VisionFund AzerCredit LLC

Financial Statements

for the year ended 31 December 2009

Contents

KPMG

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Independent Auditors' Report

To the Board of Directors
VisionFund AzerCredit LLC

Report on the Financial Statements

We have audited the accompanying financial statements of VisionFund AzerCredit LLC (the "Company"), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2008 were audited by other auditors whose report dated 10 April 2009 expressed an unmodified opinion on those statements.

Tbilisi Branch of KPMG CIS Limited

KPMG CIS TBILISI BRANCH 204428146

Tbilisi Branch of KPMG CIS Limited
21 April 2010

	Notes	2009 AZN'000	2008 AZN'000
Interest income	4	5,699	3,541
Interest expense	4	(1,422)	(750)
Net interest income		**4,277**	**2,791**
Fee and commission income	5	1,029	413
Net fee and commission income		**1,029**	**413**
Net foreign exchange (loss)/income		(40)	36
Other income		58	45
Operating income		**5,324**	**3,285**
Impairment losses		(2)	(34)
General administrative expenses	6	(4,229)	(2,421)
Profit before income tax		**1,093**	**830**
Income tax expense	7	(252)	(196)
Profit and total comprehensive income for the year		**841**	**634**

The financial statements were approved by the Board of Directors on April 21st 2010 and were signed on its behalf by:

Ljiljana Spasojevic
Chairman of Board of Directors

Anar Shahbazov
Finance Manager

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2009 AZN'000	2008 AZN'000 (restated)
ASSETS			
Cash and cash equivalents	8	2,815	1,722
Loans to customers	9	16,513	13,548
Property and equipment	10	358	269
Other assets		134	64
Income tax receivable		56	-
Deferred tax asset	7	-	55
Total assets		**19,876**	**15,658**
LIABILITIES			
Loans and borrowings	11	15,732	12,831
Other liabilities	12	899	306
Income tax payable		-	124
Deferred tax liability	7	7	-
Total liabilities		**16,638**	**13,261**
EQUITY			
Charter capital	13	5	5
Retained earnings		3,233	2,392
Total equity		**3,238**	**2,397**
Total liabilities and equity		**19,876**	**15,658**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2009 AZN'000	2008 AZN'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		841	634
Adjustments for:			
Impairment losses		2	34
Recoveries of charged-off loans		5	5
Net foreign exchange loss/(income)		40	(36)
Depreciation		97	69
Interest expense		1,422	750
Income tax expense		252	196
Increase in operating assets			
Loans to customers		(8,625)	(10,115)
Other assets		(70)	(17)
Increase in operating liabilities			
Other liabilities		593	236
Interest received		5,613	3,410
Interest paid		(1,362)	(801)
Income tax paid		(370)	(224)
Cash flows used in operations		**(1,562)**	**(5,859)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(186)	(205)
Cash flows used in investing activities		**(186)**	**(205)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		6,174	7,628
Repayment of borrowings		(3,333)	(740)
Cash flows provided by financing activities		**2,841**	**6,888**
Net increase in cash and cash equivalents		**1,093**	824
Cash and cash equivalents as at the beginning of the year		1,722	898
Cash and cash equivalents as at the end of the year	8	**2,815**	**1,722**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Charter capital AZN'000	Retained earnings AZN'000 (restated)	Total equity AZN'000
Balance as at 1 January 2008	5	1,758	1,763
Total comprehensive income for the year			
Profit for the year	-	634	634
Balance as at 31 December 2008	**5**	**2,392**	**2,397**
Balance as at 1 January 2009	5	2,392	2,397
Total comprehensive income for the year			
Profit for the year	-	841	841
Balance as at 31 December 2009	**5**	**3,233**	**3,238**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

Organization and operations

VisionFund AzerCredit LLC (the "Company") was established in 1996 by World Vision International, a relief and development organization, to provide sustainable lending services to those individual entrepreneurs who are not able to access credit facilities through the conventional banking system. The Company helps in the development of the economy of Azerbaijan by providing credit to very small entrepreneurs to grow their businesses and improve their economic situation.

The Company was registered by the Ministry of Justice of the Azerbaijan Republic on 30 December 2002 and was re-registered on 27 November 2007 and renamed VisionFund AzerCredit LLC. The legal address of the Company is 13, Kaverochkin Street, Baku, Azerbaijan.

The Company is wholly-owned by VisionFund International. The ultimate shareholder of the Company is World Vision International. The activities of the Company are closely linked with requirements of the ultimate shareholder. Related party transactions are detailed in note 17.

Azerbaijani business environment

Azerbaijan is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Azerbaijan involve risks that typically do not exist in other markets. In addition, the contractions in the capital and credit markets and its impact on the economy of Azerbaijan have further increased the level of economic uncertainty in the environment. These financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs").

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

The national currency of Azerbaijan is the Azerbaijani Manat ("AZN"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in AZN is rounded to the nearest thousand.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets, liabilities, income and expenses to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 9 relating to loan impairment estimates.

3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the financial statements. Changes in accounting policies described at the end of this note.

Foreign currency transactions

Transactions in foreign currencies are translated to AZN at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial instruments

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Loans and borrowings are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these loans and borrowings liabilities are measured at amortized cost using the effective interest method.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method.

All financial liabilities are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognized immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognized over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gains and losses on subsequent measurement

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognized when it is extinguished.

The Company also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Operating leases and the leased assets are not recognized in the statement of financial position.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition. The estimated useful lives are as follows:

- Office equipment	4 to 10 years
- Computer equipment	5 years
- Motor vehicles	5 years

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Company reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Charter capital

Charter capital is classified as equity.

Dividends in relation to charter capital are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method. Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Changes in accounting policies and presentation

Starting from 1 January 2009 the Company adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

As at 1 January 2008 the Company had monetary donations received that were classified as donated equity in the statement of changes in equity as at 31 December 2008. The Company determined that these donations should be included in profit or loss in the year received and thus part of retained earnings. The Company determined that this reclassification was not material as it did not have a material affect on total equity or profit or loss. Comparative amounts have been restated and adjustments were made to the earliest period presented.

The effects of the restatement made to the financial statements are as follows:

	As previously reported	**Adjustment**	**Restated**
	AZN'000	**AZN'000**	**AZN'000**
1 January 2008			
Donated equity	1,188	(1,188)	-
Retained earnings	570	1,188	1,758
31 December 2008			
Donated equity	1,205	(1,205)	-
Retained earnings	1,187	1,205	2,392

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company has not yet analyzed the likely impact of these new standards on its financial statements.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 January 2010) clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Company has not yet determined the potential effect of the amendment.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The impact of these changes will be analyzed by the Company during the course of the project as further phases of the standard are issued.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Company has not yet analyzed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2009 AZN'000	2008 AZN'000
Interest income - Loans to customers	5,699	3,541
Interest expense - Loans and borrowings	(1,422)	(750)
Net interest income	4,277	2,791

5 Fee and commission income

	2009 AZN'000	2008 AZN'000
Commissions from loans to customers	819	314
Settlement	118	60
Other	92	39
	1,029	413