TURKISH FOUNDATION FOR WASTE REDUCTION MICROCREDIT CENTER - TURKISH GRAMEEN MICROCREDIT PROJECT ("TGMP")

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2006 TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Turkish Foundation for Waste Reduction

1. We have audited the accompanying financial statements of Turkish Foundation for Waste Reduction Microcredit Center - Turkish Grameen Microcredit Project ("TGMP"), which comprise the balance sheet as at 31 December 2006 and the income statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Standard Chart of Accounts and the Turkish Commercial Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 policies 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 audit opinion.

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Basis for Qualified Opinion

4. As explained in Note II to the accompanying financial statements, the accompanying financial statements include deposits collected from each project group member amounting to TRY217,081 classified under current liabilities at 31 December 2006. A service charge flat rate of 15% is applied on the savings balance. However, the service charge accrual which should be recognized in the financial statements for the year ended 31 December 2006 has not been accounted for. The effect of such expense accrual on the accompanying financial statements could not be quantified.

Qualified Opinion

5. In our opinion, except for the effect on the financial statements of the matter referred to in the 4th paragraph, the financial statements present fairly, in all material respects, the financial position of TGMP as of 31 December 2006, and its financial performance for the year then ended in accordance with the Turkish Standard Chart of Accounts and Turkish Commercial Code.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the following matter:

6. As explained in Note 29 to the accompanying balance sheet, the accompanying financial statements are based on the Turkish Standard Chart of Accounts in accordance with the Turkish Commercial Code, which is different from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally existing in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Adnan Akan, SMMM

Istanbul, 2 April 2008

TURKISH FOUNDATION FOR WASTE REDUCTION MICROCREDIT CENTER
TURKISH GRAMEEN MICROCREDIT PROJECT

BALANCE SHEET AT 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("TRY") unless otherwise indicated)

		31 December 2006	
ASSETS			
I.	**CURRENT ASSETS**		
	Liquid assets		**226,234**
	Cash	1,341	
	Banks	224,893	
	Trade receivables		**1,499,324**
	Customers	1,499,324	
	Short-term prepaid expenses and income accruals		**694**
	Short-term prepaid expenses	694	
	Other current assets		**25,013**
	Value Added Tax ("VAT") receivable	375	
	Work advances	10,000	
	Receivable from employees	966	
	Other current assets	13,672	
	Total current assets		**1,751,265**
II.	**NON-CURRENT ASSETS**		
	Property and equipment		**32,863**
	Motor vehicles	16,000	
	Furniture and fixtures	21,972	
	Accumulated depreciation	(5,109)	
	Intangible assets		**4,126**
	Establishment costs	3,269	
	Other intangibles	2,266	
	Accumulated amortization	(1,409)	
	Long-term prepaid expenses and income accruals		**2,400**
	Long-term prepaid expenses	2,400	
	Other non-current assets		**500**
	Deposits given	500	
	Total non-current assets		**39,889**
TOTAL ASSETS			**1,791,154**

The accompanying notes form an integral part of these financial statements.

TURKISH FOUNDATION FOR WASTE REDUCTION MICROCREDIT CENTER
TURKISH GRAMEEN MICROCREDIT PROJECT

BALANCE SHEET AT 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("TRY") unless otherwise indicated)

		31 December 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
I. CURRENT LIABILITIES		
Trade payables		**304**
Suppliers	304	
Other liabilities		**232,057**
Total deposits collected	217,081	
Other miscellaneous liabilities	14,976	
Taxes and withholdings payable		**22,180**
Taxes and funds payable	20,519	
Social security premiums payable	1,661	
Other current liabilities		**573**
Surplus account	573	
Total current liabilities		**255,114**
II. NON CURRENT LIABILITIES		
Payable to related parties		**745,885**
Payable to related parties	745,885	
Total non-current liabilities		**745,885**
III. SHAREHOLDERS' EQUITY		
Capital		**826,931**
Accumulated loss		**(47,946)**
Current year gain		**11,170**
Total shareholders' equity		**790,155**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,791,154**

The accompanying notes form an integral part of these financial statements.

TURKISH FOUNDATION FOR WASTE REDUCTION MICROCREDIT CENTER
TURKISH GRAMEEN MICROCREDIT PROJECT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("TRY") unless otherwise indicated)

		2006
Gross sales		**328,062**
Sales revenue	328,062	
Sales deductions		**(10,606)**
Sales returns	(10,606)	
Net sales		**317,456**
Cost of sales		**(161,187)**
Cost of services provided	(161,187)	
GROSS PROFIT		**156,269**
Operating expenses		**(130,916)**
General administrative expenses	(130,916)	
GAIN FROM PRIMARY OPERATIONS		**25,353**
Other operating income		**81**
Interest income	81	
ORDINARY GAIN		**25,434**
Extraordinary gain		**3,246**
Extraordinary gain	3,246	
Extraordinary loss		**(17,510)**
Extraordinary loss	(17,510)	
NET GAIN FOR THE YEAR		**11,170**

The accompanying notes form an integral part of these financial statements.

I. NATURE OF OPERATIONS

Grameen Trust (GT) is committed to the cause of alleviating global poverty by providing financial and technical support to Grameen Bank Replication Programs in Bangladesh and abroad. As part of its commitment, GT began a Grameen replication project in Turkey under its build, operate and transfer model with the support of the Turkish Foundation for Waste Reduction.

The Turkish Grameen Microcredit Project ("TGMP") was officially launched by Turkish Foundation for Waste Reduction in Diyarbakır, in the south-east of Turkey, in June 2003 with the support of GT. The prime objective of this project is to provide loans to poor women in rural and urban areas surrounding Diyarbakır, and to support their income-generating activities and small businesses as a means of reducing poverty. During the implementation of the project, due to the regulations, the project was financed by the donations given by various organizations and people under the control of Diyarbakır Governor's Office.

Turkish Foundation for Waste Reduction paid the balance of public money in the accounts of Diyarbakır Governor's Office related to Bağlar and Ergani Branches in 2006. With the payment of total of TRY429,112, TGMP has been taken over by Turkish Foundation for Waste Reduction. Microcredit Center, which is a foundation economic enterprise, was established under the control of Turkish Foundation for Waste Reduction in 2006.

The Project has been implemented in six different locations; Ergani (Diyarbakır), Bağlar (Diyarbakır), Mamak (Ankara), Kozluk (Batman), Sur (Diyarbakır) and Bismil (Diyarbakır). The number of employees of TGMP at 31 December 2006 is 32.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

TGMP maintains its books of account in New Turkish lira ("TRY") based on the Turkish Commercial Code and tax legislation and prepares its statutory financial statements in accordance with the Turkish Standard Chart of Accounts. Since Microcredit Center was established in 2006, no comparative financial information was presented.

Significant Accounting Policies

The following significant accounting policies have been applied in the preparation of these financial statements:

Revenue recognition

TGMP charges a service fee on each loan given to the members of the project. The total service charge is determined as 15% of the outstanding loan amount.

Revenue consists of service charge income which is recognized in the financial statement based on an accrual basis.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Foreign currency transactions and translation

Transactions in foreign currencies are translated into TRY at the exchange rates prevailing at the date of the transactions. Foreign currency assets and liabilities are translated using exchange rates at the balance sheet date, and the resulting gains and losses are included in the current year results. There is no foreign currency denominated balances as of 31 December 2006.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The depreciation is provided for property and equipment based on the straight line method over the following periods that are in line with tax regulations:

	Depreciation periods
Motor vehicles	5 years
Furniture and fixtures	4 years

Intangible assets

Intangible assets mainly comprise establishment costs and other intangibles. They are stated at cost less accumulated amortization. The amortization is provided based on the straight line method over five years.

Related parties

For the purpose of these financial statements shareholders and key management personnel, in each case together with organizations controlled by or affiliated with them and investments are considered and referred to as related parties.

Provision for doubtful receivables

Provision for doubtful receivables is accounted for receivables if the management will not be able to collect all amount due from the members of the project. The provision for doubtful receivable amounting to TRY14,976 is classified under miscellaneous liabilities in the financial statements as of 31 December 2006.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Taxes on income

In accordance with Corporate Tax Law No:5520, Article 2, Paragrah 5 "Law related to taxpayers of corporation tax for the associations and foundations" that was published on 21 June 2006, the commercial, industrial and agricultural enterprises that are owned by or affiliated to associations or foundations are the economic enterprises of associations and foundations. Turkish Foundation for Waste Reduction is affiliated to Microcredit Center foundation economic enterprise and Ergani (Diyarbakır), Bağlar (Diyarbakır), Mamak (Ankara) and Kozluk (Batman) Branches are subject to corporate tax.

Corporation tax is payable at the rate of 20% on the net income of the Organization after adjusting for certain disallowable expenses, exempt income and investment and other allowances.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not carried back to offset profits from previous periods.

Total Deposits Collected

Within the scope of the prime objective of TGMP, each project group member deposits at least TRY1 weekly. TGMP applies a service charge flat rate of 15% on the saving balance. The group members can withdraw the saving any time. Only the new members are not allowed to withdraw cash within a year. TGMP accounts the weekly deposited amount under total deposits collected in the balance sheet.

Trade receivable

TGMP's customers are the members of the project and the receivable is recognized by TGMP by way of giving loan to project group members at nominal value.

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS

A) Notes to the Balance Sheet

1. Upper limit of capital where registered capital system is applied:

Turkish Grameen Microcredit Project ("TGMP") has not applied the registered capital system; as such system is applicable to listed companies only.

2. a. Total amount of advances extended to the chairman, members of the board of directors, general manager, general coordinator, assistant general manager and other high-level management during the year:

None.

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

b. Balance of such advances at year-end:

None.

3. Total amount of insurance on assets:

TRY15, 000.

4. Total guarantee letters obtained for receivables:

None.

5. Total collateral and guarantee letters given for payables:

None.

6. Off-balance sheet commitments and contingent liabilities:

None.

7. Foreign currency denominated cash and bank balances:

None.

8. Foreign currency denominated receivables:

None.

9. Foreign currency denominated liabilities:

None.

10. Bills and financial bonds issued under the guarantee of banks:

None.

11. Total investment incentive tax exemption to be utilized in current and following periods:

None.

12. Total debenture bonds in circulation which are convertible into shares:

None.

(Amounts expressed in New Turkish lira ("TRY") unless otherwise indicated)

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

13. Shares representing the capital:

None.

14. Total amount of share capital issued in current period:

None.

15. List of owners or shareholders holding more than 10% of capital:

	31 December 2006 Share (%)
Diyarbakır Governor's Office	100%

16. List of investments and subsidiaries where more than 10% of the share capital is owned:

None.

17. Stock valuation method:

There is no inventory as of 31 December 2006.

18. Property, plant and equipment and intangible assets movements during the year:

a. Additions : TRY35,669
b. Disposals : -

19. Portion of shareholders, associates, subsidiaries and related parties in trade receivables and trade payables:

	31 December 2006
Payable to related parties:	
Turkish Foundation for Waste Prevention (*)	**745,885**

(*) The payable amount is non-interest bearing and there is no specific redemption schedule for the outstanding liability amount.

20. Average number of employees in current year:

Average number of employees during the year is 30.

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

21. Subsequent events:

In 2007, the project was implemented in eight new locations: Gaziantep (Şehitcami branch), Kahramanmaraş, Çankırı, Zonguldak, Mardin, Eskişehir, Diyarbakır (Silvan branch) and Yozgat. In 2008, the project was implemented in additional four new locations: Gaziantep (Şahinbey branch), Sivas, Rize and Amasya.

22. Contingent liabilities and contingent profits:

None.

23. Disclosure of changes in accounting estimates, which have material effect on gross profit ratios and their monetary effect:

None.

24. Amount of blocked deposits in bank accounts:

None.

25. Issues and amount of marketable securities issued by affiliates, subsidiaries and shareholders:

None.

26. Bonus shares received from affiliates and subsidiaries due to capital increase realized from reserves:

None.

27. Total amount of unrealized interest for the following financial period:

None.

28. Guarantees extended to shareholders, affiliates and subsidiaries:

None.

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

29. Other issues, which might have a material effect on the financial statements or issues, which clarify the financial statements:

The financial statements are based on the Turkish Standard Chart of Accounts in accordance with the Turkish Commercial Code, which is different from the accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

30. Date at which the financial statements are approved and become effective:

The financial statements have not yet been approved as at the preparation date of these financial statements. According to governing rules, there is no such requirement for not-for-profit organization.

b) NOTES TO THE STATEMENTS OF INCOME

1. Total depreciation and amortization charges for the period:

Depreciation: TRY5,109
Amortization: TRY1,409

2. Provisional expenses for the period:

None.

3. Financial expenses for the period:

None.

4. Amount of financial expenses for the period relating to the parent company, shareholders, affiliated companies and subsidiaries:

None.

5. Sales to the parent company, shareholders, affiliated companies and subsidiaries:

None.

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

6. Interest, commission, rent etc. received from or paid to the parent company, shareholders, affiliated companies and subsidiaries:

None.

7. Gross salaries and other benefits paid to the chairman, members of the board of directors, general manager, general coordinator, assistant general manager and other high level management during the year:

TRY30,300.

8. Depreciation and amortization method applied:

The depreciation is provided for property and equipment based on the straight line method.

9. Costing method of stocks:

None.

10. Reasons for the non-performance of physical stock counts:

Since TGMP has no inventories, physical stock count has not been performed.

11. Sales of side products, and scraps exceeding 20% of sales:

None.

12. Income and expenses related to prior periods:

Income amounting to TRY246 is related to the prior periods.

13. Profit per share: None.

Dividend per share: None.

(Amounts expressed in New Turkish lira ("TRY") unless otherwise indicated)

III. DISCLOSURES REQUIRED BY TURKISH UNIFORM CHART OF ACCOUNTS (Continued)

14. Other matters:

Extraordinary gain and loss are mostly attributable to the expenses and income of the project office in Diyarbakır. The breakdown of the expenses and income is as follows:

	31 December 2006
Grameen Trust fee	(5,968)
Telephone expenses	(4,785)
Electricity expenses	(2,552)
Heating	(519)
Depreciation	(434)
Water expenses	(303)
Bank charge	(21)
Postage expenses	(26)
Other	(2,902)
Extraordinary loss	**(17,510)**
Interest income on bank deposits	2,950
Other	296
Extraordinary gain	**3,246**

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