

**BIOLOGICAL FARMING ASSOCIATION  
ELKANA**



**INDEPENDENT AUDITOR'S REPORT  
and  
FINANCIAL REPORTS  
2006**



Auditing And Consulting Company

**Tbilisi Managers &  
Consultants**

**BIOLOGICAL FARMING ASSOCIATION  
ELKANA**

**Balance sheet as at 31 December 2006  
(in Euro)**

<b>ASSETS</b>	<b>NOTES</b>	<b>2006</b>	<b>2005</b>
<b>Non-current assets</b>		<b><u>241,316</u></b>	<b><u>228,805</u></b>
Tangible fixed assets	4	241,251	228,681
Intangible fixed assets	4	65	124
<b>Current assets</b>		<b><u>250,978</u></b>	<b><u>125,567</u></b>
Inventories		13,719	8,428
Reseivables from employees		16,160	11,636
Tax receivables	5	20,722	18,812
Cash balances	6	200,376	86,691
<b>Total assets</b>		<b><u><u>492,294</u></u></b>	<b><u><u>354,372</u></u></b>
<b>FINANCING ACCRUED</b>	7	458,623	350,970
<b>LIABILITIES</b>		<b><u>33,671</u></b>	<b><u>3,402</u></b>
Tax payables	8	1,854	1,689
Overdraft in bank		31,817	1,713
<b>Total financing and tax payables</b>		<b><u><u>492,294</u></u></b>	<b><u><u>354,372</u></u></b>

**BIOLOGICAL FARMING ASSOCIATION  
ELKANA**

Statements of revenues and expenditures for the year ended December 31, 2006

(in Euro)

Description		Actual income/expe nditure	Operation al budget	variance	Notes
		2006	2006	2006	
CURRENCY		EURO	EURO	EURO	
A. OPENING BALANCE		85,599			
B. INCOME					
Actual Income/Secured income					
	Own Income	3,641	8,000	(4,359)	
	Income from Donors:				
	EED	202,945	202,945	-	
	MISEREOR	33,040	33,040	-	
	MC	23,678	23,678	-	
	EPER	13,165	13,165	-	
	N(o)vib	177,023	177,023	-	
	FAO	1,534	1,534	-	
	UNDP	144,447	159,439	(14,993)	
	AVALON	18,032	21,820	(3,788)	
	Eper Oit	5,707	5,707	-	
	SDC	55,904	55,904	-	
	Other Income				
<i>SUB-TOTAL Actual income/ Secured income</i>		679,116	702,255	(23,139)	
Non-Secured income					
	Own Income (Seminars)	8,513	32,066	(23,553)	
	Income from Donors				
	EED				
	MISEREOR				
	EPER				
	Other Income (interest, etc.)				
<i>SUB-TOTAL Non-Secured income</i>		8,513	32,066	(23,553)	
TOTAL INCOME		687,628	734,322	(46,694)	
		2006	2006		
C. EXPENDITURES		EURO	EURO		
	Core cost/Administration	103,771	22,700.00	81,071	
	Investments in fixed assets	57,166	55,416	1,750	

	Programme (A) Development of Organic Farming and Encouragement of Self-Help in the Rural Population				
	Extension Program for Organic Farming	46,216	46,216	-	
	Marketing Support Program For Bio-Products	26,025	26,025	-	
	Agrobiodiversity Protection Program	6,657	6,657	-	
	Village Development Program	22,762	22,762	-	
	PR and Lobbying	23,978	23,978	-	
	<i>SUB-TOTAL Programme (A)</i>	125,637	125,637	-	
	Programme (B) - Consortium Project 2006-2009				
	<i>Extension Program for Organic Farming</i>	18,705	31,000	(12,295)	
	<i>Marketing Support Program For Bio-Producton</i>	7,692	15,000	(7,308)	
	<i>Agrobiodiversity Program</i>	2,251	5,300	(5,300)	
	<i>Roural Development Program</i>	10,188	11,000	(812)	
	<i>Public Affairs</i>	11,938	15,000	(3,062)	
	<i>SUB-TOTAL Programme (B)</i>	50,773	77,300	(26,527)	
	Programme (C) - Community Investment Project - East (MC)				
	<i>Mercy Corps</i>	22,952	22,952	(0.1)	
	<i>SUB-TOTAL Programme (C)</i>	22,952	22,952	(0.1)	
	Programme (D) N(o)vib				
	Activity A: Training Centre	28,646	28,646	-	
	Activity B: Advocacy	24,011	24,011	-	
	<i>SUB-TOTAL Programme (D)</i>	52,657	52,657	-	
	Programme (E) UNDP				
	<i>Agrobiodiversity</i>	109,714	109,714	-	
	<i>SUB-TOTAL Programme (E)</i>	109,714	109,714	-	
	Programme (F) marketing investigation of organic market				
	marketing investigation of organic market	0.4	-		
	<i>SUB-TOTAL Programme (F)</i>	0.4	-		
	Programme (G) (diakonishes)				
	Certification programme development in Georgia	10,847	10,847	0.4	
	<i>SUB-TOTAL Programme (G)</i>	10,847	10,847	-	
	Programme (H) DFID				
	<i>DFID</i>		-		
	<i>SUB-TOTAL Programme (H)</i>	-	-		
	Programme (I) World vision				
	<i>Worldvision</i>	181			
	<i>SUB-TOTAL Programme (I)</i>	181			
	Programme (J) Certification (EPER/SDC.GTZ)				
		15,513	15,513	-	
	<i>SUB-TOTAL Programme (J)</i>	15,513	15,513	-	
	Programme (K) Workshop (FAO)				
	<i>workshop FAO</i>	246	576	(329)	
	<i>SUB-TOTAL Programme (K)</i>	246	576	(329)	
	Programme (L) AVALON				
	<i>AVALON</i>	8,005	10,910	(2,905)	
	<i>SUB-TOTAL Programme (L)</i>	8,005	10,910	(2,905)	

Programme (M) Biosafety				
<i>Seminar on biosafety</i>	3,5340	-		
<i>SUB-TOTAL Programme (M)</i>	3,5340	-		
Programme (N) eper				
<i>Seminar by Eper</i>	4,124			
<i>SUB-TOTAL Programme (N)</i>	4,124			
Programme (O) SDC				
<i>Tourism and Rural Development Project</i>	18,077	18,077	-	
<i>SUB-TOTAL Programme (O)</i>	18,077	18,077	-	
Programme (P) ACH	-			
<i>ACH Seminar</i>		-		
<i>SUB-TOTAL Programme (P)</i>	-	-		
Programme (Q) Workshop (Novib)				
<i>Workshop</i>	6,749	14,075	(7,326)	
<i>SUB-TOTAL Programme (P)</i>	6,749	14,075	(7,326)	
Programme (Q) Training Ukrain (Novib)				
<i>Training</i>	2,732			
<i>SUB-TOTAL Programme (P)</i>	2,732			
<b>TOTAL EXPENDITURES</b>	<b>592,684</b>	<b>544,037</b>	<b>48,646</b>	
<b>D. CLOSING BALANCE (A + B - C)</b>	<b>180,543</b>	<b>190,284</b>	<b>(9,740)</b>	

NOTE:  
EXPLANATION OF DIFFERENCE BETWEEN  
CLOSING BALANCE (A + B - C) AND CLOSING  
CASH BALANCES

Other payables
Currency exchange

7,379  
12,454  
200,376



**Director** ----- **M. Jorjadze**

**Chief accountant** ----- **K. Dolidze**

## 1. Presenting financial information

Financial year of the Biological Farming Association ELKANA covers the period from 1 January to 31 December, however the period of time established by the Association for the separate project budget, varies from the aforementioned financial year. Respectively, the form (supposed to be filled in by the donor), presented by the Association, shows the actual income received and expenses incurred per project, so these figures can by no means be comparable to those considered in the budget for the same projects.

Consequently, the budgeted income and expenses are given in the presented financial statement on the proportionate basis with the period ended 31 December 2006, in order to keep the concept of comparability.

Due to this we are presenting, though in form of explanatory note (note 9), the list of expenses of Novib (project #KAU-504140-0003307), which were incurred within the period from 1 January 2007 to 31 May 2007.

## 2. Disclosure of revenues and expenses in the balance sheet

The project financing is reflected in the balance sheet with the net value, reduced with the current costs necessary for project implementation.

## 3. Currency used for settlement

Accounting of the Association is conducted in national currency (GEL), while the currency used for settlement is Euro. For the financial statement presented we respectively used the average rate of EURO in 2006 – 2.2291.

## 4. Fixed assets

There was changed fixed assets accounting policy in the year 2006. They are reflected in balance sheet at net book value. So, accumulated depreciation is recalculated within the useful life of fixed assets and is reflected as expenses of current and prior years.

	Land	Buildings and constructions	Vehicles	Machinery and equipment	Office equipment	Non tangible fixed assets	Total
<b>Historical cost</b>							
historical cost 31.12.2005	26,846	120,346	70,936	10,267	96,052	937	<b>325,385</b>
Additions	1,997	-	7,965	9,664	16,261	-	35,886
disposals			19,746				
<b>Balance at 31 December 2006</b>	<b>28,843</b>	<b>120,346</b>	<b>59,154</b>	<b>19,931</b>	<b>112,313</b>	<b>937</b>	<b>361,270</b>
<b>Accumulated depreciation</b>							
accumulated depreciation 31.12.2005		29,038	26,251	2,036	38,441	813	<b>96,579</b>
depreciation		4,792	6,781	2,458	18,143	59	32,233
disposals			8,858.3				8,858
<b>Balance at 31 December 2006</b>		<b>33,830</b>	<b>24,174</b>	<b>4,494</b>	<b>56,584</b>	<b>872</b>	<b>119,954</b>
<b>Net book value</b>							
<b>Balance at 31 December 2005</b>	<b>26,846</b>	<b>91,308</b>	<b>44,685</b>	<b>8,231</b>	<b>57,611</b>	<b>124</b>	<b>228,805</b>
<b>Balance at 31 December 2006</b>	<b>28,843</b>	<b>86,516</b>	<b>34,981</b>	<b>15,437</b>	<b>55,729</b>	<b>65</b>	<b>241,316</b>

## 5. Tax receivables

	2006	2005
1 Personal income tax	5,869	4,622
2 VAT	14,563	14,084
3 Other taxes	290	106
<b>Total</b>	<b><u>20,722</u></b>	<b><u>18,812</u></b>

## 6. Cash and cash equivalents

	2006	2005
1 Cash on hand	54,012	24,004
2 Cash at bank	146,364	62,687
<b>Total</b>	<b><u>200,376</u></b>	<b><u>86,691</u></b>

## 7. Accrued financing

	2006	2005
1 EED	38,543	2,362
2 MISEREOR	38,296	32,730
3 CORDAID	5,860	5,667
4 WFP	29	28
5 MercyCorps	21,219	17,700
6 EPER	24,649	21,949
7 DIAKONIE	6,550	5,873
8 Proceeds from charity	14,382	13,094
9 Proceeds from other projects	6,153	5,737
10 Eurasia	7,243	6,536
11 WorldVision	(34)	(33)
12 N(o)vib	148,184	116,055
13 DFID	266	1,392
14 FAO	28	(180)
15 UNDP	71,939	59,979
16 ASURETI	597	578
17 AVALON	12,157	9,321
18 OTHER (Old) PROJECTS	53,954	52,182
19 Eper Qit	797	–
20 SDC	7,810	–
<b>Total</b>	<b><u>458,623</u></b>	<b><u>350,470</u></b>

## 8. Tax liabilities

1 Income tax	191	93
2 Social insurance tax	1,663	1,596
<b>Total</b>	<b><u>1,854</u></b>	<b><u>1,689</u></b>