JSC MICROFINANCE ORGANIZATION FINCA GEORGIA

Financial Statements for the year ended 31 December 2009,
And Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

To the founders of FINCA Georgia and FINCA International, Inc.

We have audited the accompanying balance sheet of JSC Microfinance Organization FINCA Georgia ("The Organization") as of 31 December 2009, and related statement of activities, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Organization as of December 31, 2009 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

March 26, 2009

GACC

საქართველოს აუდიტორული და საკონსულტაციო კომპანია Georgian Audit & Consulting Company GACC 202066389

JSC Microfinance Organization FINCA Georgia
Financial Statements for the year ended 31 December 2009, and Independent Auditors' Report

BALANCE SHEET STATEMENT as at December 31, 2009 *(in GEl)*

	Note	2009	2008
Assets			
Cash and cash equivalents	*2*	9,541,736	964,018
Loans to customers	*3*	26,712,426	17,365,508
Other receivables	*4*	607,760	640,033
Property and equipment	*6*	111,660	51,390
Intangible assets	*6*	116,455	188,887
Prepaid and other assets	*5*	500,010	123,570
Total assets		**37,590,046**	**19,333,406**
Liabilities			
Trading liabilities	*4*	38,410	22,118
Refundable advances		750,564	343,480
Notes payable	*7-8*	26,016,462	17,911,182
Income tax		361,452	85,827
Other liabilities	*9*	1,161,499	729,712
Post retirement benefits			
Total liabilities		**28,328,387**	**19,092,318**
Equity			
Share capital		8,032,600	250,000
Retained earnings		1,229,059	(8,912)
Total equity		**9,261,659**	**241,088**
Total liabilities and equity		**37,590,046**	**19,333,406**

On behalf of the Management

Country Director

Chief Accountant

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

JSC Microfinance Organization FINCA Georgia
Financial Statements for the year ended 31 December 2009, and Independent Auditors' Report

INCOME STATEMENT **for the period from January1, 2009 to December 31, 2009** ***(in GEL)***

	Note	2009	2008
Operating Income			
Income from portfolio	*10*	8,610,296	1,518,958
Interest from investment	*10*	139,990	3,592
		8,750,286	**1,522,549**
Operating Expenses			
Net impairment loss on financial assets		779,758	193,554
Financial costs	10	1,866,231	561,975
Foreign exchange gain/loss		(14,848)	536,621
Personnel expenses	*11*	2,987,227	50,258
Operating expenses	*11*	1,423,947	155,629
Depreciation and amortization	*6*	106,216	32,799
Other expenses	*11*	4,535	350
		7,153,067	**1,531,187**
Profit before Income Tax		1,597,220	(8,638)
Income tax expense	*12*	**(359,239)**	**(36)**
Non-operating Income			
Other operating income		84	-
Non-operating expenses		(94)	(238)
Net non-operating income		**(10)**	**(238)**
Profit for the period		**1,237,971**	**(8,912)**

On behalf of the Management

Country Director

Chief Accountant

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

STATEMENT OF CASH FLOWS for the year ended December 31, 2009 *(in GEL)*

	2009	2008
Cash flows from operating activities		
Profit for the period before income tax	**1,597,220**	**(8,638)**
Adjustments for non-cash items:		
Depreciation and amortization	106,216	32,799
Loss/gain on disposal of fixed assets	75	-
Changes in deferred tax assets and liabilities	(88,235)	
Changes in provisions (incl. pensions)	361,954	186,354
Net interest income	(5,906,806)	(857,428)
	(3,929,576)	**(646,912)**
Change in loans receivable	(9,708,872)	(17,551,862)
Change in other receivables and other assets	(352,266)	(37,779)
Change in trading liabilities	27,894	10,516
Change in deferred income	242,162	449,969
Change in other liabilities	556,214	372,807
Interest received	7,535,971	1,112,770
Interest paid	(1,825,735)	(312,761)
Income taxes paid	(171,850)	(239)
Net cash generated from operating activities	**(3,696,483)**	**(15,956,579)**
Cash flows from investing activities		
Purchase of property and equipment	(94,129)	(55,781)
Purchase of intangible assets	(12,803)	(204,492)
Net cash used in investing activities	**(106,932)**	**(260,274)**
Cash flows from financing activities		
Loans received from lenders	16,248,650	18,169,900
Repayment of loans and borrowings to lenders	(7,995,189)	(592,118)
Other financing activities	7,782,600	-
Net cash from financing activities	**16,036,061**	**17,577,782**
Net increase / (decrease) in cash and cash equivalents	**8,303,071**	**714,018**
Cash and cash equivalents at the beginning of the year	964,018	250,000
Effect of exchange-rate changes on cash and cash equivalents	274,647	-
Cash and cash equivalents at the end of the year	**9,541,736**	**964,018**

On behalf of the Management

Country Director **Chief Accountant**

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

STATEMENT OF CHANGES IN EQUITY FOR **the year ended December 31, 2009** ***(in GEL)***

	Share Capital	Retired Earnings	Total Equity
Balance at 31 December 2008	**250,000**	**(8,912)**	**241,088**
Dividends	-	-	-
Profit for the period	-	1,237,971	**1,237,971**
Issue of share capital	7,782,600	-	**7,782,600**
Transfer to statutory reserve	-	-	-
Transfer to retained earnings	-	-	-
Balance at 31 December 2009	**8,032,600**	**1,229,059**	**9,261,659**

On behalf of the Management

Country Director

Chief Accountant

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

Note 1. Nature of Activities and Significant Accounting Policies

GENERAL INFORMATION

JSC Microfinance Organization FINCA Georgia was established on December 20, 2007 in Tbilisi (registration # 205235262) according to Georgian Civil Code, Law of Georgia ''On entrepreneurs'' company laws and Georgian law on Micro Finance Organizations.

Shareholder of the Organization - FINCA International, Inc. ("FINCA Inc."), a not-for-profit organization, is incorporated in the USA. The purpose of FINCA Inc. is to "Help the poor help themselves". FINCA Inc. believes that world hunger and poverty cannot be cured simply by food handouts and grants but can be permanently affected by self-sufficiency of the poor.
The Organization's mission is to support the economic and human development of Georgian families trapped in severe poverty. This is accomplished through the creation of Credit Groups-association of several individual members who receive the following services: working capital loans to finance self-employment activities and a mutual support system that encourages self-worth and personal development.

Except as may be limited by Georgian Law, the Company shall provide a full range of microfinance services aimed at poverty alleviation, increasing the employment rate, and fostering entrepreneurship and social mobilization of the population of Georgia as well as receiving a profit from the operation of the Company principally to achieve these purposes
The Company, as authorized by the National Bank of Georgia, may engage only in the following activities:

- Issuing of loans, including consumer loans, pawn-shops loan, mortgage loans, unsecured loans, group loans and others to legal entities and private individuals;
- Investing in public and sate securities;
- Conduct money transfers;
- Carrying out insurance agent functions;
- Provide micro-loan-related consulting services;
- Receiving loans from resident or non-resident entities;
- Own shares in the charter capital of legal entities, provided that the aggregate amount of such shares does not exceed 15% of the charter capital of the Company;
- Provide other financial services or transactions defined by the Georgian legislation, including micro-leasing, factoring, currency exchange, issuing, selling, redemption of promissory notes and other related transactions;

Legal address of the Company 2 Dolidze St. Tbilisi, Georgia

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on the historical cost basis of accounting. The principal accounting policies adopted are set out below.
The Company maintains its accounting records in local currency (Georgian Lari) and in accordance with International Accounting Standards. The application of IAS requires the use of reasonable assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses of the operating period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash includes cash on premises as well as cash on bank accounts, and short-term, highly liquid investments with original maturities of three month or less.

Foreign currencies

Transactions denominated in foreign currencies are translated into GEL at the official exchange rate of the National Bank of Georgia on the date of transaction, which approximates the prevailing market rates. Monetary assets and liabilities denominated in foreign currencies are accounted based on historical cost and are translated at the rate of exchange on the balance sheet date. Official exchange rate for the principal currency as of December was (GEL for a unit of foreign currency):

Details of the exchange rates are as follows:

31 December 2009	USD 1 = GEL 1,6858
31 December 2009	EUR 1 = GEL 2.4195
31 December 2008	USD 1 = GEL 1,6670

Fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Original historical cost of a fixed asset consists of purchase price, non-recoverable taxes and other expenses directly related to putting a fixed asset into use.

Value of liquidated and sold fixed assets and congruent amount of depreciations is written off from account and congruent profit or lose from operation is taken into current year profit lose statement.

Depreciation is charged to the historical cost for all fixed assets using the straight-line method on a monthly basis. Rates for the main fixed asset groups are the following:

Computer equipment	3 year
Vehicle	5 year
Furniture and equipment	5 year
Office equipment	5 year

The organization timely conducted inventory of goods according to the financial and administrative regulations and all fixed assets are marked.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is on dispatch from the Company's premises.
Revenue consists of loan interest, fees for loan services (revenue from financial service), penalties and other revenue.
Expenses are recognized on the accrual basis. During the current financial year expenses are divided on program services expenses, general and administrative expenses and indirect cost.

Taxation

The company pays property tax 1% of average annual property cost and profit tax of 15%.
The company has to pay 20% of income tax on salaries.

Deferred Taxes

Method of recognition - The tax expense for the period is determined on the basis of tax effect accounting, using the liability method. The expected tax effects of current timing differences are determined and reported either as liabilities for taxes payable in the future or as assets representing advance payments of future taxes. Deferred tax balances are adjusted for changes or expected future changes in the tax rate.
Deferred tax asset - The tax effect of timing differences that result in a deferred tax asset is recognized only if there is a reasonable expectation of its realization.

Loans and advances receivables

Loans and advances to customers are stated at the unpaid principal balance less provisions for loan losses. FINCA estimates amounts of possible losses on loans and advances at the statement of financial position date to determine the provisions, and believes they are reasonable, having regard to the risks in lending in our market areas. FINCA recognizes that economic and regulatory conditions may have an impact on the debtors' ability to repay loans.
All delinquent loans are provided for by specific provisions using prescribed percentages depending on overdue days. In determining its specific provision FINCA classifies loans and advances into categories based on aging analysis and applies the following minimum rates:

Overdue days	Prescribed percentages for creation specific provisions
1 - 30 days past due	1 %
31 - 60 days past due	25 %
61-90 days past due	50 %
91-180 days past due	75 %
181 or more days past due	100 %

FINCA also maintains a minimum general provision of 1 % against the current loan portfolio at the end of each month.

Loans are considered overdue if any payment has fallen due and remained unpaid. Loan payments are applied first to any penalty fines due, then to interest due, and then to any instalment of principal that is due but unpaid, beginning with the earliest such instalment. The number of days of lateness is based on the due date of the earliest loan instalment that has not been fully paid. The organization does not convert late or penalty interest into principal.
FINCA does not accrue interest on loans with payments more than 30 days overdue.

Financial risk management

Management of risk is fundamental to the microfinance organization and is an essential element of the operations. The main risks inherent to the company's operations are related to credit, liquidity and market changes (interests and foreign exchange rates). Risk management policies of the company are tailored to unpredictable financial market and the main goal of the policy is to reduce impact to the minimal level. Risk management is accomplished by the senior management under the supervision of the Supervisory Board.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit committee, is responsible for oversight of JSC Microfinance Organization FINCA Georgia's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit credit Officers. Larger facilities require approval by credit, Head of credit, credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining JSC Microfinance Organization FINCA Georgia's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Risk.

Each business unit is required to implement JSC Microfinance Organization FINCA Georgia credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Chief Credit Risk officer who reports on all credit related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Management of credit risk (continued)

Loans to customers	**2009**	**2008**
In GEL		
Carrying amount	27,260,734	17,551,862
Individually impaired		
Gross amount	271,251	400
Allowance for impairment	(271,251)	(400)
Carrying amount	-	-
Collectively impaired		
Gross amount	158,131	6,800
Allowance for impairment	(158,131)	(6,800)
Carrying amount	-	-
Past due but not impaired		
Grade 1-3: Low-fair risk	61,578	6,832
Grade 4-5: Watch list	106,845	59,858
Carrying amount	168,423	66,691
Past due comprises:		
30-60 days	87,633	19,006
60-90 days	83,752	8,929
90-180 days	223,788	930
180 days +	40,937	-
Carrying amount	436,110	28,864
Neither past due nor impaired		
Carrying amount	26,497,891	17,446,079
Includes accounts with renegotiated terms	158,310	10,228
Total carrying amount	27,260,734	17,551,862

Liquidity risk

Liquidity risk is the risk that JSC Microfinance Organization FINCA Georgia will encounter in meeting obligations from its financial liabilities.

JSC Microfinance Organization FINCA Georgia's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to JSC Microfinance Organization FINCA Georgia's reputation.

Liquidity risk is managed through careful planning of the loan portfolio expansion and settlement of the arising liabilities, which are matched with the funding pipeline. The Asset-liability Management Committee carries the ultimate responsibility for the liquidity risk management.

Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect JSC Microfinance Organization FINCA Georgia's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

JSC Microfinance Organization FINCA Georgia had no significant hedged currency position at the end of the period. JSC Microfinance Organization FINCA Georgia has an exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarizes the exposure to foreign currency exchange rate risk at 31 December 2009. Assets and liabilities are categorized by currency.

	2009	**2008**
Due from	10,878,290	7,999,574
Cash and cash equivalents	3,736,341	190,804
Interest payable	(163,905)	(53,945)
Amount due	(14,323,225)	(9,723,543)
Net balance sheet exposure	**127,501**	**(1,587,110)**

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with JSC Microfinance Organization FINCA Georgia's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the JSC Microfinance Organization FINCA Georgia's operations.

JSC Microfinance Organization FINCA Georgia's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to JSC Microfinance Organization FINCA Georgia's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall JSC Microfinance Organization FINCA Georgia standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action

Operational risks (continued)

- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with JSC Microfinance Organization FINCA Georgia standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of JSC Microfinance Organization FINCA Georgia.

Note 2. Cash and cash equivalents

Cash and cash equivalents at December 31, 2009, consist of the following:

In GEL	**2009**	**2008**
Cash on hand	12,314	-
Cash in Bank	7,000,721	964,018
Pledged as collateral	2,528,700	-
Total:	**9,541,736**	**964,018**

Note 3. Loans to customers, net

Loans to customers are made within Georgia Tbilisi, Lilo, Kakheti, Kvemo Kartli, Samegrelo, Achara, Samtskhe Javakheti, Shida Kartli, Kvemo Kartli, Imereti, Zemo Imereti in the cities and in rural areas. Most loans outstanding as of 31 December 2009 were granted to groups of small entrepreneurs, some of them were granted to individuals. The loan life for group loans is standardized and ranges from 3 to 24 month. The principal and interest amounts are payable in equal installments weekly, bi-weekly or monthly depending on loan cycle. In the case of group loans interest is charged on the basis of the original principal amount irrespective of principal repayments. In the case of individual loans interest is charged on the reducing balance. The loan life for individual loans ranges from 3 to 36month

Loans to individuals are secured principally by guarantors and home appliances. Some loans are secured by inventory or shop premises. Loans to groups are not collateralized or secured.

Loans and advances receivable at December 31, 2009 consist of the following:

	2009	**2008**
Loans to customers	27,260,734	17,551,862
Less allowances for impairment	(548,308)	(186,354)
	26,712,426	**17,365,508**

Specific allowances for impairment		
Balance at 1 January	186,354	-
Impairment loss for the year:		
Charge for the year	768,685	193,554
Amounts written off during the year as uncollectible	(426,750)	7,200
Income received on claims previously written off	20,019	-
Balance at 31 December	**548,308**	**186,354**

The aging of those loans receivables at December 31, 2009 consist of the following:

Normal loans	**Portfolio at risk**	**Amount**	**provisions %**	**Provision**
Current	97.20%	26,497,891	1%	237,023
1 - 30 days past due	0.62%	168,423	1%	1,310
31 - 60 days past due	0.32%	87,633	25%	18,676
61 - 90 days past due	0.31%	83,752	50%	35,081
91 - 180 days past due	0.82%	223,788	75%	132,618
181 or more days past due	0.15%	40,937	100%	96,645
Subtotal	**99.42%**	**27,102,424**		**521,353**
Rescheduled loan				
Current	1%	158,310	17%	26,955
Subtotal	1%	**158,310**	**17%**	**26,955**
Total	**100%**	**27,260,734**		**548,308**

Note 4. Accounts Receivable and Accounts Payable

Accounts receivable and Accounts Payable at December 31, 2009, consist of the following:

In GEL	**2009**	**2008**
Trading assets		
Other receivables:		
Interest	518,994	306,633
Other	88,767	333,400
	607,760	**640,033**

Brief description of trading assets.

Trading liabilities		
Accounts payable and accrued expenses:		
Vendors payable	38,410	22,118
	38,410	**22,118**

Note 5. Prepaid expenses

Prepaid expenses as at December 31, 2009 consist of the following:

In GEL	**2009**	**2008**
Prepaid insurance	325	43
Deferred tax asset	174,026	85,791
Staff advances and loans	389	-
Prepaid taxes	10,880	363
Office supply/equipment	101,951	-
Prepaid utilities/Rent	121,406	-
Prepaid telephone/internet	185	7,307
Other	90,849	30,066
Total:	**500,010**	**123,570**

Note 6. Property and equipment

Property and equipment and accumulated depreciation at December 31, 2009 consist of the following:

In GEL	**IT equipment**	**Furniture and office equipment**	**Other**	**Total**
Cost				
Balance at 1 January 2009	25,503	14,909	15,369	55,781
Acquisitions	33,540	50,306	10,283	94,129
Disposals	-	(100)	-	(100)
Exchange difference	-	-	-	-
Balance at 31 December 2009	**59,043**	**65,115**	**25,652**	**149,810**
Depreciation and impairment losses				
Balance at 1 January 2009	2,914	1,224	253	4,391
Depreciation for the period	13,913	14,112	5,759	33,784
Impairment loss	-	(25)	-	(25)
Exchange difference	-	-	-	-
Balance at 31 December 2009	**16,827**	**15,311**	**6,012**	**38,150**
Carrying amounts				
Balance at 31 December 2008	**22,589**	**13,685**	**15,116**	**51,390**
Balance at 31 December 2009	**42,217**	**49,804**	**19,639**	**111,660**

Intangible assets at December 31, 2009 consist of the following:

In GEL	**2009**	**2008**
Cost		
Balance at 1 January	217,295	-
Acquisitions	-	217,295
Disposals	-	-
Exchange difference	-	-
Balance at 31 December	**217,295**	**217,295**
Amortization and impairment		
Balance at 1 January	28,408	-
Amortization for the period	72,432	28,408
Impairment loss	-	-
Exchange difference	-	-
Balance at 31 December	**100,840**	**28,408**
Balance at 1 January	**188,887**	**-**
Balance at 31 December	**116,455**	**188,887**

Note 7. Notes Payable

Notes payable as of 31 December 2009 consist of the following:

In GEL	**2009**	**2008**
Incofin	3,371,600	3,334,000
FINCA Capital Fund LLC	562,214	740,982
FINCA Capital Fund LLC	1,405,536	1,852,454
FINCA Capital Fund LLC	1,630,421	2,148,846
ResponsAbility	2,528,700	2,500,500
Symbiotics (Finethic)	505,740	1,667,000
FINCA Georgia branch of International	-	2,000,000
FINCA Georgia branch of International	-	1,667,000
FINCA Georgia branch of International	-	1,667,000
FINCA Georgia branch of International	-	333,400
ResponsAbility	3,371,600	-
BlueOrchard Debt	1,685,800	-
Symbiotics (Finethic)	1,685,800	-
BlueOrchard Debt	1,685,800	-
TBC BANK	2,525,850	-
	20,959,062	**17,911,182**

Note 8. Subordinated Debt

	Maturity Date	%	31-Dec-09		
			USD	***Ex. Rate***	**GEL**
FINCA Microfinance Fund B.V.	5-May-17	*12.63%*	3,000,000	*1.6858*	5,057,400
Total:			**3,000,000**		**5,057,400**

In the event of bankruptcy or liquidation of the Organization, repayment of this debt is subordinate to the repayments of the Organization's liabilities to all other creditors.

Note 9. Other Liabilities

In GEL	2009	2008
Interest payable	289,711	249,215
Personnel	11,171	-
Tax liability	1,139	1,201
Deferred income	692,131	449,969
Other	167,348	29,327
Total:	**1,161,499**	**729,712**

Note 10. Financial costs

In GEL	2009	2008
Interest income		
Loans to customers	8,610,296	1,518,958
Investments	139,990	3,592
Total interest income	**8,750,286**	**1,522,549**
Interest expense		
Notes payable	1,866,231	561,975
Total interest expense	**1,866,231**	**561,975**
Net interest income	**6,884,055**	**960,574**

Note 11. Operating and Other Expenses

Personnel expenses

In GEL	2009	2008
Wages and salaries	2,389,782	40,206
Compulsory social security obligations	597,445	10,052
Total:	**2,987,227**	**50,258**

Other operating expenses

In GEL	**2009**	**2008**
Professional fees	56,704	48
Travel	42,925	-
Rent expenses	549,515	42,000
Marketing	15,746	-
Consumables and office supply	85,166	3,618
Communication	180,524	8,680
Bank charges	190,590	98,740
Taxes	2,342	1,201
Repair and maintenance	2,374	-
Insurance	65,781	32
Motor vehicles expenses	85,053	-
Training and hiring	10,632	-
Security	77,704	-
Audit fees and consult	21,993	1,310
Utilities	36,899	-
Other	4,535	350
Total:	**1,428,482**	**155,979**

Note 12. Income tax

In GEL	**2009**	**2008**
Profit before income tax	**1,597,220**	**(8,638)**
Income tax using the domestic corporation tax rate	239,582	-
Non-deductible expenses	33,770	36
Provided in prior years	85,887	-
Total income tax expense in income statement	**359,239**	**36**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In GEL	**2009**	**2008**
Property and equipment, and software	2,419	(5,557)
Allowances for loan losses	116,964	29,033
Other	54,643	62,315
Net tax assets (liabilities)	**174,026**	**85,791**

Note 13. Related Party Transactions

The related parties of the Organization include key management of the Organization, FINCA and other companies of the FINCA group.

Loans and Notes from FINCA Capital Fund LLC and FINCA International, Inc.:

In GEL	**Ending balance as of 12/31/2009**	**Ending balance as of 12/31/2008**
FINCA Capital Fund LLC	562,214	740,982
FINCA Capital Fund LLC	1,405,536	1,852,454
FINCA Capital Fund LLC	1,630,421	2,148,846
FINCA Georgia branch of International	-	2,000,000
FINCA Georgia branch of International	-	1,667,000
FINCA Georgia branch of International	-	1,667,000
FINCA Georgia branch of International	-	333,400
FINCA Microfinance Fund B.V.	**5,057,400**	-

Insider loans: The Organization's policy forbids loans to the board members, country director, staff or their families.

Note 14. Fair Value of Financial Instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Company is presented below:

	12/31/2009	
In GEL	**Carrying amount**	**Fair value**
Cash and cash equivalents	9,541,736	9,541,736
Other receivables	607,760	607,760
Grants receivable	-	-
Other Assets	500,010	500,010
Loans to customers	26,712,426	26,712,426
Investments	-	-
	37,361,931	**37,361,931**
Trading liabilities	38,410	38,410
Notes payable	26,016,462	26,016,462
Deposits from customers	-	-
Other liabilities	1,161,499	1,161,499
	27,216,370	**27,216,370**

Note 15. Commitments and Contingencies

Legal Transformation

Since 2009 according the Tax Code Georgia, Income tax was reduced from 25% to 20%. The Dividend tax reduced from 10% to 5%, and tax from interest income reduced from 10% to 7.5%.

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.

In accordance to the decision of the Executive Committee of the Board of Directors of FINCA International, Inc., FINCA Georgia has undertaken legal transformation effort at the end of year 2007. The objective of this transformation is for the FINCA International's Branch FINCA Georgia to become a legal entity (Joint Stock Company and Micro-Finance Institution regulated by the National Bank of Georgia). The new status enables JSC MFO FINCA Georgia to implement new product (currency exchange, remittances, utility bill payments, etc.), which was not possible without such transformation, also will contribute to its reputation and credibility at the local market. This decision was partially motivated by the requirement of Law of Georgia on Microfinance, which cannot be directly attributed to FINCA Georgia due to exceptional status of the company.

Organization's functionality

For the end of 2009 there is no any risk, which will make doubtful company's future functionality.

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