

**“ECUMENICAL CHURCH LOAN FUND”  
UNIVERSAL CREDIT ORGANIZATION LLC**

**FINANCIAL STATEMENTS  
in Armenian Drams  
31 December 2006**



**BUSINESS CONSULT**

**YEREVAN 2007**



Republic of Armenia  
**BUSINESS CONSULT CJSC**

13<sup>th</sup> April 2007  
N 0276

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**CONFIRMED BY:**



**P. GEVORGYAN**

**Managing Partner  
Business Consult CJSC**

**License for auditing N003 awarded by  
Ministry of Finance and Economy of the  
Republic of Armenia**

## **INDEPENDENT AUDITOR'S REPORT**

To Armenian ECLOF Foundation,  
the only participant of the  
"Ecumenical Church Loan Fund"  
Universal Credit Organization LLC

We have audited the accompanying balance sheet of the "Ecumenical Church Loan Fund" Universal Credit Organization LLC (the UCO) as of December 31, 2006, and the related statements of financial results, changes in equity capital, and cash flows for the year then ended. These financial statements are the responsibility of the UCO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards (National auditing standards and professional practice). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The 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 audits provide a reasonable basis for our opinion.

## THE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements of the "Ecumenical Church Loan Fund" Universal Credit Organization LLC present fairly, in all material respects, the financial position of the organisation as of 31 December 2006, and the results of its operations, changes in equity capital, and cash flows for the year then ended. The accounting is conducted in compliance with the requirements of the RA Law "On Accounting" and the RA Accounting Standards.

Licensed Auditor:

 L. Topuzyan /


28 March, 2007


**STATEMENT ON FINANCIAL RESULTS****(Form 1)**

for the financial year 2006

“Ecumenical Church Loan Fund”  
 Universal Credit Organization LLC  
 Etchmiadzin, Baghramyan 2

Description	Notes	AMD ths.
		Reporting period 2006
Interest and similar income	3	2,869
Interest and similar expenses	4	
<b>Interest income, net</b>		<b>2,869</b>
Income in the form of dividends		
Income in the form of commissions and other payments		457
Expenses in the form of commissions and other payments		(10)
Net profit (loss) from investments kept for trading purposes	5	
Net profit (loss) from investments for sale	6	
Net profit (loss) from investments kept until expiration date.		
Net profit (loss) from foreign exchange operations	7	
Other operating income	8	6
<b>Operating Income</b>		<b>3,322</b>
Losses from loans and other borrowings	9	(2,322)
General administrative expenses	10	(2,918)
Other operating expenses	11	
<b>Profit before taxation</b>		<b>(1,918)</b>
Profit tax expenses /reimbursement/	12	
<b>Profit after taxation</b>		<b>(1,918)</b>

K.Hakobyan   
 Executive Director

K. Sahakyan   
 Chief Accountant



# BALANCE SHEET

for the financial year 2006

(Form 2)

Reporting period  
2006

AMD ths.

	Description	Notes	
<b>1</b>	<b>Assets</b>		
1,1	Cash resources and bank accounts	13	16,628
1.2	Financial investments kept for trading purposes	14	-
1.3	Financial means allocated in the banks	15	73,260
1.4	Other allocations in the money-market	16	-
1.5	Loans and other lendings provided to the clients	17	121,210
1.6	Investments for sale	18	-
1.7	Amounts receivable from other operations	19	-
1.8	Investments kept until expiration date	20	-
1.9	Amounts receivable from renting	21	-
1.10	Investments in the other persons' chartered capital		-
1.11	Capital investments in the fixed assets and intangible assets		-
1.12	Fixed assets and intangible assets	22	120
1.13	Deferred tax assets		-
1.14	Interests receivable	23	57
1.15	Other assets	24	13
	<b>Total Assets</b>		<b>211,288</b>
<b>2</b>	<b>Liabilities</b>		
2.1	Loans and borrowings received from banks	25	-
2.2	Other borrowings received from the money-market	26	-
2.3	Borrowings drawn from the clients	27	-
2.4	Obligations to the RA Government		-
2.5	Amounts payable as regards renting		-
2.6	Securities issued by the Credit Organization	28	-
2.7	Reserves		-
2.8	Amounts payable	29	-
2.9	Deferred tax obligations		-
2.10	Interests payable		-
2.11	Other liabilities	30	13,206
	<b>Total liabilities</b>		<b>13,206</b>
<b>3</b>	<b>Capital</b>		
3,1	Chartered capital	31	200,000
3.2	Reserves		-
3.2.1	General reserve		-
3.2.2	Revaluation reserves	32	-
3.3	Accumulated profit		(1,918)
	<b>Total capital</b>		<b>198,082</b>
	<b>Total liabilities and capital</b>		<b>211,288</b>

K.Hakobyan  
Executive Director

K. Sahakyan  
Chief Accountant





# STATEMENT ON CHANGES IN THE EQUITY CAPITAL (Form 3)

for the financial year 2006  
 "Ecumenical Church Loan Fund"  
 Universal Credit Organization LLC  
 Etchmiadzin, Baghramyan 2

Reporting period 2006

Titles of components of the equity capital	Chartered Capital	General Reserve	Accumulated Profit	Total
Line items				
<b>Balance as at 31 December, 2005</b>	-	-	-	-
Overall results of changes in the accounting policy and adjustment of material errors.				
<b>Recalculated balance</b>				
Incomes and losses directly acknowledged in the Equity Capital				
Investments in the chartered capital	200,000			200,000
Dividends				
Net profit (loss)			(1,918)	(1,918)
Internal movements				
<b>Balance as at 31 December, 2006</b>	<b>200,000</b>		<b>(1,918)</b>	<b>198,082</b>

K.Hakobyan   
 Executive Director

K. Sahakyan   
 Chief Accountant



**CASH FLOW STATEMENT**  
for the financial year 2006

(Form 4)

Description	Reporting period 2006
<b>1. Net cash flow from operating activities</b>	<b>(183,084)</b>
<b>Net cash flow before changes in the operating assets and liabilities</b>	<b>14,394</b>
Interests received	15,668
Interests paid	
Losses recovery	
Dividends received	-
Net commissions received	533
Salaries and other equivalent amounts paid	(1,516)
Taxes paid	(291)
<b>Net cash flow from changes in the operating assets and liabilities</b>	<b>(197,478)</b>
Decrease (increase) of allocated means	(196,623)
Increase (decrease) of the loans drawn	-
Decrease (increase) of securities kept for trading purposes and available for sale	-
Decrease (increase) of amounts receivable against the financial lease	-
Net cash flow from other operating activity	(855)
<b>2. Net cash flow from investing activity</b>	<b>(120)</b>
Decrease (increase) of securities kept until expiration date	
Decrease (increase) of investments in the other persons' chartered capital	
Decrease (increase) of capital investments in the fixed assets and intangible assets	
Acquisition of Fixed assets and intangible assets	(120)
Disposal of Fixed assets and intangible assets	
Net cash flow from other investing activity	
<b>3. Net cash flow from financial activity</b>	<b>200,000</b>
Dividends paid	
Increase (decrease) of the loans received from the banks	
Increase (decrease) of other borrowings received	
Increase (decrease) of securities issued by the credit organization	-
Shareholders investments in the chartered fund	200,000
Increase (decrease) of the amounts payable as regards financial lease	-
Net cash flow from other financial activity	-
Influence of exchange rate differences on the cash means and their equivalents	
<b>Net cash flow</b>	<b>16,796</b>
Cash and cash equivalents at the beginning of the period	
Cash and cash equivalents at the end of the period	<b>16,796</b>

K.Hakobyan  
Executive Director




K. Sahakyan  
Chief Accountant



**NOTES ATTACHED TO THE ANNUAL FINANCIAL STATEMENTS (Form 5)  
31 December , 2006**

“Ecumenical Church Loan Fund” Universal Credit Organization LLC  
Etchmiadzin, Baghramyan 2

**Accounting Policy**

Financial income received from the loans and lendings provided and expenses from the borrowings drawn are acknowledged daily which is calculated according to the contracted annual interests, providing that there are 365 days in the year and that the financial income and expenses attributed to the non-working days are acknowledged in the following last working day.

A reserve for the possible losses as regards loans and accounts receivable (assets) is created taking into account the internal regulation relating to reserves for receivables developed in accordance with the requirements of the regulation “On Classification of the loans and accounts receivable of the banks operating in the territory of the Republic of Armenia” jointly established by the order 63 of the RA CB Board as of 23.04.1999 and the order 214-2 of the Ministry of Finance and Economy as of 04.06.1999.

The material errors adjustment and changes in the accounting policy are reflected in the incomes or expenses of the reporting year.

The Company acknowledges a financial asset or financial liability in its balance sheet when it becomes a contract party as regards the transaction. After initial acknowledgement financial assets and liabilities are measured at their fair value.

All exchange rate differences are acknowledged as an income or expense in the period of their appearance.

An approach of measuring at cost (less accumulated depreciation and impairment) is used for future measurement of fixed assets.

Depreciation of the fixed assets is calculated during their useful life according to the linear method.

An approach of measuring at cost (less accumulated amortization and impairment) is used for future measurement of intangible assets.

Amortization of the intangible assets is calculated during their useful life according to the linear method.

Cost of inventories is determined according to the FIFO method.

The expected expenditures as regards accumulated paid absences, in particular the annual paid leaves, are acknowledged during the employees employment irrespective of actual use of the right of taking leaves.

For measuring the inventories cost, a method of actual cost is used.

Grants relating to assets are acknowledged as income proportionally to the depreciation expense during the period of using the asset.

Taxes are calculated according to the accruals method.



## **Notes to the annual financial statements**

### **1. Legal Framework**

“ECLOF” Universal Credit Organization LLC was founded by the “Armenian Ecumenical Church Loan Fund” Foundation (Board meeting minutes N5 on 30.08.2006 ). The address of location and operation of the “ECLOF” Universal Credit Organization is RA, Etchmiadzin, Baghranmyan 2.

The lease agreement for the mentioned office space was signed 11.01.2004 and the state registration was made 15.01.2007.

The only founder and participant of the Universal Credit Organization is “Armenian Ecumenical Church Loan Fund” Foundation.

The preliminary approval of the Board of the RA Central Bank as regards significant participation of the “Armenian Ecumenical Church Loan Fund” Foundation in the statutory fund of the Universal Credit Organization LLC was given by the Board of the RA CB on the basis of the “Licensing and Control” Commission’s conclusion as of 12.10.2006 (Minutes N47).

The Charter of the “ECLOF” Universal Credit Organization LLC was registered with the RA Central Bank on 17.10.2006 according to the RA CB’s Decision N 617A, registration number – 17.

Later on there was a change in the item 1.9 of the Charter according to the Decision 1/83 A of the RA CB President as of 29.01.2007.

The subject and objectives of the UCO are regulated by the RA law “On Credit Organizations” and fixed by the UCO’s Charter.

The license N 17 to realize lending activities by means of Armenian Drams and foreign currencies as well as non-cash financial activities was provided to the “ECLOF” Universal Credit Organization LLC by the RA Central Bank as of 17.10.2006 on the basis of the “Licensing and Control” Commission’s conclusion as of 12.10.2006 (Minutes N47).

Executive Director of the “ECLOF” UCO is Karen Hakobyan (ground – the RA CB “Licensing and Control” Commission’s Minutes N11 as of 01.03.2007). The license N 0085 as regards Karen Hakobyan’s professional qualification and adequacy was provided on the basis of the RA CB “Licensing and Control” Commission’s positive conclusion (Minutes N 6 as of 01.02.2007).

Chief Accountant of the “ECLOF” UCO is Karen Sahakyan (ground – the RA CB “Licensing and Control” Commission’s Minutes N 47 as of 12.10.2006). The license N 0083 as regards Karen Sahakyan’s professional qualification and adequacy was provided on the basis of the RA CB “Licensing and Control” Commission’s positive conclusion (Minutes N 46 as of 05.10.2006).

As of the end of the period, the number of the UCO’s employees was 8 people.

### **2. Accounting Standards**

The financial statements of the “ECLOF” Universal Credit Organization LLC have been prepared according to the requirements of national accounting standards and the accounting policy.

### 3. Interest and similar income

n/n	Description	Reporting period
1	Interest income from bank accounts and deposits	1,678
2	Interest income from investments in the money market	-
3	Interest income from loans and other lendings	1,185
4	Interest income from investments	
5	Other interest income	6

### 4. Interest and similar expenses

n/n	Description	Reporting period
1	Interest expenses for the money market borrowings	
2	Interest expenses for the borrowings received from the clients	
3	Other interest expenses	

### 5. Net profit (loss) from investments kept for trading purposes

n/n	Description	Reporting period
1	Net profit (loss) from sale of investments kept for trading purposes	-
2	Net profit (loss) from revaluation of investments kept for trading purposes	-

### 6. Net profit (loss) from investments for sale

n/n	Description	Reporting period
1	Net profit (loss) from sale of investments provided for sale	-
2	Net profit (loss) from revaluation of investments provided for sale	-

### 7. Net profit (loss) from foreign currency operations

n/n	Description	Reporting period
1	Net profit (loss) from sale of foreign currency	
2	Net profit (loss) from revaluation of foreign currency	

### 8. Other operating income

n/n	Description	Reporting period
1	Income from fines and penalties received	5
2	Income received from factoring	
3	Inordinary income	
4	Other income	1

**9. Losses from loans and other borrowings /Reporting period/**

n/n	Description	Opening balance	Allocations to reserves	Use of reserves	Closing balance
1	As regards allocated bank accounts and deposits	-	908		908
2	As regards allocated loans	-	1,414		1,414
3	As regards investments kept until expiration date.	-	-	-	-
4	As regards receivables and other assets	-			
5	Assets total allocations as regards off-balance-sheet items	-			
6	Total allocations	-	2,322		2,322

**10. Total Administrative expenses**

n/n	Description	Reporting period
1	Expenses as regards staff	2.032
2	Management expenses	886
3		

**11. Other operating expenses**

n/n	Description	Reporting period
1	Fines and penalties paid	-
2	Advertising and entertainment expenses	-
3	Expenses as regards factoring	-
4	Fixed assets and intangible assets depreciation expenses	-
5	Inordinary expenses	-
6	Other expenses	-

**12. Profit tax expenses**

**13. Cash means and bank accounts**

n/n	Description	Reporting period
1	Cash means and equivalent payment documents	
2	Bank accounts	16,796
3	Reserves as regards allocated bank accounts and other deposits	(168)

**14. Financial investments kept for trading purposes**

n/n	Description	Reporting period
1	State securities of the Republic of Armenia	-
2	State securities of other countries	-
3	Non-state securities of the Republic of Armenia	-
4	Non-state securities of other countries	-
5	Derivative instruments	-
6	Amounts receivable as regards factoring transactions	-
7	Provisions for accounts receivable and other assets (note 9)	-

**15. Resources allocated in banks**

n/n	Description	Reporting period
1	Deposits in banks	74,000
2	Loans and other lendings provided to banks	
3	Reserves for covering possible losses from loans (Note 9)	(740)

**16. Other allocations in the money market**

n/n	Description	Reporting period
1	Deposits made in the financial institutions	–
2	Loans and other lendings provided to financial institutions	–
3	Provision for allocated loans (Note 9)	–

**17. Loans and other lendings provided to clients**

n/n	Description	Reporting period
1	Loans and other lendings provided	122,623
2	Reserves as regards allocated loans (Note 9)	(1,413)

**18. Investments provided for sale**

n/n	Description	Reporting period
1	State securities of the Republic of Armenia	–
2	State securities of other countries	–
3	Non-state securities of the Republic of Armenia	–
4	Non-state securities of other countries	–
5	Amounts receivable as regards factoring transactions	–
6	Provisions for accounts receivable and other assets (note 9)	–

**19. Amounts receivable from other operations**

n/n	Description	Reporting period
1	Dividends receivable	–
2	Amounts receivable as regards trust management transactions	–
3	Guarantees	–
4	Derivative hedging instruments	–
5	Other receivables	–
6	Provisions for accounts receivable and other assets (note 9)	–

**20. Amounts receivable as regards leasing**

n/n	Description	Reporting period
1	Amounts receivable as regards leasing	–
2	Interest income not acknowledged	–

## 21. Investments kept until expiration date

n/n	Description	Reporting period
1	State securities of the Republic of Armenia	—
2	State securities of other countries	—
3	Non-state securities of the Republic of Armenia	—
4	Non-state securities of other countries	—
5	Amounts receivable as regards factoring transactions	—
6	Provision for impairment of investments kept until expiration date	—

## 22. Fixed assets and intangible assets / Reporting period /

Assets in operation	Land, building and property	Computer equipment	Transportation means	Other Fixed assets and intangible assets	Total
<b>Carrying value</b>	-----	-----	-----	-----	-----
Previous year's last data	-	-	-	-	-
Addition				120	120
Disposal					
Current year's last data				120	120
<b>Depreciation</b>	-----	-----	-----	-----	-----
Opening balance	-	-	-	-	-
Accumulated depreciation					
Use of accumulated ammortization					
Closing balance					
<b>Net carrying value</b>	-----	-----	-----	-----	-----
End of previous year					
End of current year				<b>120</b>	<b>120</b>
<b>Assets out of operation</b>	-----	-----	-----	-----	-----
<b>Carrying value</b>	-----	-----	-----	-----	-----
Previous year's last data					
Addition					
Disposal					
Current year's last data					
<b>Depreciation</b>	-----	-----	-----	-----	-----
Opening balance					
Accumulated depreciation					
Accumulated impairment					
Closing balance					
<b>Net carrying value</b>	-----	-----	-----	-----	-----
End of previous year					
End of current year					

**23. Interests receivable**

n/n	Description	Reporting period
1	Accrued interest	
2	Interest income not acknowledged	57

**24 Other Assets**

n/n	Description	Reporting period
1	Accounts receivable and prepayments	
2	Reserves as regards accounts receivable and other assets (Note 9)	
3	Supplies	
4	Securities sold by Repo Agreement	13
5	Other assets	

**25. Loans and borrowings received from banks**

n/n	Description	Reporting period
1	Borrowings drawn from banks	-
2	Loans and other borrowings received from banks	-

**26. Other borrowings received from money market**

n/n	Description	Reporting period
1	Borrowings drawn from financial institutions	-
2	Loans and other borrowings received from financial institutions	-

**27. Borrowings drawn from clients**

n/n	Description	Reporting period
1	Poste restante lendings drawn	-
2	Time loans drawn	-
3	Repo agreements with clients	-

**28. Securities issued by the UCO**

n/n	Description	Reporting period
1	Noninterest-bearing securities	-
2	Interest-bearing securities	-
3	Other securities issued	-

**29. Amounts payable**

n/n	Description	Reporting period
1	Dividends payable	-
2	Amounts payable as regards trust management agreements	-
3	Other amounts payable	-

**30. Other liabilities**

n/n	Description	Reporting period
1	Future period's income	12,857
2	Accounts payable	349
3	Other liabilities	

**31. Statutory capital**

Statutory capital totals AMD 200,000 ths., which represents one share.

**32. Revaluation reserves**

n/n	Description	Reporting period
1	Unrealized gain/loss from revaluation of investments for sale	-
2	Fixed assets revaluation reserve	-
3	Other reserves	-

**33. Analysis of expiration dates of assets and liabilities / Reporting period /**

Assets	Less than one month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Loan investment		6,153	62,040	54,430		122,623
Deposits				74,000		74,000

Liabilities	Less than one month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Liabilities towards physical persons	3,490		12,857			13,206

**34. Foreign currency basket /Reporting period/**

	Dram	Foreign currency convertible freely	Foreign currency limited convertible	Total
Assets				
Liabilities				
<b>Net foreign currency status</b>				

**35. Interest rate risk /reporting period/****36. Contingencies and potential liabilities****37. Centralization of assets, liabilities and off-balance-sheet line items**

**37-1 Loans allocated according to RA marzes the branches of economy**

	Description	Accounting Period
1	Food production	
2	Agriculture	102,043
3	Mechanical engineering and electrotechnics	
4	Trate	10,080
5	Consumption	
6	Hypothec	
7	Other	10,500

**37-2. Loans allocated according to RA marzes**

	Description	Accounting Period
1	Yerevan	31,396
2	Gegharkunik	16,300
3	Syunik	1,250
4	Vayots Dzor	5,000
5	Kotayk	3,499
6	Armavir	59,778
7	Aragatsotn	1,650
8	Lori	3,750

**38. Pledged assets**

There are no pledged assets in the Organization.

**39. Related Parties**

There are no related parties in the Organization.

Executive Director  K. Hakobyan

Chief Accountant  K. Sahakyan

