VISIONFUND CREDO FOUNDATION

Consolidated Financial Statements for the year ended 31 December 2007, and Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

To the founders of Vision Fund Credo Foundation

We have audited the accompanying consolidated Financial Statement of ***Vision Fund Credo Foundation*** ("The Organization") And its subsidiaries ***(LLC Caucasus, and LLC Credo)***, Which comprise the balance sheet as at 31 December 2007 and related statements of income, cash flows and statements of changes in equity for the year then ended and summary of significant accounting policies. These financial statements are the responsibility of the Company'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 Audit. Those Standards require that we plan and perform the audit in order 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Organization as of December 31, 2007 and the results of its operations for the year then ended, in accordance with International Financial Reporting Standards.

Georgian Audit & Consulting Company (GACC)
A Horwath Business Alliance Associate

May 2008

VISIONFUND CREDO FOUNDATION
Consolidated Balance Sheet
for the year ended 31 December 2007 *(In US Dollars)*

	Notes	31 December 2007	31 December 2006
ASSETS			
Cash and cash equivalents	2	67,282	182,062
Loans to customers	3	14,094,126	4,659,402
Other debtors and receivables	4	426,930	229,510
Property, plant and equipment, net	5	479,189	136,294
TOTAL ASSETS		**15,067,527**	**5,207,268**
LIABILITIES			
Short-term borrowings	7	2,365,890	1,934,375
Other creditors and liabilities	6	521,598	141,605
Interest Payable		160,514	-
Long-term borrowings	7	9,884,430	1,373,300
Deferred Tax liability	9	27,436	34,468
TOTAL LIABILITIES		**12,959,867**	**3,483,748**
EQUITY			
Statutory fund		55,499	5,000
Donated equity		1,185,711	1,185,711
Retained earnings for prior years		532,810	343,601
Prior year ratained earning adjustment	11	(19,260)	-
Retained earnings		318,331	189,208
Translation difference		34,569	-
TOTAL EQUITY		**2,107,660**	**1,723,520**
TOTAL LIABILITIES AND EQUITY		**15,067,527**	**5,207,268**

On behalf of the Management

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Gerlof de Korte, Executive Director

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

VISIONFUND CREDO FOUNDATION
Consolidated Income Statement
As at 31 December 2007 *(In US Dollars)*

	Notes	from 1 January - to 31 December 2007	from 1 January - to 31 December 2006
Interest income		2,826,147	1,109,658
Interest expense		(703,234)	(149,507)
Net interest income		**2,122,913**	**960,152**
Provision for loan impairment	3	(19,660)	(9,384)
Funds recovered from loans written-off		11,479	10,354
Net interest income after provision for loan impairment		**2,114,732**	**961,121**
Other income		5,050	3,571
Administrative and other operating expenses	10	(1,785,176)	(823,141)
Foreign exchange loss		(61,873)	(3,623)
Profit tax	9	(70,792)	(31,876)
Operating profit		**201,941**	**106,053**
Net income before donations		**201,941**	**106,053**
Donations			
Donations for operations	8	16,475	46,883
Donations for fixed assets		-	3,945
Donations for loan capital		99,915	32,328
Net income for the period		**318,331**	**189,208**

On behalf of the Management

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Gerlof de Korte, Executive Director

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

VISIONFUND CREDO FOUNDATION
Consolidated Cash Flow Statement
for the year ended 31 December 2007 *(In US Dollars)*

CASH FLOWS FROM OPERATING ACTIVITIES	**31 December 2007**	**31 December 2006**
Net income before taxes	318,331	189,208
Loans to customers net	(9,434,724)	(2,414,590)
Other debtors and receivables	(197,420)	55,459
Tax liabilities	(7,032)	27,597
Other liabilities	540,507	86,280
Net cash from / (used in) operating activities	**(8,780,339)**	**(2,056,046)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in fixed assets (net)	(342,895)	(15,983)
Net cash from / (used in) investing activities	**(342,895)**	**(15,983)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings	431,515	1,675,667
Donated equity	65,810	6,807
Long-term borrowings	8,511,130	412,633
Net cash from / (used in) financing activities	**9,008,454**	**2,095,107**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(114,780)**	**23,078**
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	**182,062**	**158,984**
CASH AND CASH EQUIVALENTS END OF YEAR	**67,282**	**182,062**

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

VISIONFUND CREDO FOUNDATION
Consolidated Statement of Changes in Equity
for the year ended 31 December 2007 *(In US Dollars)*

	Note	Statutory fund	Donated equity	Retained earnings	Total equity
Balance at 01 January 2007		**5,000**	**1,185,711**	**532,810**	**1,723,521**
Opening Adjustments 2006		-	-	(19,260)	**(19,260)**
Paid-in Capital Caucasia		**50,499**	-	-	**50,499**
Net income for the period		**-**	**-**	318,331	**318,331**
Translation difference				34,569	**34,569**
Balance at 31 December 2007		**55,499**	**1,185,711**	**866,449**	**2,107,660**

On behalf of the Management

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Gerlof de Korte, Executive Director

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

1. Nature of Activities and Significant Accounting Policies

Vision Fund Credo Foundation ("Credo" or "the Organization") is a Micro Finance Organization ("MFO"), founded by Vision Fund International and registered with the Ministry of Justice of Georgia on 24 January 2005 and consequently re-registered on 31 March 2005 as an MFO following a change in the Civil Code. The Organization is 100% owned by Vision Fund International (parent) which is 100% owned by World Vision International (ultimate parent).

Credo's mission is to provide financial services 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 male and female entrepreneurs. (Credo has 138 employees as of 31 December 2007, 81 employees as of 31 December 2006, 52 as of 31 December 2005) and its registered office is located at Leonidze Street, 1, Tbilisi, Georgia.

The Organization operates in Tbilisi, Kutaisi, Batumi, Kobuleti. Borjomi, Khashuri, Bakuriani, Akhaltsikhe Akhalkalaki, Ninotsminda and surrounding areas. Loans are given to individuals and groups, with loan principal amounts from USD50 to GEL 50,000 (Equivalent in USD), depending on the sector of business and on the individual client for periods ranging from four to 36 months.

According to the changes described in the note 14 Vision Fund Credo Foundation founded LLC visionfund Caucasus and Limited Liability Company Microfinance Organization Credo which continues operations of the Vision Fund Credo Foundation from December 2007.

LLC visionfund Caucasus established on November 14, 2007 by Vision Fund Credo Foundation.

Limited Liability Company Microfinance Organization Credo is established in accordance with the law of Georgia on Entrepreneurs and the Law of Georgia on Microfinance Organizations. Registered office is located at Peking Street 4, Tbilisi, Georgia.

Scope of Activities

Granting Micro-loans, including consumers, pawnshop, mortgage, unsecured, group and any other loans (credits) to legal entities and natural persons;
Investing in government and public securities;
Discharging the function of an insurance agent;
Providing consultations as regards to micro-crediting;
Obtaining loans (credits) from resident and nonresident legal entities and natural persons;
Obtaining shares of Carter Capital of nonblank deposit organizations, with the whole amount not exceeding 15% of Microfinance Organization Charter Capital;
Other financial services and transactions provided by the law of Georgia, including micro-leasing, factoring, currency exchange, issue, sale and redemption of obligations and bonds and other operations related thereto;

Basis of Preparation and Significant Accounting Policies

Basis of presentation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below.

Key measurement terms. Depending on their classification financial instruments are carried at cost or amortized cost as described below.
Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount, are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest reprising date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and include cash and deposits with banks. Cash and cash equivalents are carried at amortized cost.

Loans to customers. Loans to customers are recorded when the Organization advances money to originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortized cost.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial

Basis of Preparation and Significant Accounting Policies (continued)

asset or group of financial assets that can be reliably estimated. If the Organization determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Receivables. Receivables are accounted on an accrual basis. A 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 future cash flows.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognized for an asset in prior years is reversed if there has

Basis of Preparation and Significant Accounting Policies (continued)

been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or 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 office equipment	20
Furniture	15
Mobile phones	50
Other assets	15

Interest income and expense recognition. Interest income and expense are recognized in the income statement for all interest-bearing instruments on an accrual basis, using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Organization to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Organization will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Organization does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

Donations. Any donations received from the donors are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. Donations received as an immediate support or with no specific pre-determined expenditure relating to them are recognized as income of the period in which it becomes receivable (this includes donations received to cover the general cost of operations and to issue new loans). Donations intended to cover specific pre-determined expenses are recognized as income over the periods necessary to match them with these expenses.

Donations related to specific items of property, plant and equipment are initially recognized as deferred income and then amortized to income over the useful life of the related asset. Donations are presented on a gross basis - i.e. they are presented separately and not deducted from the related asset in the balance sheet or expense in the income statement. Any portion of grant not received during the period to which the Organization is entitled to be presented as account receivable at the balance sheet date.

Foreign currency translation. The Georgian Lari is the national currency of Georgia. However, Visinfund Credo Foundation's functional currency and its presentation currency is the United States Dollar (USD) due to the following reasons:

- The entity's parent uses USD as its functional currency;
- The entity's operations are integral to the operations of its ultimate parent in that the entity receives the majority of its funds from the parent and the entity is substantially dependent on its parent in carrying out its activities ;
- Loans to customers are denominated in USD;
- The entity has no restrictions in the amount of transactions in USD;
- Funding provided by donors is in USD; and
- Management's decisions are made based on the management reports prepared in USD.

LLC Credo's functional currency and its presentation currency is Georgian Lari.

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the National Bank of Georgia ("NBG") at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBG are recognized in profit or loss. Translation at year-end rates does not apply to non-monetary items.

At 31 December 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = GEL 1.5916 (Average for the year USD 1 = GEL 1.6703). At present, the Georgian Lari is not a freely convertible currency in most countries outside of the Georgia.

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.

Staff costs and related contributions. Wages, salaries, contributions to the Georgian state pension and social insurance funds, paid annual leave and sick leave, bonuses, are accrued in the year in which the associated services are rendered by the employees of the Organization.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Organization makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Organization regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Organization uses the following table based on loan status.

Loan Status	Allowance %
Current loans	0%
1-30 days past due	10%
31-60 days past due	25%
61-90 days past due	50%
91-120 days past due	75%
> 121 days past due	100%

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Borrowings. The Organization treats the interest free borrowing from the donors (e.g. WV Germany – refer to Note 7) as government grants and carries the interest free borrowings at cost.

Donations. In the normal course of business the Organization enters into the grant award agreement with donors and recognizes the donation as income based on the accounting policy. Judgment is needed to determine whether a donation relates to a specific expenditure or is received for general purposes. Donations intended to cover specific expenditure are recognized as income over the periods necessary to match them with the related costs; donations received for general purposes are recognized as income of the period in which they become receivable. Donations received to cover the general cost of operations and to issue new loans are treated as donations for general purposes and are recognized as income when grant award agreement is concluded.

Related party transactions. In the normal course of business the Organization enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Going concern. Management prepared these financial statements on a going concern basis. In making this judgment management considered current intentions, profitability of operations and access to financial resources.

Liabilities carried at amortized cost. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

2. Cash and Cash Equivalents

In US Dollars

	31-Dec-07	31-Dec-06
Cash on hand in GEL	910	888
Settlement accounts in resident Organizations – GEL	66,372	39,528
Settlement accounts in resident Organizations – USD	-	1,646
Deposits at resident Organizations – USD	-	140,000
Total cash and cash equivalents	**67,282**	**182,062**

3. Loans to Customers

In US Dollars

<u>**Business sector**</u>	31-Dec-07	31-Dec-06
Retail	6,227,110	2,096,405
Agriculture	3,242,935	1,070,220
Production	984,912	411,352
Service	3,558,110	1,005,282
Accrued interest receivable	99,437	88,529
Loans to customers before impairment provision	**14,112,505**	**4,671,788**
Less: loan impairment provision	(18,379)	(12,386)
Total loans to customers, net	**14,094,126**	**4,659,402**

Movement in the provision for loan impairment is as follows:

In US Dollars	31-Dec-07	31-Dec-06
Balance at 1 January 2007	12,386	10,482
Additional provision for loan impairment during the period	19,660	9,384
Loans written off	(13,667)	(7,480)
Balance at 31 December 2007	**18,379**	**12,386**

As at 31 December 2007 the estimated fair value of loans to customers was USD 14,094,126. Refer to Note 12.

4. Other Debtors and Receivables

In US Dollars	31-Dec-07	31-Dec-06
Accounts receivable – Chemonics	-	18,530
Accounts receivable – WVG Headquarters	-	6,278
Origination Fee on Loans from international finance organizations	43,368	-
Interest Receivable	278,790	-
Accounts receivable - Other	12,352	27,156
Loan to World vision AzerCredit LLC with Accrued Interest	-	150,753
Prepayments	73,702	26,793
Non Resident income tax	11,053	-
VAT Receivables	3,438	-
Other Tax Receivable	4,228	-
Total other debtors and receivables	**426,931**	**229,510**

As at 31 December 2006 the estimated fair value of other debtors and receivables to customers was USD 426,931. Refer to Note 12.

5. Property, Plant and Equipment, Net

In US Dollars	Motor vehicles	Vehicles	Computers and communications	Fixtures and equipment	Other assets	Total
Cost						
Balance at 01 January 2007	**-**	**57,474**	**89,887**	**17,488**	**27,994**	**192,843**
Additions	191,508	57,179	48,569	52,489	59,426	409,170
Write offs	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 December 2007	**191,508**	**114,653**	**138,456**	**69,977**	**87,420**	**602,013**
Accumulated Depreciation						
Balance at 1 January 2007	**-**	**17,834**	**24,775**	**5,053**	**8,887**	**56,549**
Charge for the period	3,833	15,177	21,490	6,523	19,252	66,275
Write offs	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 December 2007	**3,833**	**33,011**	**46,265**	**11,576**	**28,139**	**122,824**
Net Book Value						
Balance at 1 January 2007	**39,640**	**39,640**	**65,112**	**12,435**	**19,107**	**136,294**
Balance at 31 December 2007	**187,675**	**81,642**	**92,191**	**58,401**	**59,281**	**479,189**

Note – During our audit we did not obtain Physical Inventory act for 2007 year. At some branches and at the Head Office (saburtalo, varketili, didube) fixed assets are not marked.

6. Other Creditors and Liabilities

In US Dollars	31-Dec-07	31-Dec-06
Accounts payable	29,438	13,190
Tax liabilities	75,676	12,792
Current Liabilities/eMerge	3,547	-
Other liabilities/DDA	413,252	115,623
Total other creditors and liabilities	**521,913**	**141,605**

7. Borrowings

In US Dollars	31-Dec-07	31-Dec-06
Short-term borrowings		
Vision Fund International	500,000	845,000
Responsibility SICAV	1,000,000	-
World Vision MEERO	32,000	77,500
World Vision CANADA	-	11,875
Credit Suisse Microfinance Fund Management Company	500,000	500,000
Dual Return Fund Sicav	-	500,000
Bank of Georgia	333,890	-
	2,365,890	**1,934,375**
Long-term borrowings		
World Vision MEERO	-	48,000
Vision Fund International	1,881,830	900,000
Oxfam Novib	375,300	375,300
World Vision GERMANY	-	50,000
Oikocredit	1,000,000	-
Global commercial microfinance consortium LTD.	500,000	-
Triodos Doen	500,000	-
Pettelaar effectenbewaarbedrijf DWM	1,000,000	-
BlueOrchard Finance	300,000	-
Triodos Doen	500,000	-
Deutsche Bank Aktiengesllschaft	1,379,800	-
BlueOrchard Finance	700,000	-
Credit Suisse Microfinance Fund Management Company 2	1,000,000	-
Finethic Microfinance	500,000	-
Calvert Social Investment Foundation, inc	247,500	-
	9,884,430	**1,373,300**
Total borrowings	**12,250,320**	**3,307,675**

8. Donations

Donations for operations and loan capital. The details of donations recognized in 2007 are summarized in the bellow table:

In US Dollars	**Total**
WV Germany	50,000
Chemonics	49,915
Rating Fund	4,560
Other	11,915
Total donations	**116,390**

9. Income Tax

The income tax rate applicable to the Credo's income is 20%. Reconciliation between the expected and the actual taxation charge is provided below.

Profit before taxation	**389,123**
	20%
	77,825
Temporary differences	
Loan loss provision expense	(19,664)
Difference between Depreciation Methods	(31,511)
Fixed Asset Expense less than 1000 Gel	75,503
Depreciation and amortization	(50,441)
Other general expenses	(9,049)
Total:	(35,162)
Deferred tax asset (liability)	**(7,032)**
Profit tax	**70,792**

Income not assessable for taxation purposes represents donations and grants received which are not taxable under statutory taxation rules of Georgia.

Differences between IFRS and the Georgian statutory taxation rules give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for income tax calculation purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 20%.

10. Administrative and Other Operating Expenses

In US Dollars	from 1 January 2007 to 31 December 2007	from 1 January 2006 to 31 December 2006
Staff costs	768,659	385,033
Supplies, copying, printing	75,956	30,997
Contractors payments	118,273	56,854
Advertisement	106,578	17,790
Organization fees and charges	53,054	24,954
Program & MIS Maintenance	9,640	6049
Communication	71,657	46,860
Rent	178,643	68,090
Office expenses Utilities, Security Repair	23,060	25271
Travel	2,161	27,630
Fuel and Maintenance of Vehicles	149,557	51,240
Depreciation charge	66,610	39,648
Training & technical assistance	52,173	11,011
Audit	44,739	22916
Hospitality	15,800	-
Operating fees to other WV offices	32,621	-
Other	15,995	8,798
Total administrative and other operating expenses	**1,785,176**	**823,141**

11. Prior year retained earning adjustment

Noted amount 19,259.78 USD consist of prior year Prepaid Profit tax adjustments. Adjustment has been made to the Prepaid Profit tax account. During 2006 year in accounting records has not been made Profit tax accrual.

12. Financial Risk Management

The risk management function within the Organization is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit risk. The Organization takes on exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due. The Organization structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved regularly by the Management Board and Credit Committee.

Exposure to any one borrower including Organizations and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Organization's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Market risk. The Organization takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Organization takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarizes the Organization's exposure to foreign currency exchange rate risk as at 31 December 2007. Included in the table are the Organization's assets and liabilities at their carrying amounts, categorized by currency. As at 31 December 2007, the Organization has the following positions in currencies:

	GEL	USD	EUR	Total
Assets				
Cash and cash equivalent	39,568	27,714	0.34	67,282
Loans to customers	-	14,112,505	-	14,112,505
(Loan loss allowance)	-	-	-	(18,379)
Other debtors and receivables	97,213	331,292	-	428,505
Property, plant and equipment	479,189	-	-	479,189
Total assets	**615,969**	**14,471,512**	**0.34**	**15,069,102**
Liabilities				
Short-term borrowings	-	2,365,890	-	2,365,890
Other creditors and liabilities	521,913	160,514	-	682,427
Long-term borrowings	-	9,884,430	-	9,884,430
Deferred tax liability	27,436	-	-	27,436
Total liabilities	**549,349**	**12,410,833**		**12,960,182**
Net balance sheet position	**66,620**	**2,060,678**		**2,108,920**

The Organization has loans denominated in US Dollars. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Georgian Lari may adversely affect the borrowers' repayment ability and, therefore, increases the likelihood of future loan losses.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Organization does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk is governed by the management of the fund. As of December 31 fund management believe, that there is no substantial liquidity risk. Because, in case of necessity he can slightly liquidate current assets.

13. Fair Value of Financial Instruments

Fair value is the amount, at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Organization using available market information, where it exists, and appropriate valuation methodologies.

However, judgment is necessarily required to interpret market data to determine the estimated fair value. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Financial instruments carried at fair value. Cash and cash equivalents are carried on the balance sheet at their fair value.

Loans originated carried at amortized cost less provision for impairment. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities carried at amortized cost. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

14. 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.

14. Related Party Transactions (continued)

Transactions are entered into in the normal course of business with founders, directors, subsidiaries, associates and companies with whom 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:

In US Dollars	**Period from 1 January 2007 to 31 December 2007**	**Period from 1 January 2006 to 31 December 2006**
Directors remuneration (salaries)	-	25,808
Interest Expense on WV MEERO Loan	4,397	13,893
Interest Expense on WV Canada Loan	110	2,089
Interest Expense on VFI Loans	182,007	96,665

In US Dollars

Borrowings from Related Parties	**Nature of relationship**	**31-Dec-07**	**31-Dec-06**
WV Canada	Common control	-	11,875.00
WV MEERO	Common control	32,000.00	125,500.00
VisionFund International	Parent	2,381,830.00	1,745,000.00

15. Commitments and Contingent Liabilities

Legal proceedings. As at 31 December 2007, the Organization was not engaged in any litigation proceedings. On the basis of own estimates and internal and external professional advice the management is of the opinion that no material losses will be incurred, and, accordingly, no provision has been made in these financial statements.

Tax legislation. The following changes took effect in the Georgian Tax Code since the year 2008: The social tax was abolished (20%), while personal income tax was increased from 12% to 25%. Income tax was reduced from 20% to 15%.

According to the amendments made in February 25, 2005 in the Civil Code of Georgia the legal status of microfinance organization was defined.

On July 18, 2006 a new Law on Micro Finance Organizations was adopted which allowed organizations operating micro-lending activities to register as microfinance organizations and conduct their activities in compliance with the established law and regulations.

Tax, currency and customs legislation of Georgia is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Organization may be challenged by the relevant tax authorities. As a result, significant additional taxes, penalties and interest may be assessed.

15. Commitments and Contingent Liabilities

The tax consequence of transactions for Georgian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Georgian Accounting Rules. The Organization's Management believes that its interpretation of the relevant legislation is appropriate and the Organization's tax, currency and customs positions will be sustained. Accordingly, as at 31 December 2007 no provision for potential tax liabilities had been recorded.

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