

**World Vision AzerCredit
Limited Liability Company**

Financial Statements

*Year ended December 31, 2006
with Report of Independent Auditors*

World Vision AzerCredit Limited Liability Company

Financial Statements

December 31, 2006

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Address: J. Jabbarli str.44
Caspian Plaza 11th floor
Tel: (+99 412) 436 86 46
Fax: (+99 412) 436 86 56
E-mail:
office@tidconsulting.com
www.tidconsulting.com



Ünvan: C.Cabbarlı küç.44
Kaspian Plaza 11-ci mərtəbə
Tel: (+99 412) 436 86 46
Faks: (+99 412) 436 86 56
E-mail:
office@tidconsulting.com
www.tidconsulting.com

Report of Independent Auditors

To the Shareholders of World Vision AzerCredit LLC:

We have audited the accompanying balance sheet of WorldVision AzerCredit LLC (the "Company") as of December 31, 2006, and the related statement of operations, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

The Company uses two different methods to recognize its interest income, which are inconsistent. Interest income is the main type of revenue generated by the Company. The Company recognized the interest income of AZN 1,153,157 for the year ended December 31, 2006. Implementation of unified method of interest income recognition might have resulted in different amount of interest income and, accordingly, in different results as of the year-end.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the amount of interest income for the year ended December 31, 2006, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 30, 2007

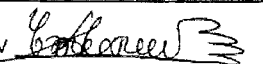
TID AUDIT

A handwritten signature in black ink, appearing to be 'J. Jabbarli', is written over the printed name 'TID AUDIT'.

«WORLD VISION AZERCREDIT» LLC
BALANCE SHEET as of 31 December 2006
(In AZN)

	Notes*	2006	2005
ASSETS			
Current assets			
Cash and cash equivalents	4	53 769	199 633
Gross portfolio outstanding	5	3 628 001	2 140 474
(Loan Loss Allowance)	6	(2 754)	(16 070)
Accrued interest receivable		29 602	14 703
Inter branch receivables		79 007	74 167
Prepaid taxes		42 848	-
Other short-term assets	7	8	-
Prepaid expenses		1 541	2 391
Total current assets		3 832 022	2 415 298
Non-current assets			
Fixed assets, net of depreciation	8	49 393	29 707
Total non-current assets		49 393	29 707
TOTAL ASSETS		3 881 415	2 445 005
LIABILITIES AND EQUITY			
Current liabilities			
Concessional loans-short term portion	9	790 282	9 186
Inter branch payables		79 007	74 167
Accrued interest payables		-	115
Accrued expenses		20 791	15 053
Payable to State Budget		63 150	42 862
Other liabilities	10	62 318	30 940
Total Current liabilities		1 015 548	172 323
Non-current LIABILITIES			
Concessional loans-long term portion	9	1 377 876	973 195
Total non-current liabilities		1 377 876	973 195
TOTAL LIABILITIES		2 393 424	1 145 518
EQUITY			
Shareholders' equity	11	4 842	4 842
Retained earnings	12	312 207	128 150
Donated equity	13	1 170 942	1 166 495
Total equity		1 487 991	1 299 487
TOTAL LIABILITIES AND EQUITY		3 881 415	2 445 005

Gerlof de Korte _____

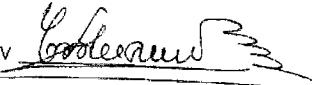
Vasif Jalilov 

* The accompanying notes on pages 6-22 are an integral part of these financial statements.

«WORLD VISION AZERCREDIT» LLC
INCOME STATEMENT for the year ending at 31 December 2006
(In AZN)

	Notes*	2006	2005
Interest income		1 153 157	844 995
Total financial Income		1 153 157	844 995
Interest fee on borrowings		77 345	27 853
Other financial expenses		57 402	65 453
Total financial expenses		134 747	93 306
Gross financial margin		1 018 410	751 689
Total loan losses provision		1 551	(598)
Net financial margin		1 019 961	751 091
Other operational income	14	9 587	66 294
Operating expenses	15	(789 345)	(658 504)
Personnel expenses		(441 829)	(383 937)
Salaries and benefits		(441 829)	(383 937)
Administrative expenses		(347 516)	(274 567)
Transportation		(20 580)	(19 711)
Office Rental Costs		(65 368)	(58 950)
Rent of Guesthouse		(9 809)	(320)
Hospitality		(1 064)	(378)
Communications		(31 358)	(29 931)
Utilities		(5 773)	(4 857)
Publications		(6 831)	(5 007)
Office supplies		(27 422)	(15 320)
Depreciation		(21 287)	(18 993)
Professional fees-advertising, legal, audit		(11 661)	(22 726)
Insurance		(1 420)	(1 733)
Training and technical assistance		(3 620)	(2 172)
Bank charges		(50 393)	(37 204)
Business travel expenses		(25 419)	(7 756)
Membership fees		(689)	-
Office Security		(40 592)	(37 291)
Property tax		(549)	(422)
Other tax expenses		(23 361)	-
Other operational costs		(320)	(11 796)
Net operational income/loss before tax		240 203	158 881
Profit tax	16	(62 578)	(42 426)
Unaccrued taxes for last years		-	-
Net income/loss before donation		177 625	116 455
Grants		6 432	-
Donations		6 432	-
Non-operational costs		-	-
Net income/loss		184 057	116 455

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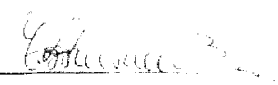
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«WORLD VISION AZERCREDIT» LLC
CASH FLOW STATEMENT for the year ending at 31 December 2006
(In AZN)

	2006	2005
<u>CASH FLOW from OPERATIONS</u>		
Cash received:	1 162 744	852 819
Interest and fee income	1 153 157	841 095
Other income	9 587	7 824
Cash paid:	(961 742)	(716 773)
for Interest expenses	(77 345)	(27 854)
to Customers, employees, etc.	(884 397)	(688 919)
(Increase)/decrease in operating assets	(1 544 433)	(253 078)
(Increase) in Loan Portfolio	(1 487 527)	(250 881)
Decrease in other short-term assets	(56 906)	(2 197)
Increase in operating liabilities	822 979	(17 494)
Increase in short-term liabilities	822 979	(17 494)
Cash (outflow) from operating activity	(520 452)	(134 526)
<u>CASH FLOW from INVESTMENTS</u>		
Purchase of Fixed Assets	(40 973)	(10 856)
Cash (outflow) from investing activities	(40 973)	(10 856)
<u>CASH FLOW from FINANCING</u>		
on Subsidized Loans	404 681	75 394
Donations	10 880	6 081
Cash inflow from financing	415 561	81 475
NET INCREASE/(DECREASE) IN CASH	(145 864)	(63 907)
Cash and Cash Equivalents-Beginning of the year	199 633	263 540
Cash and Cash Equivalents-End of the year	53 769	199 633

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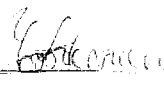
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«WORLD VISION AZERCREDIT» LLC
STATEMENT OF CHANGES IN EQUITY for the year ending at 31 December 2006
(In AZN)

	Share holder capital	Retained income/loss	Donations	Total
31 December 2004	4 842	11 695	1 166 495	1 183 032
Net income/loss	-	116 455	-	116 455
31 December 2005	4 842	128 150	1 166 495	1 299 487
Net income/loss	-	184 057	-	184 057
Grants received	-	-	4 447	4 447
31 December 2006	4 842	312 207	1 170 942	1 487 991

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The accompanying notes on pages 6-22 are an integral part of these financial statements.

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(In AZN, unless otherwise indicated)

Note 1: Organization and principal activities

"World Vision AzerCredit" LLC (hereafter the "Organization") is a financial organization founded by "World Vision International" to provide financial services on a sustainable basis to working poor men and women, and others who do not have access to other financial sources. The main objective of the Organization is to enable working men and women, including internally displaced persons, to be free of humanitarian and financial assistance and take the economic responsibility for their own lives.

The Organization was founded as the Savings and Credit Project under "World Vision International" international humanitarian organization in 1996. On 30 December, 2002 the Organization was registered as a limited liability company at the Ministry of Justice of Azerbaijan Republic with registration certificate #1095. On 30 September, 2003 the organization obtained a licence to conduct lending activities from the National Bank of Azerbaijan Republic. The licence was registered with registration number 02-10/392 dated 30 September 2003 in the National Bank's Central Register. The organization has branches in Baku, Imishli, Horadiz (Fizuli region), Mingachevir, Ganja, Khazah, Goranboy and the head office in Baku.

The Organization's activities are within Azerbaijan Republic. The Organization's principal business activity is lending; it does not attract deposits or savings in any form from the public.

The legal address of the Organization is J. Jabbarli 40, Baku.

The Organization had 91 employees as at the end of 2006.

Note 2: Basis of presentation

The Organization maintains accounting records and prepares its financial statements according to Azerbaijan law in compliance with "The Law on Banks and Banking Activity", procedures and instructions of the National Bank, which in majority comply with the International Financial Reporting Standards (IFRS). These financial statements have been prepared on the basis of above-mentioned reporting with adjustments necessary for its conformity in all material aspects with IFRS issued by the International Accounting Standards Board (IASB).

Financial statements have been prepared based on historical cost principle. Revenues and expenses are recognized on accrual basis.

These financial statements are presented in the national currency of Azerbaijan Republic, i.e. manats (AZN).

The financial statements cover the period from 1 January, 2006 to 31 December, 2006.

Note 3: Significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances on accounts with the commercial banks.

b) Loans, Loan Loss Allowance and Write-offs

Loans are stated at outstanding principal balances of loans. The Organization estimates loan loss allowances based on the regulations of the National Bank. Current provisioning rates applied are as follows:

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(Amounts in AZN, unless otherwise indicated)

Note 3: Significant accounting policies (continued)

Portfolio status:

	Rate:
1-60 days past due	30%
61-180 days past due	60%
181 days and more	100%

The loan loss allowance is defined by applying the allowance rate to the outstanding balance of respective loan groups and adjusted on a monthly basis to bring it to an adequate level. Fundamental factors considered in defining allowance are: amount and days in arrears, number of rescheduling, changes in borrower's financial conditions, value and adequacy of loan collateral. Loans that are past due 360 days are written-off from the corresponding balance sheet account after the approval by the Supervisory Council. Write-off of loans is charged against loan loss allowance. Repayment of written-off loans is recorded as an income.

c) Interest and fees

Interest is accrued on outstanding balance of loans and recognized as income when it is earned. Prepaid interest amount is registered under liabilities in the balance sheet as deferred income. Payments by borrowers are applied to cover the interest first, then principal amount. Interest accrual is stopped when the loan becomes past due 90 days and more. A non-accrual loan is restored to accrual status if repayment of due interest and principal amounts is reasonably assured and the borrower has made the loan compliant with loan terms. No fees are charged for group loans and 1% fee is applied for individual loans at loan disbursement.

d) Property and Equipment

Property and equipment is stated at historical cost and equipment, less accumulated depreciation. Replacements and improvements which materially extend the useful lives of the assets are capitalized, while routine repairs and maintenance are charged to expense when occurred. Depreciation expenses are charged when fixed assets are put into service. For depreciation expenses, a straight-line method over the estimated useful lives of the related assets is used. Estimated useful life of vehicles is 5 years, of computers is 4 years, of furniture is 5 years. Equipments are 50% off as expense when they are purchased and 50% off when the equipments are useless.

e) Intangible assets

Intangible assets that are directly associated with the organization's operations represent costs for the bank license received from the National Bank. Depreciation of the intangible assets is provided by using a straight-line method over estimated useful life of the asset that is 10 years.

f) Donations

Donations for both loan portfolio and operating expenses are recorded in the Income Statement below net operating income. Donations received in the current year, but intended for the next years appear on the balance sheet as deferred income.

g) Share capital

Share capital made in the form of assets other than cash is stated at the fair value at the date of contribution.

«WORLD VISION AZERCREDIT» LLC
 NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
 (Amounts in AZN, unless otherwise indicated)

Note 4: Cash and cash equivalents

Banks:

International Bank of Azerbaijan Republic.

Capital Bank

Description	2006	2005
Cash in hand	5 838	12 494
Cash in banks, manat account	47 931	187 139
Total cash and cash equivalents	53 769	199 633

Note 5: Loans

Loans are issued in Azerbaijan manats with portfolio concentration in micro and small entrepreneurs engaged in trade, service, production/processing and agriculture. Primary lending methodology so far has been uncollateralized group lending. Since 1996 the organization has started offering individual loans as well. Loan amounts range from US\$ 100 up to US\$ 10 000 and are repaid with monthly installment. The interest rates are charged at 2% - flat interest rate (only in Horadiz), 3% - 4% monthly for group loans and for individual loans calculated on declining balance method. The Organization had 8 331 outstanding loans as at 31 December 2006 and 5 830 loans at the end of 2005. Monthly disbursements and repayments in 2006 have been as presented in below table:

	2006	Outstanding balance, beginning of period	Disbursed	Repaid	Written off loans	Outstanding balance, end of period
1	January	2 140 474	328 110	323 736	-	2 144 848
2	February	2 144 848	397 984	315 782	-	2 227 050
3	March	2 227 050	506 758	331 526	-	2 402 282
4	April	2 402 282	443 135	346 479	-	2 498 938
5	May	2 498 938	479 973	366 401	10 878	2 601 632
6	June	2 601 632	592 949	374 039	-	2 820 542
7	July	2 820 542	527 464	406 500	-	2 941 506
8	August	2 941 506	532 284	415 840	-	3 057 950
9	September	3 057 950	630 918	430 993	-	3 257 875
10	October	3 257 875	649 215	461 506	-	3 445 584
11	November	3 445 584	551 391	473 556	-	3 523 419
12	December	3 523 419	598 141	492 673	886	3 628 001
	Total:		6 238 322	4 739 031	11 764	

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(Amounts in AZN, unless otherwise indicated)

Note 5: Loans (continued)

A loan is considered past due if it is not paid on due date as scheduled in the loan contract and is late one day or more. The Organization has internal delinquency management policy and procedures guidelines that provide the loan collection measures to be taken when a loan becomes past due. Dependent on the reason of delinquency the Central Credit Committee may decide to reschedule the past due loan. Allowance for rescheduled loans are made at higher loss coverage rates than for normal loans. The amount of written-off loans during 2006 were 11 764 AZN

Portfolio report as of 31 December, 2006

	2006	2005	2006	2005
	Amount in Arrears	Amount in Arrears	Portfolio at Risk	Portfolio at Risk
1-30 days past due	1 050	220	5 967	1 020
31-60 days past due	332	885	974	4 073
61-90 days past due	204	485	572	557
91-180 days past due	-	977	-	1 820
181-360 days past due	268	12 647	329	13 296
361 and more days past due	-	-	-	-
Total:	1 854	15 212	7 842	20 466

Loan portfolio concentration by sectors

	2006	2005
Trade	1 244 122	616 848
Agriculture	1 816 917	1 219 751
Service	427 988	184 938
Production	138 974	118 937
Other	-	-
Total:	3 628 001	2 140 474

«WORLD VISION AZERCREDIT» LLC
 NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
 (Amounts in AZN, unless otherwise indicated)

Note 6: Allowance for loan losses

Loan loss allowance according to portfolio aging categories is as follows:

Rate of Loan allowance	2006	
	Loan portfolio	Loan allowance
Allowance for current portfolio	3 620 159	
Allowance for current portfolio 30%	6 941	2 082
Allowance at 60% covering	572	343
Allowance at 100% covering	329	329
Total:	3 628 001	2 754

Rate of Loan allowance	2005	
	Loan portfolio	Loan allowance
Allowance for current portfolio	2 120 008	
Allowance for current portfolio 30%	5 093	1 528
Allowance at 60% covering	2 077	1 246
Allowance at 100% covering	13 296	13 296
Total:	2 140 474	16 070

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(Amounts in AZN, unless otherwise indicated)

Note: 7 Allowance for loan losses (continued)

	2006	2005
Gross loan portfolio outstanding	3 628 001	2 140 474
Loan loss allowance	(2 754)	(16 070)
Loan portfolio, net of allowance	3 625 247	2 124 404

Changes in loan loss allowance:

Allowance for loan losses at 01 January 2005	15 471
Increase in allowance for loan losses	9 381
Decrease in allowance due to repayment of bad loans Loans written-off	(8 782)
Allowance for loan losses at 31 December 2005	16 070
Increase in allowance for loan losses	9 459
Decrease in allowance due to repayment of bad loans Loans written-off	(11 011)
Allowance for loan losses at 31 December 2006	2 754

Note 7: Other short-term assets

	2006	2005
Due from employees	8	-
Total	8	-

Due from employees represent balance of cash given to administrative persons to carry out payments for office supplies, utilities and other expenses. After submitting report on expenditures paid for, the balance is either returned to the cashier or carried forward to cover next period expenses.

«WORLD VISION AZERCREDIT» LLC
 NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
 (Amounts in AZN, unless otherwise indicated)

Note 8: Fixed and intangible assets

	Computers and equipment	Office furniture	Vehicles	Other assets not valuable	Total Fixed Assets	Intangibl e assets
Cost						
At 01 January 2006	63 587	49 585	35 065	-	148 237	3 742
Additions	16 541	9 685	10 612	4 136	40 974	-
Written-off assets	(11 298)	(2 997)	-	-	(14 295)	-
At 31 December 2006	68 830	56 273	45 677	4 136	174 916	3 742
Depreciation						
At 01 January 2006	46 679	39 966	31 885	-	118 530	3 742
Charge for the year	11 437	5 057	2 726	2 068	21 288	-
Written-off assets	(11 298)	(2 997)	-	-	(14 295)	-
At 31 December 2006	46 818	42 026	34 611	2 068	125 523	3 742
At 01 January 2006	16 908	9 619	3 180	-	29 707	-
At 31 December 2006	22 012	14 247	11 066	2 068	49 393	-

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(Amounts in AZN, unless otherwise indicated)

Note 9: Long-term and short-term loans

In 2003 the Organization signed a loan agreement with the Social Fund for the Development of Internally Displaced Persons (SFDI) for an interest-free loan at amount of 98 000 AZN. The loan is due to be repaid after 2 years grace period in following 3 years with 12 equal quarterly installments beginning from January 1, 2006. No physical collateral is pledged for this loan.

The Organization also has outstanding loan balance with UNHCR/UMCOR at amount of US\$ 10,000 with a 0% interest according to the loan agreement signed in 2001. The loan was received and is repaid in US dollars.

In 2006 the Organization signed an agreement with Blue Orchard at amount of US\$ 100 000. This loan repaid during the year with 2 half-year installments with the interest 6,25%+US\$ Libor.

In 2001 the Organization borrowed US\$ 315 000 from WVPO on unlimited period with 0% interest.

In 2004 the Organization borrowed US\$ 299 995 from WV US on a four year period with a 4,5% interest quarterly installments.

SCRI lent the Organization an interest-free loan at amount of US\$ 105 500 in 2004.

In December, 2006 VF Credo lent the Organization two loans. On December 12, the Organization borrowed US\$ 49 995 on a six months period with a 10, 56% interest. On December 20, the Organization received second loan at amount of US\$ 99 995 on a three months period with a 16% interest.

In 2005 the Organization borrowed US\$ 199 995 from Vision Fund on a 1 year and 9 months period with a 6, 8% interest. In 2006 Vision Fund lent three loans to the Organization. The first loan was given at amount of US\$ 350 000 on a one year and three months period with a 6, 8% interest. The second loan at amount of US\$ 600 000 was launched on a three year period with an 8, 8% interest. The third loan was received at amount of US\$ 250 000 on a three year period with a 9, 5% interest.

The table below shows outstanding balances per each loan borrowed at the beginning of the year and movements during the year:

«WORLD VISION AZERCREDIT» LLC
 NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
 (Amounts in AZN, unless otherwise indicated)

Note 9: Long-term and short-term loans (continued)

	Lender	Loan agreement	Opening balance	Received during the year	Payback during the year	Difference	Closing balance
1	SFDT	Dated 23 December 2003	98 000	-	16 333	-	81 667
2	UNHCR/UMCOR	Dated September 2001	9 186	-	-	472	8 714
3	WVPO	Dated December 2001	289 359	-	-	14 868	274 491
4	WV US	Dated 20 February 2004	275 575	-	-	14 160	261 415
5	SCRI	Dated 7 April 2004	103 580	-	51 791	-	51 789
6	VF Credo	Dated 12 December 2006	-	43 566	-	-	43 566
7	VF Credo	Dated 20 December 2006	-	87 136	-	-	87 136
8	Blue Orchard	Dated 20 October 2006	-	87 330	-	190	87 140
9	Vision Fund	Dated 9 December 2005	183 715	-	-	9 440	174 275
10	Vision Fund	Dated 9 March 2006	-	318 150	-	13 160	304 990
11	Vision Fund	Dated 2 June 2006	-	591 096	-	15 971	575 125
12	Vision Fund	Dated 19 September 2006	-	219 000	-	1 150	217 850
	Total						2 168 158

«WORLD VISION AZERCREDIT» LLC
NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
(Amounts in AZN, unless otherwise indicated)

Note 10: Other liabilities

	2006	2005
Other liabilities (amounts on client's accounts)	62 318	30 940
Total other liabilities	62 318	30 940

Note 11: Shareholders' capital

Announced shareholders' capital of the Organization as for December 31, 2006 is **4 842** AZN. "World Vision International" is the founder of the Organization.

Founder	Amount	Share %
World Vision International	4 842	100
Total share capital	4 842	100

Note 12: Retained earnings

In 2006 the Organization's net operating income after taxes amounted **312 207** AZN.

Note 13: Donation

Donation	Date	Target	Amount	
			AZN	USD
WVI from BP	Oct'02-Sep'04	For loan capital	44 080	\$45 000
WVI from WV US	Sep'01-Oct'03	For loan capital	81 047	\$82 650
WVI from USAD/MCI	Jun'98	For loan capital	177 669	\$181 184
WVI from WV Canada	Dec'01	For loan capital	179 776	\$183 333
WVI from SIDA	Dec'01-Mar'04	For loan capital	207 923	\$212 037
WVI from ARRA	Sep'98-Sep'01	For loan capital in Horadiz branch	425 059	\$433 468
WVI from UNDP	Sep'98-Sep'01	For loan capital in Horadiz branch	17 967	\$18 323
WV Azerbaijan	Dec'06	For loan capital in Terter and Agjebedi regions	4 447	\$-
WVI from WV US	Sep'01	For purchase of Fixed Assets	32 974	\$32 334
Total			1 170 942	\$1 188 329

«WORLD VISION AZERCREDIT» LLC
 NOTES TO FINANCIAL STATEMENTS as of December 31, 2006
 (Amounts in AZN, unless otherwise indicated)

Note 14: Other operating income

	2006	2005
Income from termination of contract	654	-
Refund of over paid expenses	-	59 484
Income from written off clients	8 929	6 821
Total	9 587	66 294

Note 15: Operating expenses

	2006	2005
Salaries and benefits	(441 829)	382 057
Transportation	(20 580)	19 711
Office Rental Costs	(65 368)	58 350
Rent of Guesthouse	(9 809)	320
Hospitality	(1 064)	1 378
Communications	(31 358)	29 871
Utilities	(5 773)	41 857
Publications	(6 831)	7 007
Office supplies	(27 422)	19 120
Depreciation	(21 287)	19 992
Professional fees-advertising, legal, audit	(11 661)	21 726
Insurance	(1 420)	41 733
Training and technical assistance	(3 620)	(2 172)
Bank charges	(50 393)	(37 294)
Business travel expenses	(25 419)	(7 756)
Membership fees	(689)	-
Office Security	(40 592)	127 041
Property tax	(549)	1 412
Other tax expenses	(23 361)	-
Other operational costs	(320)	11 796
Total	(789 345)	(658 504)

Note 16: Taxation

In previous years the Organization accrued profit tax was at amount of **42 426** AZN. However, in 2006 the Organization's profit tax increased to **62 578** AZN.

«WORLD VISION AZERCREDIT» LLC
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Note 17: Commitments and contingent liabilities

a) Social insurance contributions and income taxes

The Organization did not accrue and pay social contributions calculated as 22% of total salary fund in 2005 as according to the amendments to the Law of Azerbaijan Republic on Social Insurance effective from 1 January 2005 development organizations, including microfinance organizations were exempted from the social payment. Though social contributions expense has been accrued for eight months of the year 2004 (before that the law did not require organizations paying salary from grant to make social contributions) before the amendment to the law came into force, the Organization has not been required to pay off this amount and the management believes it is not definite whether it will be required to do it. This amount has been added to the other income. A 3% deduction to the Social Fund is withheld from salary to employees.

Income taxes on salaries to personnel, on payments to other contracted physical persons and on rent payments have been withheld according to the Tax code of Azerbaijan republic and paid on destination.

b) Legal proceedings

The Organization was not engaged in any litigation proceedings in 2005. No claims from customers and counterparties have been received during 2005. The management estimates no material unaccrued losses could incur and accordingly no provision for such losses have been made.

Note 18: Events after the balance sheet date

In October 2006 the Organization received loan from Blue Orchard investment fund at amount of US\$ 100 000.00 for one year. The loan bears floating interest rate at US\$ LIBOR + 6, 25%.

In May and December 2006 the Supervisory Council of the Organization approved the write-off of the outstanding balances of 41 loans past due more than 360 days at amount of 11 764 AZN.

In December 2006 the Organization signed a loan agreement with the VF Credo for a loan amount of 130 771 AZN (\$ 149 990) for expansion of lending activities in Baku and surrounding areas. The loan was granted for a period of 3 - 6 months at interest rate of 10, 56 - 16 %.

In 2006 the Organization signed a loan agreement with the Vision Fund for a loan amount of 1 128 246 AZN (\$ 1 260 000) for expansion of lending activities in Baku and surrounding areas. The loan was granted for a period of 3 years at interest rate of 6, 80 - 9, 50 %.

Note 19: Transactions with related parties

The Organization's policy does not allow issuing loans to employees, board members, their family members and close relatives, and other persons involved in the management, control or supervision of the Organization. Therefore, the Organization did not have insider loans as at 31 December 2006.

Note 20: Risks Management

Management of risk is fundamental to the organization's business and is an essential element of the organization's operations. The main risks inherent to the organization's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the organization's risk management policies in relation to those risks follows.

The Organization manages the following risks:

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Note 20: Risks management (continued)

a) Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. The risk is principally mitigated because the organization's operations are primarily financed by operating income and donations received in previous years, and no material financial commitments exist. As an additional tool to manage the liquidity risk, the organization performs regular monitoring of expected future cash flows on customer and other operations, which is a part of the assets/liabilities management process.

The organization's loan tracking management information system allows extraction of information on the maturity of the loans. The following table presents an analysis of the liquidity risk.

	2006								
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Overdue	Maturity not defined	Total
ASSETS									
Current assets									
Cash and cash equivalents	53 769	-	-	-	-	-	-	-	53 769
Gross portfolio outstanding	13 197	510 509	340 339	2 593 283	170 673	-	-	-	3 628 001
(Loan Loss Allowance)	-	-	-	-	-	-	-	(2 754)	(2 754)
Accrued interest receivable	108	4 165	2 777	21 160	1 392	-	-	-	29 602
Other short term assets	123 404	-	-	-	-	-	-	-	123 404
Non-current assets									
Fixed assets, net of depreciation	-	-	-	-	49 393	-	-	-	49 393
Intangible assets, net of depreciation	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	190 478	514 674	343 116	2 614 443	221 458	-	-	(2 754)	3 881 415
LIABILITIES									
Accrued interest payable	-	-	-	-	-	-	-	-	-
Other liabilities	162 948	37 391	24 927	-	-	-	-	-	225 266
Short term loans	43 256	-	69 915	577 111	-	-	-	-	790 282
Long term loans	-	-	-	-	1 377 876	-	-	-	1 377 876
TOTAL LIABILITIES	206 204	37 391	94 842	677 111	1 377 876	-	-	-	2 393 424
Liquidity gap	(15 726)	477 283	248 274	1 937 332	(1 156 418)	-	-	-	-

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Note 20: Risks management (continued)

									2005
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Overdue	Maturity not defined	Total
ASSETS									
Current assets									
Cash and cash equivalents	199 633	-	-	-	-	-	-	-	199 633
Gross portfolio outstanding	9 652	366 696	244 464	1 498 948	20 714	-	-	-	2 140 474
(Loan Loss Allowance)	-	(1 862)	(913)	(13 295)	-	-	-	-	(16 070)
Accrued interest receivable	53	2 069	1 379	10 509	693	-	-	-	14 703
Other short term assets	76 556	-	-	-	-	-	-	-	76 556
Non-current assets									
Fixed assets, net of depreciation	-	-	-	-	29 707	-	-	-	29 707
Intangible assets, net of depreciation	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	285 896	366 903	244 930	1 496 162	51 114	-	-	-	2 445 005
LIABILITIES									
Accrued interest payable	-	-	-	-	-	-	-	-	-
Other liabilities	132 197	28 775	2 166	-	-	-	-	-	163 138
Long term loans	9 186	-	-	-	-	-	-	-	9 186
Long term loans	-	-	-	-	973 195	-	-	-	973 195
TOTAL LIABILITIES	141 383	28 775	2 166	-	973 195	-	-	-	1 145 519
Liquidity gap	144 513	338 128	242 764	1 496 162	(922 081)	-	-	-	

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Note 20: Risks management (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Organization's interest earning assets are at fixed rates of annual interest of 24-48%. The Organization has one long-term liability bearing annual interest of 8, 80% (Note 9) consequently, it does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

c) Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization's exposure to foreign currency exchange rate risk is presented in the table below:

	2 0 0 6		
	Denominated in AZN	Denominated in USDs	Total
ASSETS			
Cash and cash equivalents	21 719	32 050	53 769
Loans, net of allowances	792 019	2 833 228	3 625 247
Accrued interest receivable	210	29 392	29 602
Other short term assets	42 856	-	42 856
Inter branch payable/receivable	79 007	-	79 007
Prepaid of expenses	1 541	-	1 541
Fixed assets, net of depreciation	49 393	-	49 393
Intangible assets, net of depreciation	-	-	-
Total Assets	986 745	2 894 670	3 881 415
LIABILITIES			
Accrued interest payable	-	-	-
Payables to the State Budget (tax and SPF)	63 150	-	63 150
Accrued of operation expenses	20 791	-	20 791
Inter branch payable/receivable	79 007	-	79 007
Other liabilities (amounts on clients' accounts)	25 655	36 663	62 318
Long-term loans	48 999	1 328 877	1 377 876
Short-term loans	84 457	705 825	790 282
Total Liabilities	322 059	2 071 365	2 393 424
Open Position	664 686	823 305	1 487 991

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Note 20: Risks management (continued)

	2 0 0 5		
	Denominated in AZN	Denominated in USD\$	Total
ASSETS			
Cash and cash equivalents	48 663	150 970	199 633
Loans, net of allowances	428 242	1 696 163	2 124 405
Accrued interest receivable	40	14 662	14 702
Other short term assets	-	-	-
Inter branch payable/receivable	58 546	15 621	74 167
Prepaid of expenses	2 391	-	2 391
Fixed assets, net of depreciation	29 707	-	29 707
Intangible assets, net of depreciation	-	-	-
Total Assets	567 589	1 877 416	2 445 005
LIABILITIES			
Accrued interest payable	-	115	115
Payables to the State Budget (Tax and SPF)	14	-	14
Accrued of operation expenses	47 936	9 965	57 901
Inter branch payable/receivable	58 547	15 620	74 167
Other liabilities (amounts on clients' accounts)	16 352	14 588	30 940
Long-term loans	201 580	771 615	973 195
Short-term loans	-	9 186	9 186
Total Liabilities	324 429	821 089	1 145 518
Open Position	243 160	1 056 327	1 299 487

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Note 20: Risks management (continued)

d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The organization is not exposed to market risk of its products.

e) Credit risk

The Organization is exposed to credit risk, being that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to borrowers. Limits on the level of credit risk by borrower are reviewed and approved by management. Actual exposure per borrower against limits is monitored on new loans granted. In group lending group members' solidarity and common responsibility before each other and the Organization is the primary guarantee type of loans, in most cases guarantee letters by third parties are required. The credit risks are monitored on a continuous basis and are subject to regular reviews where no physical collateral can be obtained.