0000
1 euro =	4.0866	3.6681	3.1011

2.4 Interest income and expense

Interest income and expense are recognized in the income statement for all interest-bearing instruments on an accruals basis using the effective yield method based on the actual purchase price.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.5 Fee and commission income

Fees and commissions are generally recognized on an accrual basis, which is based on the time when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction.

2.6 Grants

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Program will comply with all attached conditions.

2.7 Originated loans

All loans and advances are recognized when cash is advanced to borrowers. Loans originated by the Program by providing money directly to the borrower at draw-down are categorized as 'loans' and are carried at amortized cost, which is defined as the fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

2.8 Provision for loan impairment

An allowance for loan impairment is established if there is objective evidence that the Program will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the provision for loan losses in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

2.9 Computer development costs

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Program and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

2.10 Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

	%
Furniture and equipment	10.0
Vehicles	20.0
Computer equipment	20.0

Where the carrying amount of an asset is greater than its estimated recoverable amount, it

is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity as from the date of acquisition including amounts due from other banks.

2.12 Provisions

Provisions are recognized when the Program has a current 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. Long-term provisions are not discounted.

2.13 Pension obligations

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

2.14 Income taxes

The loan portfolio and the income generated by ACDI/VOCA owned funds are tax exempt. The loan portfolio and the income generated by MDSCT owned funds will be subject to income tax as soon as the turnover will reach the limit established by the Tax Code.

3 Use of financial instruments

In the normal course of business, the Program provides to its customers a variety of financial instruments. These financial instruments involve various degrees of risk as follows:

3.1 Credit risk

In conducting business activities, the Program is exposed to the possibility that borrowers may default on their obligations to the Program. To minimize this risk the Program evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained for individual loans, if it is deemed necessary by the Program upon the extension of credit, is based on credit committee's credit evaluation of the client. Collateral held for individual lending only includes real estate. The Program strives to maintain a credit risk profile that is diverse in terms of industry and borrower concentration.

3.2 Market risk

In the normal course of business, the Program is exposed 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.

3.3 Currency risk

The Program may invest in assets denominated in currencies other than its reporting currency, the Tajik Somoni (TJS). Consequently, the Program 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 Program's assets, which are denominated in currencies other than the Tajik Somoni.

3.4 Interest rate risk

The Program 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.

3.5 Liquidity risk

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

The Program is exposed to calls on its available cash resources from maturing loans received by the Program and loan draw downs. The Program does not maintain cash resources to meet these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted quite reasonable as MDSCT is relatively good at predicting what their needs may be and when.

**Microfinance Program as implemented by ACDI/VOCA
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Notes to the income statement

4 Net interest income

	2004	2003	2002
	TJS	TJS	TJS
<i>Interest and similar income</i>			
Interest on loans	565,861	159,915	22,277
Fees on loans	54,938	11,030	1,032
Penalty income on loans	4,292	1,225	92
	625,091*	172,170	23,401
<i>Interest expense and similar charges</i>			
Commission charge for loans	5,818	0	0
FX expenses on loans	1,509	0	0
	7,327	-	-

FX income and expenses from loans consist of income and expenses from increases/decreases in the exchange rate between US dollars and Tajik Somoni.

Substantially all income arises within the Republic of Tajikistan.

* The amount of interest and similar income of TJS 625,091 was generated from ACDI/VOCA: TJS 569,679, and MDSCT: TJS 55,412 loan funds in 2004. In 2002 and 2003 all interest and similar income was generated from ACDI/VOCA loan funds.

5 Other operating income

	2004	2003	2002
	TJS	TJS	TJS
FX income	1,676	-	-
	1,676	-	-

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
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6 General and administrative expenses

	2004	2003	2002
	TJS	TJS	TJS
Staff costs	277,734	177,718	43,884
Depreciation	23,143	286	-
Taxes	2,403	-	-
Facilities	6,093	886	28
Communication	11,768	5,841	2,520
Transport	20,853	11,511	5,892
Rent	22,344	15,554	11,063
Stationery	11,178	9,504	3,459
Training of clients	-	-	394
Cost of bank charges	5,863	1,595	812
Audit fee (including tax)	14,572	14,570	14,570
Printing and photocopying	1,199	2,367	1,774
Legal and consultants' services	-	806	-
Other expenses	15,672	10,711	4,861
	412,822	251,349	89,257

7 Staff costs

	2004	2003	2002
	TJS	TJS	TJS
Wages and salaries	215,174	155,220	37,874
Taxes and contribution on salary	44,607	20,570	0
Travel costs	11,667	1,714	4,731
Other	6,286	214	1,279
	277,734	177,718	43,884

Salaries and employee benefits include bonuses and holiday allowances. The average number of persons employed by the Program during the year was 36 (2003: 22; 2002: 11).

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
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8 Impairment (gains)/losses on loans

	2004	2003	2002
	TJS	TJS	TJS
Impairment on loans and advances to customers	20,291	3,988	874
Release of provision	-8,002	-	-
	12,289	3,988	874

9 Grant income

	2004	2003	2002
	TJS	TJS	TJS
Donation ACDI/VOCA	941,271	676,944	205,969
Other (Novib)	222,008	-	-
	1,163,279	676,944	205,969

	2004	2003	2002
	TJS	TJS	TJS
Grants for Loan Capital	511,230	104,398	74,687
Grants for Operational Expenditures	652,049	572,546	131,282
	1,163,279	676,944	205,969

The Program has received some funds, which can be used for operational expenses. The amount has been received in cash, each expenditure has to be approved by the financier after which the asset can be purchased. The total unused amount is therefore in fact blocked and can only be used after the approval of the financing Program.

10 Taxation

In order to facilitate the provision of humanitarian and technical assistance to benefit the people of Tajikistan, the government of Tajikistan has exempted the funds which the Program obtains through ACDI/VOCA from taxation based on Article 1 of the agreement between the government of Tajikistan and the United States of America dated September 13, 1993.

The Program pays taxes on MDSCT funds based on simplified taxation system.

**Microfinance Program as implemented by ACDI/VOCA
and Micro-entrepreneur's Development Support Centre of Tajikistan
March 1, 2002- December 31, 2004**

Notes to balance sheet

11 Cash and cash equivalents

	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Dec 31, 2002</u>
	TJS	TJS	TJS
Cash ACDI/VOCA in TJS	35,941	22,064	1,284
Bank ACDI/VOCA in TJS	-	566	-
	<u>35,941</u>	<u>22,630</u>	<u>1,284</u>
Subtotal ACDI/VOCA	35,941	22,630	1,284
Cash MDSCT in TJS	19,953	-	-
Bank MDSCT in TJS	785	-	-
Bank MDSCT in USD	1,386	-	-
Bank MDSCT in EURO	224,763	-	-
	<u>246,887</u>	<u>-</u>	<u>-</u>
Subtotal MDSCT	246,887	-	-
	282,828	22,630	1,284

12 Loans and advances to customers

12.1 General

The breakdown of the loan portfolio is as follows:

	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Dec 31, 2002</u>
	TJS	TJS	TJS
Loans outstanding	1,835,191	725,677	151,753
Provision for impairment on loans	(16,531)	(3,638)	(874)
	<u>1,818,660</u>	<u>722,039</u>	<u>150,879</u>

Loans are generally due within 3 months for group loans and within 6 months for individual loans.

The interest is charged between 3.0% and 4.0% on a monthly basis for group lending.

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For individual loans the interest rate is set at 2.5% - 3.0% per month. The calculation is based on declining balances for both group and individual loans.

12.2 Analysis of loans outstanding by sector

	<u>31-Dec-04</u>	<u>31-Dec-03</u>	<u>31-Dec-02</u>
	TJS	TJS	TJS
Trade	1,133,020	571,025	138,314
Agriculture/Farming	602,040	107,287	-
Production	67,159	28,893	7,055
Services	32,972	18,472	6,384
Total	1,835,191	725,677	151,753

12.3 Geographical analysis of loans outstanding

The activity of the Program is concentrated in Soghd region and the distribution of the loan portfolio by districts is as follows:

	<u>31-Dec-04</u>	<u>31-Dec-03</u>	<u>31-Dec-02</u>
	TJS	TJS	TJS
Khujand	473,310	342,695	130,479
Gafurov	184,170	84,044	14,680
Chkalovsk	23,918	11,130	2,134
Kistakuz	65,040	33,683	2,000
Nau	254,612	104,581	1,300
J. Rasulov	312,769	97,353	600
Kayrakum	15,191	4,486	560
Istaravshan	343,188	33,739	
Ovchi - kalacha	32,919	13,966	
Mastchoh	49,367		
Shakhristan	76,807		
Isfara	3,900		
Total	1,835,191	725,677	151,753

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12.4 Analysis of loans outstanding by type of collateral

	<u>31-Dec-04</u>	<u>31-Dec-03</u>	<u>31-Dec-02</u>
	TJS	TJS	TJS
Real estate (Individual lending)	61,300	-	-
Solidarity group	1,773,891	725,677	151,753
Total	1,835,191	725,677	151,753

12.5 Arrears

	<u>31-Dec-04</u>	<u>31-Dec-03</u>	<u>31-Dec-02</u>
	TJS	TJS	TJS
1-30 days	885	-	1,212
31-60 days	-	-	-
61-90 days	209	-	-
> 90 days	6,596		
Total	7,690	-	1,212

12.6 Provision for impairment losses

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	TJS	TJS	TJS
Balance at 1 January	3,638	874	-
Impairment (gains)/losses on loans	12,289	3,988	874
Bad debts written off	-	(1,224)	-
Collected previously written off loans	604	-	-
Balance at December 31	16,531	3,638	874

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13 Property and equipment

	Computers	Furniture & equipment	Other (intangible assets)	Total
	TJS	TJS	TJS	TJS
As at December 31, 2002				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Movements				
Additions	5,917	3,011	-	8,928
Disposals	-	(3,011)	-	(3,011)
Disposals reversal accumulated depreciation				-
Depreciation	(286)			(286)
As at December 31, 2003				
Cost	5,917	-	-	5,917
Accumulated depreciation	(286)	-	-	(286)
Net book value	5,631	-	-	5,631
Movements				
Additions	57,538	69,359	18,656	145,553
Disposals	-	(380)	-	(380)
Disposals reversal accumulated depreciation				-
Depreciation	(28,511)	(15,734)	(6,857)	(51,102)
Net book value	34,658	53,245	11,799	99,702

Property and equipment is not insured.

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14 Other assets

	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
	TJS	TJS	TJS
Accrued interest on loans	28,280	11,800	1,646
Social security funds	-	488	-
	28,280	12,288	1,646

15 Other short term liabilities

	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
	TJS	TJS	TJS
Short term loan from "Frontiers" Ltd	75,925	-	-
	75,925	-	-

16 Other liabilities

	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
	TJS	TJS	TJS
Audit fee payable	43,712	29,140	14,570
Tax payable	5,529	424	-
SSF payable	3,320	8	-
Salary payable	10,360	-	-
	62,921	29,572	14,570

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17 Capital employed by ACDI/VOCA

The movement in the grant reserves is as follows:

	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
	TJS	TJS	
Loan capital	1,435,086	722,039	150,879
Fixed Assets	99,702	5,631	-
ACDI/VOCA cash on hand	35,941	22,630	1,284
Other assets/(liabilities)	(32,545)	(17,284)	(12,924)
Total capital employed by ACDI/VOCA	1,538,184	733,016	139,239
	2004	2003	2002
		TJS	TJS
Opening balance	733,016	139,239	-
Distribution of results	805,168	593,777	139,239
Total capital employed by ACDI/VOCA	1,538,184	733,016	139,239

18 Capital employed by MDSCT

The movement in the grant reserves is as follows:

	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
	TJS	TJS	TJS
Loan capital	383,574	-	-
MDSCT cash on hand	246,887	-	-
Other assets/(liabilities)	(78,021)	-	-
Total capital employed by MDSCT	552,440	-	-
	2004	2003	2002
		TJS	TJS
Opening balance	-	-	-
Distribution of results	552,440	-	-
Total capital employed by MDSCT	552,440	-	-

19 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.

The financial report comprises the following balances concerning related parties:

	Net amount		
	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Capital employed by ACDI/VOCA	1,538,184	733,016	139,239
Capital employed by MDSCT	552,440	-	-
Total	2,090,624	733,016	139,239

20 Directors' remuneration

A listing of the members of the Management Board is shown on page 6. For year ended December 31, 2004 the total remuneration of the management amounts to TJS 56,519 (2003: TJS 41,981; 2002: TJS 18,702). The Board of Directors as shown on page 6 has not received any remuneration in 2004 (2003: nil; 2002: nil).

21 Commitments and contingencies

21.1 Undrawn loan commitments

The Program has no undrawn loan commitments.

21.2 Other contingencies

There are no other contingencies.

22 Post-balance sheet events

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