



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

Financial report

for the period January 1 – June 30, 2005

Contents

Report of the independent auditors	3
General information	4
Income statement	7
Balance sheet	8
Statement of changes in surplus of assets and liabilities	9
Statement of cash flows	10
Notes to the financial report	11
1 General information	11
2 Summary of significant accounting policies	11
3 Use of financial instruments	14
4 Net interest income	16
5 Other operating income	16
6 General and administrative expenses	17
7 Staff costs	17
8 Impairment (gains)/losses on loans	18
9 Grant funds employed by the Program during the year	18
10 Taxation	18
11 Cash and cash equivalents	19
12 Loans and advances to customers	19
13 Property and equipment	22
14 Other assets	22
15 Funds received from other agencies	22
16 Other liabilities	23
17 Capital employed by Mercy Corps	23
18 Capital employed by GAA	24
19 Capital employed by MEDA	24
20 Retained earnings	24
21 Related party transactions	25
22 Directors' remuneration	25
23 Commitments and contingencies	25
24 Post-balance sheet events	25

«FINCONSULT» LTD ООО «ФИНКОНСУЛТ»

734018, Республика Таджикистан
г. Душанбе, пр. Саади Шерози 21
тел./факс (992372) 33-30-77
e-mail: finconsult.tajik@runbox.com

21, Saadi Sherozi Ave., Dushanbe,
Republic of Tajikistan, 734018
tel./fax (992372) 33-30-77
e-mail: finconsult.tajik@runbox.com

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 June 30, 2005 and the related income and cash flow statements for the period January 1 – June 30, 2005 (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 position of the Program as of June 30, 2005 and of the results of its operations and its cash flows for the period January 1 – June 30, 2005 in accordance with the generally accepted accounting principles.



November 25, 2005

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, received a registration certificate of the National Bank of the Republic of Tajikistan and became 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" became operational is considered Mercy Corps and other donors' property upon repayment of the borrowers, and is retained within National Association of Business Women of Tajikistan microfinance programme ("Imon"). Any revenue generated after "Imon" became operational becomes the property of "Imon".

Micro-credit program

NABWT has been acting as an implementing agency for the micro-credit program financed by a number of donors and mostly Mercy Corps in Tajikistan. Loans have been 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')
January 1 – June 30, 2005**

As at June 30, 2005 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-\$1,500	2-9 months	None
Dushanbe & Khatlon: Group	3.5 - 4.5% per month, declining balance in Somoni	2%	\$0-\$1,500	2-6 months	None
Penjkent: Group	4.5% per month, declining balance in Somoni	none	\$0-\$1,500	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 ijn 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	Leased products

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
Penjkent: Group	4.5% per month, declining balance 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 ijn 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	Leased products

Board of Directors

The Board of Directors of NABWT comprises the following persons:

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

Management Board

The Management Board of NABWT comprises the following persons:

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

Number of authorized offices and registered address

As at June 30, 2005 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
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')
January 1 – June 30, 2005**

Income statement

	Notes	Jan 1 - June 30, 2005	2004
		TJS	TJS
Interest and similar income	4	1,623,432	2,466,167
Interest expenses and similar charges	4	-	(2,729)
Net interest income		1,623,432	2,463,438
Other operating income	5	237	6,202
Operating income		1,623,669	2,469,640
General and administrative expenses	6	1,200,042	1,383,988
Impairment (gains)/losses on loans	8	82,849	49,996
Operating expenses		1,282,891	1,433,984
Net operating result		340,778	1,035,656
Grant funds employed by the Program during the year	9	2,087,230	1,029,313
Net profit (before allocation)		2,428,008	2,064,969
Allocated to Mercy Corps		1,327,605	1,661,443
Allocated to German Agro Action (GAA)		-	78,418
Allocated to MEDA		1,016,673	-
Net profit/(loss) (after allocation)		83,730	325,108

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')
January 1 – June 30, 2005**

Balance sheet

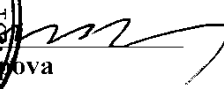
	Notes	30-June-05	31-Dec-04
		TJS	TJS
Assets			
Cash and cash equivalents	11	387,944	340,785
Loans and advances to customers	12	7,717,922	5,504,305
Property and equipment	13	597,132	510,297
Other assets	14	106,945	113,919
Total assets		8,809,943	6,469,306
Liabilities			
Funds received from other agencies	15	27,731	88,645
Other liabilities	16	16,999	43,456
Total liabilities		44,730	132,101
Surplus of assets and liabilities			
Capital employed by Mercy Corps	17	7,056,013	5,728,408
Capital employed by GAA	18	78,418	78,418
Capital employed by MEDA	19	1,016,673	-
Retained earnings	20	614,109	530,379
Total surplus of assets and liabilities		8,765,213	6,337,205
Total surplus and liabilities		8,809,943	6,469,306

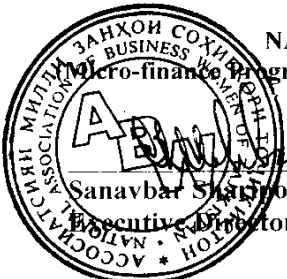
The accompanying notes are an integral part of this financial report.

Signed and authorized by:

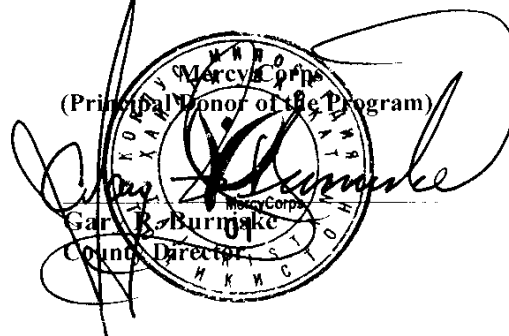
On behalf of

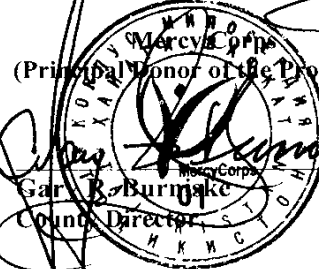
NABWT
(Micro-finance Program Implementing Agency)


Sanavbar Shakhmurova
Executive Director



Mercy Corps
(Principal Sponsor of the Program)


Gary R. Burniske
Country Director



November 25, 2005

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

Statement of changes in surplus of assets and liabilities

	Capital employed by Mercy Corps	Capital employed by GAA	Capital employed by MEDA	Retained earnings	Total surplus of assets and liabilities
	TJS	TJS		TJS	TJS
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
Net result for the year	1,327,605	-	1,016,673	83,730	2,428,008
Balance at June 30, 2005	7,056,013	78,418	1,016,673	614,109	8,765,213

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')
January 1 – June 30, 2005**

Statement of cash flows

	<u>Notes</u>	<u>30-June-05</u>	<u>31-Dec-04</u>
		TJS	TJS
Net result		83,730	325,108
Depreciation		74,339	62,336
Cash flows from operating profits before changes in operating assets and liabilities		158,069	387,444
<i>Changes in operating assets and liabilities</i>			
Net (increase)/decrease in loans and advances to customers		(2,213,617)	(1,739,846)
Net (increase)/decrease in other assets		6,974	(52,183)
Net increase/(decrease) in liabilities to customers demand and time deposits		-	(12,820)
Net increase/(decrease) in other liabilities		(26,457)	(22,898)
Net cash used in operating activities		(2,075,031)	(1,440,303)
Cash flows from investing activities			
Purchase of property and equipment		(178,346)	(340,118)
Proceeds from sales of property and equipment		17,172	-
Net cash (used in)/from investing activities		(161,174)	(340,118)
Cash flow from financing activities			
Net increase/(decrease) in capital employed by Mercy corps		1,327,605	1,661,443
Net increase/(decrease) in capital employed by GAA		-	78,418
Net increase/(decrease) in capital employed by MEDA		1,016,673	-
Net increase/(decrease) in funds received from other agencies		(60,914)	(14,622)
Net cash from financing activities		2,283,364	1,725,239
Net decrease in cash and cash equivalents		47,159	(55,182)
Cash and cash equivalents at beginning of year		340,785	395,967
Cash and cash equivalents at end of year	12	387,944	340,785

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')
January 1 – June 30, 2005**

The exchange rates used for the financial report are the official exchange rates as issued by the National Bank of Tajikistan. As of June 30, 2005 and December 31, 2004 the principal exchange rates were:

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
1 US dollar =	3.1160	3.0370
10 Russian rouble =	1.0888	1.0911
1 euro =	3.7598	4.0866
1 pound sterling =	5.6749	5.8265

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')
January 1 – June 30, 2005**

Notes to the income statement

4 Net interest income

	Jan 1 – June 30, 2005	2004
	TJS	TJS
<i>Interest and similar income</i>		
Interest on loans	1,378,195	2,111,423
Fees on loans	220,905	309,747
Penalty income on loans	19,586	42,512
Income from non financial services	537	-
FX income on loans	4,209	2,485
	<u>1,623,432</u>	<u>2,466,167</u>
<i>Interest expense and similar charges</i>		
FX expenses on loans	-	(2,729)
	<u>-</u>	<u>(2,729)</u>

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

	Jan 1 – June 30, 2005	2004
	TJS	TJS
Training courses	-	1,283
Rent income	-	4,775
Interest income on the bank account	237	144
	<u>237</u>	<u>6,202</u>

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')
January 1 – June 30, 2005**

6 General and administrative expenses

	Jan 1 – June 30, 2005	2004
	TJS	TJS
Staff costs (note 8)	734,983	874,099
Depreciation	74,340	62,337
Facilities	13,964	17,267
Communication	28,383	26,520
Transport	66,795	96,657
Rent	54,062	71,366
Stationery	22,795	22,318
Training of clients	31,294	44,306
Cost of bank charges	23,255	18,180
Audit fee (including VAT)	28,266	39,650
Advertisements	9,258	6,377
Maintenance of fixed assets and other office running costs	59,658	71,512
Printing and photocopying	6,942	5,979
Legal services	842	9,133
Other expenses	45,205	18,287
	1,200,042	1,383,988

7 Staff costs

	Jan 1 – June 30, 2005	2004
	TJS	TJS
Wages and salaries (net)	486,400	549,570
Taxes and contribution on salary	136,501	167,464
Travel costs	45,890	51,565
Paid incentive fees	53,350	66,121
Other	12,842	39,379
	734,983	874,099

Salaries and employee benefits include bonuses and holiday allowances. The average number of persons employed by the Program during the period January 1, 2005 – June 30, 2005 is 122 (2004: 95).

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

8 Impairment (gains)/losses on loans

	Jan 1 – June 30, 2005	2004
	TJS	TJS
Impairment on loans and advances to customers	133,045	49,996
Release of provision	(50,196)	-
	82,849	49,996

9 Grant funds employed by the Program during the year

	Jan 1 – June 30, 2005	2004
	TJS	TJS
Donation Mercy Corps	980,580	657,146
Other	1,106,650	372,167
	2,087,230	1,029,313

Other relates to grants received from other donors.

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 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')
January 1 – June 30, 2005**

Notes to balance sheet

11 Cash and cash equivalents

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Cash Mercy Corps in TJS	-	110
Bank Mercy Corps in TJS	226,267	174,254
	<u>226,267</u>	<u>174,364</u>
Subtotal Mercy Corps	226,267	174,364
Cash MEDA in TJS	15,049	-
Bank MEDA in TJS	7,237	-
	<u>22,286</u>	<u>-</u>
Subtotal MEDA	22,286	-
Cash in TJS	-	99,594
Bank in TJS	89,726	40,058
Bank in USD	49,665	26,769
	<u>387,944</u>	<u>340,785</u>

12 Loans and advances to customers

12.1 General

The breakdown of the loan portfolio is as follows:

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Loans outstanding	7,835,848	5,553,291
Provision for impairment on loans	(117,926)	(48,986)
	<u>7,717,922</u>	<u>5,504,305</u>

Loans are generally due within 6-9 months for groups and within 18-24 months for individuals.

The interest is charged between 3.5% and 4.5% on a monthly basis for group lending.

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

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.

12.2 Analysis of loans outstanding by sector

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Individual, trade	5,203,676	4,106,415
Agriculture	1,685,089	878,062
Individual, production	400,701	208,314
Services	546,382	360,500
	<u>7,835,848</u>	<u>5,553,291</u>
Total	7,835,848	5,553,291

12.3 Geographical analysis of loans outstanding

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Khujand	4,746,584	3,125,536
Dushanbe	1,305,844	1,007,375
Shartuz	1,783,420	1,420,380
	<u>7,835,848</u>	<u>5,553,291</u>

12.4 Analysis of loans outstanding by type of collateral

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Real estate	1,728,485	1,830,509
Solidarity group	5,670,188	3,582,112
Guarantees	276,980	68,893
Leasing	9,231	
Loans to staff	150,964	71,777
	<u>7,835,848</u>	<u>5,553,291</u>
Total	7,835,848	5,553,291

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

12.5 Arrears

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
1-30 days	38,284	2,910
31-60 days	26,609	28,722
61-90 days	1,728	1,388
>90 days	27,837	9,932
	<u>94,458</u>	<u>42,952</u>

12.6 Provision for impairment losses

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Opening balance January 1	48,986	31,451
Impairment (gains)/losses on loans	82,849	49,996
Bad debts written off	(13,909)	(32,461)
	<u>117,926</u>	<u>48,986</u>

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

13 Property and equipment

	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
Movements					
Additions	-	71,444	53,393	53,509	178,346
Disposals	(17,172)	(8,765)	(1,699)	-	(27,636)
Disposals reversal	-	8,765	1,699	-	10,464
Depreciation	-	(55,079)	(11,602)	(7,657)	(74,339)
As at June 30, 2005					
Cost	-	402,149	179,869	183,571	765,589
Accumulated depreciation	-	(119,576)	(36,332)	(12,549)	(168,457)
Net book value	-	282,573	143,538	171,022	597,132

Property and equipment is not insured.

14 Other assets

	30-June-05	31-Dec-04
	TJS	TJS
Accrued interest on loans	106,155	81,487
Payment in advance	376	915
Social security funds	414	447
Advances to employees	-	782
Due from SIDA	-	30,187
Other	-	101
	106,945	113,919

15 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

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

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.

16 Other liabilities

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Audit fee payable	15,861	39,650
Excess payments received	1,138	2,197
Other	-	1,609
	<u>16,999</u>	<u>43,456</u>

17 Capital employed by Mercy Corps

The movement in the grant reserves is as follows:

	<u>30-June-05</u>	<u>31-Dec-04</u>
	TJS	TJS
Loan capital	6,829,746	5,542,594
Mercy Corps cash on hand	226,267	174,364
Other assets/(liabilities)	-	11,450
Total capital employed by Mercy Corps	<u>7,056,013</u>	<u>5,728,408</u>
	<u>2005</u>	<u>2004</u>
	TJS	TJS
Opening balance	5,728,408	4,066,965
Distribution of results	1,327,605	1,661,443
Total capital employed by Mercy Corps	<u>7,056,013</u>	<u>5,728,408</u>

**Micro-credit program as implemented by the
National Association of Business Women of Tajikistan ('NABWT')
January 1 – June 30, 2005**

18 Capital employed by GAA

	30-June-05	31-Dec-04
	TJS	TJS
Loan capital	36,017	10,697
GAA cash on hand	42,401	67,721
Total capital employed by GAA	78,418	78,418
	2005	2004
	TJS	TJS
Opening balance	78,418	-
Distribution of results	-	78,418
Total capital employed by GAA	78,418	78,418

19 Capital employed by MEDA

	30-June-05	31-Dec-04
	TJS	TJS
Loan capital	970,085	-
MEDA cash on hand	22,286	-
Cash for operational expenses	24,302	-
Total capital employed by MEDA	1,016,673	-
	2005	2004
	TJS	TJS
Opening balance	-	-
Distribution of results	1,016,673	-
Total capital employed by MEDA	1,016,673	-

20 Retained earnings

	2005	2004
	TJS	TJS
Opening balance	530,379	205,271
Distribution of results	83,730	325,108
Closing balance	614,109	530,379

21 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	
	30-June-05	31-Dec-04
Capital employed by Mercy Corps	7,056,013	5,728,408
Capital employed by GAA	78,418	78,418
Capital employed by MEDA	1,016,673	-
Total	8,151,104	5,806,826

22 Directors’ remuneration

A listing of the members of the Management Board is shown on page 6. For the period January 1 – June 30, 2005 the total remuneration of the management amounts to TJS 78,179 (2004: TJS 107,207). The Board of Directors as shown on page 6 has not received any remuneration during the period January 1 – June 30, 2005 (2004: TJS 630).

23 Commitments and contingencies

23.1 Undrawn loan commitments

The Program has no undrawn loan commitments.

23.2 Other contingencies

There are no other contingencies.

24 Post-balance sheet events

The Program terminated its operations on June 30, 2005 due to establishment of a Micro-loan fund “Imon” which took over the Program’s activities.

On June 30, 2005 National Association of Business Women of Tajikistan and the Micro-loan fund “Imon” signed an agreement on transferring funds from the Microfinance Program as was implemented by NABWT to “Imon”. According to the agreement all assets (loan portfolio, cash on hand and in bank, fixed assets, intangible assets and other assets), funds employed by MC, MEDA, GAA and other liabilities (short-term and long term liabilities) of the Program at June 30, 2005 have become opening balance of “Imon” accounts.

The Fund shall carry out its activities in accordance with the Constitution of the Republic of Tajikistan, the Civil Code of the Republic of Tajikistan, the Law on Microfinance Organizations, normative acts of the National Bank of the Republic of Tajikistan, other applicable laws and regulations of the Republic of Tajikistan and this Charter (hereinafter the “Charter”).