WORLD VISION INTERNATIONAL IN GEORGIA

Independent Auditors' Report and
The Financial Statements
Prepared under International Financial Reporting Standards
for the Period Started October 1, 2003, Ended 30 September 2004

(DRAFT)

INDEX

	Page
INDEPENDENT AUDITORS' REPORT	**3**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004	
Balance Sheet	**4**
Income Statement	**5**
Cash Flow Statement	**6**
Statement of Changes in Equity	**7**
Notes to the Financial Statements:	**8 – 13**

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INDEPENDENT AUDITORS' REPORT

To the Management of World Vision International in Georgia

6 N. Nickoladze st.
Tbilisi, Georgia

We have audited the accompanying balance sheet of World Vision International in Georgia (the "Organization" as defined in Note 1 to the Financial Statements) as at 30 September 2004 and the related income and cash flow statements for the year then ended. These financial statements set out on pages 4 to 7 are the responsibility of Organization's management. 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 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 financial statements for the year ended 30 September 2003 had not been audited by other independent auditor and we were unable to satisfy ourselves as to the opening balances regarding balance sheet items by means of other auditing procedures. Accordingly we do not express an opinion on the comparative figures for the previous year results of operations and cash flows for the year ended 30 September 2003.

In our opinion, except for the effect of the matters discussed in the preceding paragraph, the financial statements present fairly in all material respects, the financial position of the Organization as at 30 September 2004 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Committee.

UBC International

30 December 2004
Tbilisi, Georgia

BALANCE SHEET

		At September 30,	
ASSETS	**Notes**	**2004 (Audited)**	**2003 (Unaudited)**
Current assets			
Cash and cash equivalents	5	31,442	239,694
Short-term investments		-	70,185
Loan portfolio, net	6	1,253,113	714,653
Interest receivable		22,805	-
Tax assets	7	20,309	-
Other debtors and receivables	8	35,029	93,935
Total current assets		**1,362,698**	**1,118,467**
Non current assets			
Property, plant and equipment, net	9	87,861	53,867
Total non current assets		**87,861**	**53,867**
TOTAL ASSETS		**1,450,559**	**1,172,334**
LIABILITIES AND EQUITY			
Current liabilities			
Other creditors and liabilities	10	108,792	63,693
Total current liabilities		**108,793**	**63,693**
Non current liabilities			
Long-term borrowings		161,000	145,000
Total non current liabilities		**161,000**	**145,000**
TOTAL LIABILITIES		**269,792**	**208,693**
EQUITY			
Donated equity		959,432	802,020
Retained earnings		221,335	161,621
TOTAL EQUITY		**1,180,767**	**963,641**
TOTAL LIABILITIES AND EQUITY		**1,450,559**	**1,172,334**

30 December 2004		
Date of approval of the Financial Statements	Nino Gonjilashvili Financial Manager	Gerlof De Korte Program Manager

The notes set out on pages 8-13 form an integral part of these financial statements.

INCOME STATEMENT

	Notes	Year Ended 30 September, 2004 (Audited)	2003 (Unaudited)
Interest incomes			
Interest on loan portfolio		368,998	299,152
Fees and commissions on loan portfolio		64,137	52,272
Interest incomes		1,597	2,249
Other incomes/FX gain		11,278	1,483
Total interest incomes		**446,010**	**353,673**
Interest expense			
Interest and fees on borrowings		(9,439)	(6,458)
Total interest expenses		**(9,439)**	**(6,458)**
Financial income, net		**436,571**	**347,215**
Bed debt expense		(58,750)	(15,205)
Funds recovered from loans written-off		9,720	5,158
Net income after bed debt expenses		**387,541**	**337,168**
Operating expenses			
Administrative expenses	11	(403,011)	(342,678)
Audit and consulting fees		(15,959)	-
Depreciation charge	9	(21,524)	(12,067)
Total operating expenses		**(440,494)**	**(354,745)**
Non-operating incomes			
Other non-operating revenue		7,168	-
Total non-operating incomes		**7,168**	**-**
Non-operating expenses			
Non-operating fees to WVI and branch offices		(12,000)	(29,496)
Total non-operating expenses		**(12,000)**	**(29,496)**
Non-operating expenses, net		**(4,832)**	**(29,496)**
Net loss before donations		**(57,785)**	**(45,590)**
Donations for operations		103,100	148,540
Net profit for the period		**45,315**	**102,950**

30 December 2004		
Date of approval of the financial statements	Nino Gonjilashvili Financial Manager	Gerlof De Korte Program Manager

The notes set out on pages 8-13 form an integral part of these financial statements

CASH FLOW STATEMENT - (indirect method)

	Notes	Year Ended 30 September, 2004 (Audited)
Cash flows from operating activities:		
Net profit for the period		45,315
Adjustments for:		
Other equity accounts		14,399
Depreciation charge of property, plant and equipment	9	21,524
Operating income before change in operating assets and liabilities		**81,238**
Changes in operating assets and liabilities:		
Increase in loan portfolio, net		(538,460)
Increase in interest receivable		(22,805)
Increase in tax assets		(20,309)
Decrease in other debtors and receivables		58,906
Increase in other creditors and payables		45,099
Net cash used in operating activities		**(396,331)**
Cash flows from investing activities:		
Short-term investments		70,185
Acquisition of property, plant and equipment		(55,518)
Net cash from investing activities		**14,667**
Cash flows from financing activities:		
Loan capital		157,412
Long-term borrowings		16,000
Net cash from financing activities		**173,412**
Net change in cash and cash equivalents		**(208,252)**
Cash and cash equivalents at the beginning of period	5	239,694
Cash and cash equivalents at the end of period	5	**31,442**

The notes set out on pages 8-13 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Capital	Donations	Retained earnings	Total equity
Balance at 30 September 2003 (Unaudited)	767,317	34,703	161,621	963,641
Donations (recorded directly to balance sheet)	162,101	(4,689)	-	157,412
Other equity accounts/ adjustments	-	-	14,399	14,399
Net profit for the period	-	-	45,315	45,315
Balance at 30 September 2004 (Audited)	**929,418**	**30,014**	**221,335**	**1,180,767**

The notes set out on pages 8-13 form an integral part of these financial statements.

NOTE 1: PRINCIPAL ACTIVITIES

Micro Enterprise Development (MED) Program of World Vision International in Georgia (the "Organization") is representative office of World Vision International. MED Program began operations in 1997. Program is designed to provide support to the poor and micro-small businesses, especially in the rural areas of Georgia with the objective to stimulate the creation of employment opportunities for the poor. The primary clients are economically active individual women and men entrepreneurs. The Organization has 42 employees as of 30 September 2004. The Organization's registered office is located at N. Nickoladze Street, 6, Tbilisi, Georgia.

NOTE 2: OPERATING ENVIRONMENT OF THE ORGANIZATION

The Organization operates in Tbilisi, Kutaisi, Batumi, Borjomi, Khashuri, Bakuriani and Akhaltsikhe with surrounded areas. Loans are given to individuals and groups, loan amount is from 50 to 20,000 US$, which depends on sector of business and on individual clients for the 4-24 month period.

NOTE 3: BASIS OF PRESENTATION

Basis of presentation. The financial statements of the Organization are prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standard Board. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS.

Georgian Lari is the national currency of Georgia. In general, the functional currency is the currency of the primary economic environment in which the Organization operates, therefore, functional currency of the Organization is considered to be the United States Dollars (US$).

The preparation of the financial statements requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual result ultimately may differ from those estimates.

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents. Cash and cash equivalent items, which can be converted into cash within a day and includes cash and overnight deposits with banks. All short-term bank placements except overnights are included in deposits with banks.

Loans to customers and loan impairment provision. Interest on loans accrues on total principal amount. Interest on loans is calculated on the total principal amount using fixed rates and accrued monthly. As of 30 September 2004, loans represent the unpaid principal balance of loans less the provision for loan impairment. Management provisions for loan losses every month in order to maintain the allowance (reserve) for bad loans at adequate levels. The

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES – (continued)

adequacy of the provisions for loan impairment is determined by applying defined percentages to the outstanding balances in various aging categories, as shown below:

Loan status	Provision rate
Overdue:	
0-30 days	2.0%
30-60 days	10.0%
60-90 days	25.0%
90-180 days	50.0%
180-days and more	100.0%

Because in Georgia do not exist national regulations to maintain provisioning policy for Microfinance Institutions the company's management the allowance (reserve) for bad loans based on its past experience and the historical performance of the overdue portfolio, aged by the same categories. Loan impairments (write-offs) are charged against the provision for loan impairment when management believes that the principal is unlikely to be collected. At the end of March and September of each year, management reviews all loans more than 120 days late and writes off, on a case-by-case basis, those with no realistic prospects of recovery. Write offs are taken out of the outstanding loan portfolio and deducted from the loan impairment provision.

Receivables. Receivables are accounted on the accrual basis. A credit risk provision for impairment is established if there is objective evidence that the Organization will not be able to collect the amounts due. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment where required. Repair and maintenance costs of property, plant and equipment, including refurbishment costs of leased office premises, are capitalized if they result in an enlargement or substantial improvement of the respective asset and depreciated on a straight-line basis over the estimated economic life of the asset or the term of the lease contract, whichever is the shortest. Other repair and maintenance costs are charged to income.

Where carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of income. The estimated recoverable amount is the higher of an asset's net selling price or its value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit/(loss).

Depreciation. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Motor vehicles	20
Computers and communications	20
Furniture and equipment	15
Other assets	8

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Interest income and expense recognition. Interest income and expense are recognized in the consolidated statement of income for all interest bearing instruments on an accrual basis, using the effective yield method based on the actual purchase price. Interest income presents interest on loans to costumers. Other income is credited to income when the related transactions are completed. Non-interest expenses are recognized at the time the products are received or the service is provided.

Foreign currency translation. Monetary assets and liabilities denominated in Georgian Lari (GEL) are converted into United States Dollars (USD) at the National Bank of Georgia ("NBG") official rate of exchange effective at the balance sheet date. Transactions carried out in local currency are translated using the NBG rates effective at the date of the transaction. Gains and losses derived form the translation from local currency to US dollars are included in foreign exchange gain or loss account.

Details of the exchange rate of the U.S. dollar:

As at 30 September 2004	-	USD 1 = GEL 1.840
As at 30 September 2003	-	USD 1 = GEL 2.113

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Provisions. Provisions are recorded when the Organization has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTE 5: CASH AND CASH EQUIVALENTS

Description	GEL	USD	At September 30, 2004	At September 30, 2003
Cash on hand	2,517	-	2,517	604
Cash in resident banks	44,849	6,065	50,914	239,090
Total cash and cash equivalents:	**47,366**	**6,065**	**53,431**	**239,694**

NOTE 6: LOAN PORTFOLIO, NET

	At September 30, 2004	At September 30, 2003
Agriculture	136,763	(*)
Production	154,112	(*)
Service	219,819	(*)
Retail	770,076	(*)
Loan portfolio before impairment provision	**1,280,770**	**727,976**
Less: loan impairment provision	(27,657)	(13,323)
Total loan portfolio, net:	**1,253,113**	**714,653**

(*) - Detail not available.

The Movements in the provision for loan impairment are as follows:

	At September 30, 2004	At September 30, 2003
Balance at 1 October 2004	13,322	9,621
Provisions for loan impairment	58,752	15,201
Loans written off	(44,417)	(11,500)
Balance at 30 September 2004	**27,657**	**13,322**

NOTE 7: TAX ASSETS

	At September 30, 2004	At September 30, 2003
Income tax prepaid	21	-
VAT refundable	20,286	-
Social tax prepaid	2	-
Total tax assets:	**20,309**	**-**

NOTE 8: OTHER DEBTORS AND RECEIVABLES

	At September 30,	
	2004	**2003**
Accounts receivable	32,576	93,935
Advance payments	1,233	-
Prepayments	1,220	-
Total other debtors and receivables:	**35,029**	**93,935**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT, NET

	Motor vehicles	Computers and communications	Fixtures and equipment	Other assets	Total
Gross Book Value					
Balance at 30 September 2003	27,510	29,638	10,413	5,314	72,875
Additions	32,629	31,153	2,385	5,329	71,496
Disposals	(11,107)	(8,462)	(571)	(302)	(20,442)
Balance at 30 September 2004	**49,032**	**52,329**	**12,227**	**10,341**	**123,929**
Accumulated Depreciation					
Balance at 30 September 2003	4,632	8,805	4,604	967	19,008
Charge for the year	6,135	12,520	1,967	902	21,524
Depreciation of disposals	(2,696)	(84)	(1,380)	(304)	(4,464)
Balance at 30 September 2004	**8,071**	**21,241**	**5,191**	**1,565**	**36,068**
Net Book Value					
Balance at 30 September 2003	22,878	20,833	5,809	4,347	53,867
Balance at 30 September 2004	**40,961**	**31,088**	**7,036**	**8,776**	**87,861**

NOTE 10: OTHER CREDITORS AND LIABILITIES

	At September 30,	
	2004	**2003**
Accounts payable	98,372	63,693
Advances received	2,638	-
Other liabilities	7,782	-
Total other creditors and liabilities:	**108,792**	**63,693**

NOTE 11: ADMINISTRATIVE EXPENSES

	Year Ended 30 September,	
	2004	**2003**
Salary	(157,581)	(210,441)
Other benefits	(18,549)	(25,979)
Salary related taxes	(50,263)	(*)
Trainings	(6,256)	(*)
Rent	(42,578)	(53,943)
Business trips	(36,583)	(38,433)
Communication	(27,195)	(13,767)
Office maintenance	(10,037)	(*)
Fuel	(10,024)	(*)
Advertisement	(9,131)	(*)
Repair expense	(9,819)	(*)
Bank fees	(8,790)	(*)
Insurance	(5,402)	(*)
Office utilities	(6,444)	(*)
Security	(4,279)	(*)
Other	(80)	(115)
Total administrative expenses:	**(403,011)**	**(342,678)**

NOTE 12: RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance, not merely the legal form.

Transactions are entered into in the normal course of business with founders, directors, subsidiaries, associates and companies with which the Organization has significant founders in common and other related parties. These transactions are priced predominantly at preferential rates. The outstanding balances as at year-end, as well as income and expenses for the year with related parties are as follows:

	Year Ended 30 September,	
	2004	**2003**
Directors remuneration	14,608	(*)

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments: As of 30 September 2004, the Organization had no capital commitments.

Legal proceedings: As of 30 September 2004, the Organization was not engaged in any litigation process.