



Auditing And Consulting Company

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INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying balance sheet and special purpose statements of revenues and expenditures of the Biological Farming Association ELKANA as and for the year ended December 31, 2006. This balance sheet and special purpose statements of revenues and expenditures are the responsibility of the management of the Association; our responsibility is to express an opinion on the provided balance sheet and special purpose statements of revenues and expenditures based on our audit.
2. Except for discussed in paragraph 3 we conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not observe the counting of the physical fixed assets, as of 31 December 2006, since that date was prior to the time we were initially engaged as auditors for the Company. Owing to the nature of the Company's accounting records, we were unable to satisfy ourselves as to the fixed assets quantities by other procedures. The fixed assets balances enter into the determination of the results of operations for the year ended 31 December 2006.
4. The organization has not performed revaluation of fixed assets, respectively they are not reflected at fair value as of December 31, 2005 and December 31, 2006.
5. The organization has no accounting records of expenses and fixed assets separately, according to the donors. So, we were unable to satisfy ourselves as to financing accrued is calculated and disclosed correctly in balance sheet and explanatory notes.
6. In our opinion, except the issues mentioned in 3, 4 and 5 paragraphs, the balance sheet and special purpose statements of revenues and expenditures present fairly, in all material respects, of the financial position and the revenues and expenditures as and for the year ended December 31, 2006.

Tbilisi

DATE: November 22, 2007