

Public Association for Assistance to Free Economy

FINANCIAL REPORTS

Statement of financial position (Balance Sheet)

December 31, 2010

Manats

Indicators	Notes	2010		2009	
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	8	3308,81		3098,35	
TOTAL NON-CURRENT ASSETS			3308,81		3098,35
CURRENT ASSETS					
Reserves	9	832,63		691,00	
Cash and cash equivalents	11	47670,14		39359,78	
Other current assets	10	85,8		21,20	
TOTAL CURRENT ASSETS			48588,57		40071,98
TOTAL ASSETS			51897,38		43170,33
NET ASSETS / EQUITY AND LIABILITIES					
NET ASSETS / EQUITY					
Equity		4 141,44		3789,35	
TOTAL NET ASSETS / EQUITY			4 141,44		3789,35
CURRENT LIABILITIES					
Liabilities on tax and other obligatory payments	12				
Other current liabilities	14	47755,94		39380,98	
TOTAL CURRENT LIABILITIES			47755,94		39380,98
TOTAL NET ASSETS / EQUITY AND LIABILITIES			51897,38		43170,33

Statement of financial outcomes (incomes)

December 31, 2010

Manats

Indicators	Notes	2010	2009
Incomes from non-exchange operations	14	88129,33	71851,26
Raw and materials cost		(1527,51)	(1093,16)
Salary expences		(19497,99)	(13429,90)
Outwear and amortization expenses		(1680,82)	-
Other operating expences		(65070,92)	(53538,85)
TOTAL OPERATING INCOMES/(LOSS)		352,09	3789,35

Statement of changes in equity

December 31, 2010

Manats

Indicators	Notes	Authorized capital	Reserves (capital reserves)			Gathered earning (unpaid losses)	TOTAL
			Reserve on legislation	Reserve on authorized capital	Other reserves		
Balance for the date 31/12/2009						3 789,35	3 789,35
Total of changes in the capital for 2009						3 789,35	3 789,35
Balance for the date of 01/01/2010						3789,35	3789,35
Correction of mistakes							
Balance for the date of 01/01/2010 after correction of mistakes						3789,35	3789,35
Incomes and expenses which are not reflected in the report on financial activity results							
Earning for the report period (losses)						352,09	352,09
Primary and addition puttings to the authorized capital						4 141,44	4 141,44
Balance for the date of 31/12/2010 before capital transfers among the matters						4 141,44	4 141,44
Capital transfers among the matters (transfers)							
Balance for the date of 31/12/2010						4 141,44	4 141,44
Total of changes in the capital for 2010						352,09	352,09

Statement of cash flows

For the date of December 31, 2010

Manats

Indicators	Notes	2010	2009
Cash flows arising from operations			
Admissions from cash arising as a result of endowments from grants and the 3rd sides	11	96504,29	93699,99
Paying of cash to suppliers because of goods and services		(66740,06)	(50153,31)
Paying of cash to and on behalf of workers	11	(19562,59)	(13594,22)
Net cash flows arising from operation activity		10201,64	29952,46
Cah flows arising from investment activity			
Cash indemnifications for the purpose of getting land, building and equipments, non-material and other long-term actives		(1891,28)	(3486,35)
Cash admissions arising from returning of the advances and debt supplies presented to other sides		-	126,41
Net cash flows arising from investment activity		(1891,28)	(3359,94)
Cash and cash equivalents' flows			
Amount of cash and cash equivalents for the beginning of year, without bank overdrafts		39359,78	13759,81
Increase (decrease) of cash and cash equivalents during the year		8310,36	26592,52
Influences of currency exchange rates		-	(992,55)
Balance of cash and cash equivalents for the end of the year, without bank overdrafts		47670,14	39359,78

The comments and notes pertaining to the financial reports

1. Introduction

The present financial reports have been developed for the Public Association for Assistance to Free Economy in line with the International Financial Reporting Standards (IFRS) for the year ended on December 31, 2010. The Public Association was established and is functioning in Azerbaijan Republic. The Public Association is a Non-Governmental Organization created in line with the legislation of Azerbaijan Republic.

2. The background information about the Public Association

The Public Association was registered by the Certificate on State Registration of the Legal Person issued by the Ministry of the Justice of Azerbaijan Republic on May 26, 2005. The Branch No 1 of the Baku city Tax Department issued the Tax ID #1700662931 to the Association on October 9, 2006.

According to the charter of the Public Association the principal objective of its main activity is to exercise its tasks in assisting the investment projects and socio-economic programs, private sector, development of the local self-governing institutions and modern economic education.

3. The address of the Public Association

The functioning address of the Public Association: AZ1065, Baku, Jafar Jabbarly street 40, Caspian Business Center, 9th floor.

4. Transaction currency

The amounts in the present financial reports are expressed in Azerbaijani Manat (AZN).

5. The introduction of the account policy

The main provisions of the account policy used in the development of these financial reports are demonstrated by below articles. The indicated provisions of the account policy have been consistently used throughout the entire report period unless other references were made in other statements.

6. The general provisions of the financial reports development.

The financial reports of the Public Association have been developed in line with the International Financial Reporting Standards (IFRS). The assets and liabilities in these reports have been evaluated as per actual expenses. The receipts and expenditures have been indicated by the method of calculation.

The Public Association runs its accounting in line with the legislation of Azerbaijan Republic. These financial reports have been made on the bases of the local accounting entries and adapted to IFRS. Those adaptations are comprised of the reclassification which reflects the economic essence of the main transactions including the reclassification of some assets and liabilities, receipts and expenditures in the relevant financial report.

7. Recalculation of the currency

Functional and reporting currency

Functional currency is used for the measurement of the articles in the financial reports. It is the local currency of the organization, the manat of Azerbaijan Republic (AZN). The transactions in the foreign currency are reflected in functional currency in accordance with the exchange rate on the date of the transactions made.

8. Fixed assets

The calculation of the depreciation of the fixed assets has been calculated as per the article 114 of the Tax Code for the period of assets' service ability. In accordance with a Tax Code the amortization rate for the machinery and equipment was calculated at 25% and for the other assets at 20%.

Manats

Content	Machinery and equipment	Furniture and implements	Total
Original cost on 01/01/2009	1120,00	229,00	1349,00
Aggregate amortization	472,00	57,00	529,00
Balance cost on 01/01/2009	648,00	172,00	820,00
Receipts	3486,35		3486,35
Outgoings			
Amortization allocations	1151,00	57,00	1208,00
Amortization accumulated on the outgoings			
Original cost on 31/12/2009	4606,35	229,00	4835,35
Accumulated amortization	1623,00	114,00	1737,00
Balance cost on 31/12/2009-cu	2983,35	115,00	3098,35
Original cost on 01/01/2010	4606,35	229,00	4835,35
Aggregate amortization	1623,00	114,00	1737,00
Balance cost on 01/01/2010	2983,35	115,00	3098,35
Receipts	1891,28		1891,28
Outgoings			
Amortization allocations	1623,82	57,00	1680,82
Amortization accumulated on the outgoings			
Original cost on 31/12/2010	6497,63	229,00	6726,63
Accumulated amortization	3246,82	171,00	3417,82
Book cost on 31/12/2010-cu	3250,81	58,00	3308,81

9. Reserves

The reserves are reflected according to the lowest cost price between two indicators:

Prime Cost

Net Sale Cost

The prime cost of the reserves is calculated as per the first procurement price (FIFO method). The cost of the reserves includes the costs related to the acquisition of the physical reserves.

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Indicators	31/12/2009	31/12/2010
Low price items	691,00	832,63
Total	691,00	832,63

10. Accounts receivable

Initially the accounts receivable are shown on the fair value followed by the accounting of the amortized cost by the method of creation of the depreciable reserves. The depreciable reserves on the accounts receivable are created whenever there are objective evidences indicating that it is impossible to accumulate all accounts receivable generated as a result of initial financing by Public Association or to clear all accounts receivables. The amount of the reserves represents the difference between the book cost of the assets and the estimated capitalized value with a glance of the efficient interest rate of the monetary funds. The information on the creation or the change of the reserves is reflected in the report on incomes and losses.

		Manats	
Indicators	31/12/2009	31/12/2010	
Accounts receivable on the advance payments	21,20	85,80	
Total	21,20	85,80	

11. Monetary funds and their equivalents

The monetary funds and their equivalents can be easily transferred into the cash and they represent the balance sheet accounts which are subject to minor value changes. The balance sheet account of monetary funds and their equivalents reflects the information on cash on hand, the undergoing money transfers, bank settlement accounts, other bank accounts, equivalents of monetary funds and bank overdrafts.

		Manats	
Indicators	31/12/2009	31/12/2010	
Cash on hand	8984,09	8486,84	
Assets on the bank accounts (in national currency)	30375,69	39183,30	
Total	39359,78	47670,14	

12. Credits and debts

Credits and debts are initially identified on the fair value account with deduction of the transaction costs. Credits and debts are classified as short term liabilities with exception of the cases when the Public Association has the unconditional right for the payment period at least over a year when the payment period of these liabilities compared to the balance sheet development period.

13. Grants

Public Association received grants for the implementation of the various projects in 2010. The projects which invoke the interconnection between the Public Association and the donors are shown below:

Donors	Date	Period	Project title	Cur- rency	Total amount
NGO Forum on Asian Development Bank Grant #35457-01	14.01.10	01.11.08 30.04.09	Monitoring of "East-West Highway Improvement Project" of ADB	USD	982,63
Open Society Institute Assistance Foundation Grant #15388	14.01.10	01.06.09 01.03.10	Project on "Efficient public investment policy and transparent spendings in Azerbaijan and Kazakhstan"	AZN	5042,21
National Endowment for Democracy Grant #2010-165.0	04.03.10	01.02.10 31.01.11	"Protection of property rights of citizens"	USD	26642,00
Eurasia Partnership Foundation Grant #B09-0020	10.03.10	02.07.09 01.02.10	Support for increase of public participation in the compile of public investment budget	USD	6700,00
The Revenue Watch Institute Grant #20029410	09.07.10	01.05.10 30.04.12	Public investments in the light of economic diversification	USD	37100,00
Oxfam Novib Grant #ECA-2010-171 AK/CJ/NM	25.10.10	01.10.10 30.09.11	PAAFE 2010-2011	EUR	30000,00
Foundation House of Peace Grant #PL-21-134-2010-R3	09.12.10	01.10.10 30.03.11	Project on "Preventing Social Exclusion – Enhancing Youth Development"	EUR	808,00

14. Use of the grants

The audit established that the amounts due by donors to the PAAFE are identified on the basis of the presented budget. Below table represents the summarized data on the received and spent grants during 2010. All the costs defrayed by the Public Association have been distributed amid the projects.

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Donors	Balance of grants for the date of 01.01.2010	Received grants	Spent grants	Balance of grants for the date of 31.12.2010
National Endowment for Democracy	0,00	21379,12	23203,51	-1824,39
The Revenue Watch Institute	0,00	29804,74	8803,12	21001,62
Foundation House of Peace	0,00	847,95	350,15	497,80
NGO Forum on ADB	122,10	789,35	911,45	0,00
US German Marshall Fund	2150,00	0,00	2150,00	0,00
OSIAF № 14817	1,22	0,00	1,22	0,00
OSIAF № 15191	-3,55	0,00	-3,55	0,00
OSIAF № 15388	-1545,23	5042,21	3496,98	0,00
US Embassy in Azerbaijan	1559,00	0,00	1559,00	0,00
Oxfam Novib	22608,26	33258,00	27785,36	28080,90
Oxfam Novib	4344,71	0,00	4344,71	0,00
Norwegian Embassy/Eurasia Partnership Foundation	4495,99	5382,92	9878,91	0,00
Great Britain Embassy in Baku	5648,27	0,00	5648,27	0,00
The Council for State Support to NGOs	0,21	0,00	0,21	0,00
Total	39380,98	96504,29	88129,34	47755,93

The grants which constitute the entire budget of the Public Association have been allocated by the donors. The audit also established that the costs defrayed by the Public Association are in line with the budget articles of the grant agreements.

Chairman of PAAFE



Zohrab Ismayilov