



**Micro-credit program as implemented by
the National Association of Business
Women of Tajikistan ('NABWT')**

Financial report

for the year ended December 31, 2004

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To the board of directors of
the National Association of Business Women of Tajikistan

Report of the independent auditors

Introduction

We have audited the accompanying balance sheet of the micro-credit program as implemented by the National Association of Business Women of Tajikistan (hereafter referred to as 'the Program') as of December 31, 2004 and the related income and cash flow statements for the year then ended (hereafter referred to as 'the financial report'). This financial report set out on pages 7 to 24 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 position of the Program as of December 31, 2004 and of the results of its operations and its cash flows for the year then ended in accordance with the generally accepted accounting principles.



August 6, 2005

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General information

Operations

The National Association of Business Women of Tajikistan ('NABWT') was established in 1995. Starting 1999 NABWT was engaged by Mercy Corps to act as an implementing agency for their micro-credit program. Mutual rights and obligations are formalized in a Memorandum of Understanding that is renewed each year.

On November 17, 2004 NABWT and Mercy Corps decided to establish an International Micro-Loan Fund "Imon". The partnership agreement between Mercy Corps and NABWT was signed on November 17, 2004. The fund was registered with the Ministry of Justice of Tajikistan on November 23, 2004. The fund was registered with the National Bank of Tajikistan and was issued a certificate for micro-lending activities on March 15, 2005

Mercy Corps and NABWT signed an addendum to continue their partnership relationship and prolong the duration of the Memorandum of Understanding between Mercy Corps and National Association of Business Women of Tajikistan (including Program Policies and Procedures, Program Budget, Information about fixed assets and Business Plan) until the International Micro-Loan Fund "Imon", established on November 17, 2004, becomes operational and has received a registration certificate of the National Bank of the Republic of Tajikistan. The Micro-Loan Fund "Imon" has become operational on July 1, 2005.

The Parties agreed that after obtaining the official registration certificate from the National Bank of the Republic of Tajikistan, a Memorandum of Understanding will be signed between Mercy Corps and Micro-Loan Fund "Imon". Further collaboration for the micro-finance program will be implemented according to the Founders' Agreement and other MLF documents approved by the Ministry of Justice of the Republic of Tajikistan and normative acts of the National Bank of the Republic of Tajikistan.

The loan capital, and any revenue generated before "Imon" becomes operational, will be considered Mercy Corps property upon repayment of the borrowers, but will be retained within Mercy Corps-National Association of Business Women of Tajikistan microfinance programme ("Imon"). Any additional revenue generated after "Imon" becomes operational will become the property of "Imon".

Micro-credit program

NABWT acts as an implementing agency for the micro-credit program mostly financed by Mercy Corps in Tajikistan and other donors. Loans are made available to groups and individuals through the branch locations of NABWT in Khodjand, Dushanbe and Shartuz.

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

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

	Interest rate	Up-front fee	Amount	Term	Savings/collateral
Soghd: Group	3.5% per month declining balance in Somoni	1.5-2%	\$0-\$1,000	2-6 months	None
Dushanbe & Khatlon: Group	4.5% per month, declining balance in Somoni	2%	\$0-\$1,000	2-6 months	None
Penjikent: Group	4.5% per month, flat basis in Somoni	none	\$0-\$1,000	2-6	None
Individual	22% annually, declining balance, dollar denominated	1-4%	\$1,000-\$5,000	3 -18 months	Collateral valued at 120% of loan amount
Individual	3.5% per month, declining balance, in Somoni	0-4%	\$500-\$5,000	3-18 months	Collateral valued at 120% of loan amount
Individual loan for employees	22% annually, declining balance in Somoni	none	0- TJS 10,000	Up to 24 months	For loan more than \$1,000 the Program may need collateral valued at 120% of loan at the decision of Credit Committee
Soghd: Pilot Individual leasing	3.5% per month, declining balance in Somoni	none	0- \$5,000	Up to 24 months	None

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

	Interest rate	Up-front fee	Amount	Term	Savings/collateral
Soghd: Group	3.8%-4.5% per month Flat basis in Somoni	none	\$75-\$500	3-6 months	Savings mandatory in Isfara and Kanibadam
Soghd: Mid-level group	3% per month, declining balance, dollar denominated	1%	\$150-\$1,000	3-6 months	None
Soghd: Individual	22% annually, on declining balance, dollar denominated	1-3%	\$1,000-\$5,000	6-18 months	Collateral valued at 120% of loan
Dushanbe & Khatlon: Group	4.5% per month, declining balance in Somoni	2%	\$100-\$500 (increase by \$50-\$100 each cycle)	3-6 months	Guarantee fund charged as 5% of loan amount up-front
Dushanbe: Mid-level group	3.5% per month, declining balance, dollar denominated	1.5%	\$300-\$1,000	3-6 months	Collateral valued at 150% of loan amount
Dushanbe: Individual	3.5% per month, declining balance, dollar denominated	1-3%	\$1,000-\$5,000	6-12 months	Collateral valued at 150% of loan amount
Khatlon: Individual	22% annually, declining balance, dollar denominated	none	\$500-\$5,000	6-18 months	Collateral 130% of loan amount (real estate)

Board of Directors

The Board of Directors of NABWT comprises the following persons:

Nabijon Yuldashev	Chairman
Muhabbat Nazimova	Member
Dilorom Sadikova	Member
Munira Samadova	Member
Almos Latipov	Member

Management Board

The Management Board of NABWT comprises the following persons:

Sanavbar Sharipova	Executive Director
Rakhim Melikbaev	Financial Director
Bakhtier Abduvakhidov	Manager Micro Finance Program
Shamsiddin Gulov	Director of the Dushanbe branch
Gulbakhor Makhkamova	Director of the Soghd branch
Amonullo Valiev	Director of the Khatlon branch

Number of authorized offices and registered address

As at December 31, 2004 the activities of the Program were distributed over 3 branches:

Soghd branch

Khudjand office	27 Hakim Karim Street	Khudjand
Kanibadam field office	129 Lenin Street	Kanibadam
Isfara field office	10 Lenin Street	Isfara
Istaravshan field office	115 Lenin Street	Istaravshan
Penjikent field office	85 Rudaki Street	Penjikent
Spitamen field office	29 Lenina Street	Spitamen

Dushanbe branch

Dushanbe office	3 pr. Rudaki 94/4	Dushanbe
Hissar field office	60-years of Hissar	Hissar
Tursun-Zade field office	94 Khairullaev Street	Tursun-Zade
Rudaki field office	14 Turdieva Street	Somonien
Kafernighan field office	1-A Borbad Street	Kafernighan

Khatlon branch

Shaartuz office	35 Somony Street	Shaartuz region
Shaartuz field office	35 Somoni Street	Shaartuz
Djilikul field office	Lenin Street, Population Employment Department	Djilikul
Kolkhozabad field office	4 Tugalag Street	Kolkhozabad
Kurgan Tube field office	31 Saidova Street	Kurgan Tube

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Income statement

	Notes	2004	2003
		TJS	TJS
Interest and similar income	4	2,466,167	1,909,601
Interest expenses and similar charges	4	(2,729)	(116,527)
Net interest income		2,463,438	1,793,074
Other operating income	5	6,202	2,607
Foreign exchange result on loans due to Mercy Corps	6	-	209,111
Operating income		2,469,640	2,004,792
General and administrative expenses	7	1,383,988	1,217,971
Impairment (gains)/losses on loans	9	49,996	(13,047)
Operating expenses		1,433,984	1,204,924
Net operating result		1,035,656	799,868
Grant funds employed by the Program during the year	10	1,029,313	95,336
Net profit (before allocation)		2,064,969	895,204
Allocated to Mercy Corps		1,661,443	708,981
Allocated to German Agro Action (GAA)		78,418	-
Net profit/(loss) (after allocation)		325,108	186,223

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

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Balance sheet

	<u>Notes</u>	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>
		TJS	TJS
Assets			
Cash and cash equivalents	12	340,785	395,967
Loans and advances to customers	13	5,504,305	3,764,459
Property and equipment	14	510,297	232,515
Other assets	15	113,919	61,736
		<hr/>	<hr/>
Total assets		6,469,306	4,454,677
		<hr/>	<hr/>
Liabilities			
Customer demand and time deposits	16	-	12,820
Funds received from other agencies	17	88,645	103,267
Other liabilities	18	43,456	66,354
		<hr/>	<hr/>
Total liabilities		132,101	182,441
		<hr/>	<hr/>
Surplus of assets and liabilities			
Capital employed by Mercy Corps	19	5,728,408	4,066,965
Capital employed by GAA	20	78,418	-
Retained earnings	21	530,379	205,271
		<hr/>	<hr/>
Total surplus of assets and liabilities		6,337,205	4,272,236
		<hr/>	<hr/>
Total surplus and liabilities		6,469,306	4,454,677
		<hr/>	<hr/>

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

Signed and authorized by:

On behalf of

NABWT
(Micro-finance Program Implementing Agency)

Mercy Corps
(Principal Donor of the Program)

Sanavbar Sharipova
Executive Director

Gary R. Burniske
County Director

August 6, 2005

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Statement of changes in surplus of assets and liabilities

	Capital employed by Mercy Corps	Capital employed by GAA	Retained earnings	Total surplus of assets and liabilities
	TJS	TJS	TJS	TJS
Balance at December 31, 2002	3,357,984	-	19,048	3,377,032
Net result for the year	708,981	-	186,223	895,204
Balance at December 31, 2003	4,066,965	-	205,271	4,272,236
Net result for the year	1,661,443	78,418	325,108	2,064,969
Balance at December 31, 2004	5,728,408	78,418	530,379	6,337,205

Mercy Corps legally owns the surplus of assets and liabilities, because the program does not represent a legal entity and can not have equity.

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

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Statement of cash flows

	Notes	2004	2003
		TJS	TJS
Net result		325,108	186,223
Depreciation		62,336	28,299
Cash flows from operating profits before changes in operating assets and liabilities		387,444	214,522
<i>Changes in operating assets and liabilities</i>			
Net (increase)/decrease in loans and advances to customers		(1,739,846)	(672,216)
Net (increase)/decrease in other assets		(52,183)	(28,337)
Net increase/(decrease) in liabilities to customers demand and time deposits		(12,820)	(94,068)
Net increase/(decrease) in other liabilities		(22,898)	(3,523)
Net cash used in operating activities		(1,440,303)	(583,622)
Cash flows from investing activities			
Purchase of property and equipment		(340,118)	(186,786)
Proceeds from sales of property and equipment		-	4,819
Net cash (used in)/from investing activities		(340,118)	(181,967)
Cash flow from financing activities			
Net increase/(decrease) in capital employed by Mercy corps		1,661,443	708,981
Net increase/(decrease) in capital employed by GAA		78,418	-
Net increase/(decrease) in funds received from other agencies		(14,622)	12,272
Net cash from financing activities		1,725,239	721,253
Net decrease in cash and cash equivalents		(55,182)	(44,336)
Cash and cash equivalents at beginning of year		395,967	440,303
Cash and cash equivalents at end of year	12	340,785	395,967

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

Notes to the financial report

1 General information

These financial statements are not the financial statements of NABWT but reflect the financial position of the Micro Credit program.

The National Association of Business Women of Tajikistan (NABWT) is a non-governmental organisation (NGO). Its activities mainly comprise the implementation of a Micro Credit program on behalf of Mercy Corps and other donors.

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. 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.

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

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

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 and December 31, 2003 the principal exchange rates were:

	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>
	TJS	TJS
1 US dollar =	3.0370	2.9565
10 Russian rouble =	1.0911	1.0109
1 euro =	4.0866	3.6681
1 pound sterling =	5.8265	5.2510

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. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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. NABWT 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 Mercy Corps owned Program are tax exempt.

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, if it is deemed necessary by the Program upon the extension of credit, is based on credit officer's credit evaluation of the client. Collateral held varies but may include real estate and cash (for example savings). 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 NABWT is relatively good at predicting what their needs may be and when.

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Notes to the income statement

4 Net interest income

	2004	2003
	TJS	TJS
<i>Interest and similar income</i>		
Interest on loans	2,111,423	1,555,804
Fees on loans	309,747	222,379
Penalty income on loans	42,512	42,267
Income from non financial services	-	89,151
FX income on loans	2,485	-
	2,466,167	1,909,601
<i>Interest expense and similar charges</i>		
Interest on savings	-	(4,156)
FX expenses on loans	(2,729)	(112,371)
	(2,729)	(116,527)

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

This is caused by the fact that some Somoni denominated loans have to be repaid in TJS against the historical USD-TJS exchange rate at the date of issue of the loans.

Substantially all income arises within the Republic of Tajikistan.

5 Other operating income

	2004	2003
	TJS	TJS
Training courses	1,283	-
Rent income	4,775	2,497
Interest income on the bank account	144	110
	6,202	2,607

Other operating income is generated by providing courses to external parties.

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

6 Foreign exchange result on loans due to Mercy Corps

This relates to FX results, which the Program recorded on loans due to Mercy Corps.

7 General and administrative expenses

	2004	2003
	TJS	TJS
Staff costs (note 8)	874,099	634,388
Depreciation	62,337	28,299
Facilities	17,267	33,566
Communication	26,520	19,760
Transport	96,657	148,841
Rent	71,366	57,669
Stationery	22,318	18,550
Training of clients	44,306	3,841
Cost of bank charges	18,180	15,622
Audit fee (including VAT)	39,650	65,043
Advertisements	6,377	2,015
Maintenance of fixed assets	71,512	174,460
Printing and photocopying	5,979	
Legal services	9,133	
Other expenses	18,287	15,917
	<u>1,383,988</u>	<u>1,217,971</u>

8 Staff costs

	2004	2003
	TJS	TJS
Wages and salaries (net)	549,570	438,593
Taxes and contribution on salary	167,464	117,375
Travel costs	51,565	35,797
Paid incentive fees	66,121	-
Other	39,379	42,623
	<u>874,099</u>	<u>634,388</u>

Salaries and employee benefits include bonuses and holiday allowances. The average number of persons employed by the Program during the year was 95 (2003: 69).

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

9 Impairment (gains)/losses on loans

	2004	2003
	TJS	TJS
Impairment on loans and advances to customers	49,996	21,611
Release of provision	-	(9,178)
Collected previously written off loans	-	(25,480)
	49,996	(13,047)

10 Grant funds employed by the Program during the year

	2004	2003
	TJS	TJS
Donation Mercy Corps	657,146	-
Other	372,167	95,336
	1,029,313	95,336

Other relates to grants received from other donors.

11 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 Mercy Corps from taxation based on Article 1 of the agreement between the government of Tajikistan and the United States of America dated September 13, 1993.

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
Year ended December 31, 2004**

Notes to balance sheet

12 Cash and cash equivalents

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Cash Mercy Corps in TJS	110	37,808
Bank Mercy Corps in TJS	174,254	233,248
	<hr/>	<hr/>
Subtotal Mercy Corps	174,364	271,056
Cash in TJS	99,594	15,108
Bank in TJS	40,058	24,076
Cash in USD	-	-
Bank in USD	26,769	85,727
	<hr/>	<hr/>
	340,785	395,967
	<hr/>	<hr/>

Including in cash is an amount of TJS 99,713 (2003: TJS 103,267), which is not at the free disposal of the Program. These amounts have been given as a grant to the Program and can be used to purchase fixed assets. Expenditures can only be made after the formal approval of the organization that has given these funds to the Program. See note 17.

13 Loans and advances to customers

13.1 General

The breakdown of the loan portfolio is as follows:

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Loans outstanding	5,553,291	3,795,910
Provision for impairment on loans	(48,986)	(31,451)
	<hr/>	<hr/>
	5,504,305	3,764,459
	<hr/>	<hr/>

Loans are generally due within 6 months for groups and within 18 months for individuals. The interest is charged between 3.5% and 4.5% on a monthly basis for group lending.

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For individual loans denominated in US Dollars the interest rate is set at 22% on a yearly basis, for individual loans denominated in local currency interest rate is set at 3.5% per month. The calculation is based on declining balances for both group and individual loans.

13.2 Analysis of loans outstanding by sector

	31-Dec-04	31-Dec-03
	TJS	TJS
Individual, trade	4,106,415	3,217,053
Agriculture	878,062	379,814
Individual, production	208,314	96,171
Services	360,500	102,872
Total	5,553,291	3,795,910

13.3 Geographical analysis of loans outstanding

	31-Dec-04	31-Dec-03
	TJS	TJS
Khodjand	3,125,536	2,270,853
Dushanbe	1,007,375	769,162
Shartuz	1,420,380	755,895
Total	5,553,291	3,795,910

13.4 Analysis of loans outstanding by type of collateral

	31-Dec-04	31-Dec-03
	TJS	TJS
Real estate	1,830,509	1,365,500
Solidarity group	3,582,112	2,377,317
Letters of guarantee	68,893	-
Loans to staff	71,777	53,093
Total	5,553,291	3,795,910

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13.5 Arrears

	<u>31-Dec-04</u>	<u>31-Dec-03</u>
	TJS	TJS
1-30 days	2,910	28,480
31-60 days	28,722	16,660
61-90 days	1,388	5,611
> 90 days	9,932	27,269
Total	<u>42,952</u>	<u>78,020</u>

13.6 Provision for impairment losses

	<u>2004</u>	<u>2003</u>
	TJS	TJS
Opening balance January 1	31,451	84,136
Impairment (gains)/losses on loans	49,996	(13,047)
Bad debts written off	(32,461)	(39,638)
Balance at December 31	<u>48,986</u>	<u>31,451</u>

14 Property and equipment

	<u>Buildings under construction</u>	<u>Computers</u>	<u>Furniture & equipment</u>	<u>Vehicles</u>	<u>Total</u>
	TJS	TJS	TJS	TJS	TJS
As at December 31, 2003					
Cost	-	185,125	87,164	19,008	291,297
Accumulated depreciation	-	(44,731)	(14,032)	(19)	(58,782)
Net book value	<u>-</u>	<u>140,394</u>	<u>73,132</u>	<u>18,989</u>	<u>232,515</u>
Movements					
Additions	17,172	170,881	41,011	111,054	340,118
Disposals	-	(16,536)	-	-	(16,536)
Disposals reversal	-	-	-	-	-
accumulated depreciation		16,536			16,536
Depreciation	-	(45,067)	(12,396)	(4,873)	(62,336)
	<u>17,172</u>	<u>125,814</u>	<u>28,615</u>	<u>106,181</u>	<u>277,782</u>

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	Buildings under construction	Computers	Furniture & equipment	Vehicles	Total
	TJS	TJS	TJS	TJS	TJS
As at December 31, 2004					
Cost	17,172	339,470	128,175	130,062	614,879
Accumulated depreciation	-	(73,262)	(26,428)	(4,892)	(104,582)
Net book value	17,172	266,208	101,747	125,170	510,297

Property and equipment is not insured.

15 Other assets

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Accrued interest on loans	81,487	37,719
Payment in advance	915	906
Social security funds	447	-
Advances to employees	782	7,436
Due from SIDA*	30,187	-
Other	101	15,675
	<u>113,919</u>	<u>61,736</u>

* SIDA operational overspending by the Program from grant funds of other donors. The amount of TJS 30,187 should be reimbursed by SIDA to:

Mercy Corps's donors - TJS 11,450
Other agencies - TJS 18,737

16 Customer demand and time deposits

Deposits relate to mandatory savings from clients, who receive loan capital of the Program. The maturity of the deposits is less than one year. The interest rate varies between 0 and-5%. In 2003 the Program discontinued taking savings from its customers and started to return the previously collected ones. The outstanding balance of customers' savings as of December 31, 2004 is nil.

17 Funds received from other agencies

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.

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18 Other liabilities

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Audit fee payable	39,650	65,043
Excess payments received	2,197	1,311
Other	1,609	-
	43,456	66,354

19 Capital employed by Mercy Corps

The movement in the grant reserves is as follows:

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Loan capital	5,542,594	3,795,909
Mercy Corps cash on hand	174,364	271,056
Other assets/(liabilities)*	11,450	-
Total capital employed by Mercy Corps	5,728,408	4,066,965

	2003	2002
	TJS	TJS
Opening balance	4,066,965	3,357,984
Distribution of results	1,661,443	708,981
Total capital employed by Mercy Corps	5,728,408	4,066,965

* The amount which should be settled between MC donors, and namely, SIDA and other donors.

20 Capital employed by GAA

	Dec 31, 2004	Dec 31, 2003
	TJS	TJS
Loan capital	10,697	-
GAA cash on hand	67,721	-
Total capital employed by GAA	78,418	-

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21 Retained earnings

	2004	2003
	TJS	TJS
Opening balance	205,271	19,048
Distribution of results	325,108	186,223
	530,379	205,271

22 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
Capital employed by Mercy Corps	5,728,408	4,066,965
Capital employed by GAA	78,418	-
Total	5,806,826	4,066,965

23 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 107,207 (2003: TJS 77,594). The Board of Directors as shown on page 6 has received TJS 630 as remuneration in 2004 (2003: TJS nil).

24 Commitments and contingencies

24.1 Undrawn loan commitments

The Program has no undrawn loan commitments.

24.2 Other contingencies

There are no other contingencies.

25 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.