

Charitable Organisation “Foundation of Olena Franchuk “ANTI AIDS”

Statement of Cash Receipts and Disbursements

*For the year ended 31 December 2006 and
cumulative as at that date
with Report of Independent Auditors*

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It is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the accompanying Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and estimates and judgments made by management. We believe that our audit provides a reasonable basis for our opinion.

In view of our audit, the accompanying statement of cash receipts and disbursements has been prepared, and we believe it is consistent with the cash receipts and disbursements based on reviewing of the bank statements.

Nothing prevents our opinion, we draw attention to Note 2 to the accompanying statement of cash receipts and disbursements. The Foundation's policy is to prepare the accompanying statement of cash receipts and disbursements based on accounting and is not intended to comply with International Financial Reporting Standards or any other accounting standards using the normal basis.

Ernst & Young Certified Public Accountants

Independent Auditors' Report

To Management and Founders of Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS"

We have audited the accompanying statement of cash receipts and disbursements ("the Statement") of Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS" ("the Foundation") for the years ended 31 December 2006 and 2005 and cumulative from the commencement to 31 December 2006. The Statement is the responsibility of Foundations' management. Our responsibility is to express an opinion on the accompanying Statement 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 Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying statement of cash receipts and disbursements has been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting as described in Note 2.

Without qualifying our opinion, we draw attention to Note 2 to the accompanying statement of cash receipts and disbursements. The Foundation's policy is to prepare the accompanying Statement on the cash receipts and disbursements basis of accounting and is not intended to comply with International Financial Reporting Standards or any other accounting standards using the accrual basis.



30 September 2007

Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS"

Statement of Cash Receipts and Disbursements

For the year ended 31 December 2006 and cumulative as at that date (in US dollars)

	Notes	2006	2005	Cumulative from commencement to 31 December 2006
Cash remaining as at 01 January		3,878	75,284	-
Cash receipts collected	3	388,116	507,688	1,589,035
Cash disbursements made:				
Informational and educational campaigns on HIV/AIDS		(201,819)	(195,712)	(637,909)
Material aid paid to people with HIV/AIDS, medical establishments and the Kyiv City orphanage "Berizka"		(82,129)	(285,328)	(696,406)
International co-operation		(33,681)	(4,442)	(38,123)
Administrative expenses	4	(64,909)	(96,323)	(210,143)
Translation difference		-	2,711	3,002
Total cash disbursements made		(382,538)	(579,094)	(1,579,579)
Cash remaining as at 31 December		9,456	3,878	9,456

Signed and authorized for release on behalf of the Foundation on 30 September 2007:



Director

Olga Rudneva

Olga Rudneva

Chief Accountant

Lilia Dzyadyk

Lilia Dzyadyk

The accompanying notes are an integral part of this statement

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2006 and cumulative as at that date (in US dollars)

1. General Information

The Charitable Organisation “Foundation of Olena Franchuk “ANTIAIDS” (“the Foundation”) was founded by Mrs. Olena Franchuk, a Ukrainian citizen, jointly with two other Ukrainian individuals in September 2003. The registered office of the Foundation is located at 42-44, Shovkovychna Street, Kyiv, Ukraine.

The goals of the Foundation as stated in its founding documents are to combat the HIV/AIDS epidemic in Ukraine, to reduce its escalation, to support people living with HIV/AIDS by improving their quality of life, and to bring to Ukraine the best international experience in combating HIV/AIDS.

The Foundation’s projects implemented during 2003-2006 were mainly focused on the following main areas:

- Informational and educational campaigns;
- Support to HIV/AIDS infected people;
- International cooperation.

2. Summary of Significant Accounting Policies

Basis of accounting

The Foundation’s financial statement is prepared on the cash receipts and disbursements basis, which represents other comprehensive basis of accounting, and is not intended to be a presentation in conformity with International Financial Reporting Standards or any other generally accepted accounting principles in other countries, including the country, where the Foundation is registered. On this basis donations and other cash collections are recognized when received, and expenses are recognized when paid rather than when incurred.

The Foundation prepares and files its statements for the tax and other statutory reporting purpose on the basis of the accounting records maintained by the Foundation.

Foreign Currencies

The presentation currency for the purpose of this statement of cash receipts and disbursements is the United States dollar (“US dollar”). The functional currency of the Foundation is the national currency of Ukraine, the Hryvnia (“UAH”). Accordingly, transactions included in the statement of cash receipts and disbursements that were not already measured in US dollars (primarily UAH) have been re-measured into US dollars using the official exchange rate established by the National Bank of Ukraine and ruling throughout the reporting period (5.05 UAH for one US dollar for 2006 and 5.12 UAH for one US dollar for 2005), which approximates market rates. The remaining cash balance as at the reporting dates is translated into the presentation currency using the closing exchange rate at the reporting date (5.05 UAH for one US dollar for 2006 and 2005).

3. Cash Receipts Collected

Cash receipts collected by the Foundation include the following:

	2006	2005	Cumulative from commencement to 31 December 2006
Contributions received from legal entities, primarily the founders’ related parties	382,315	503,559	1,515,757
Contributions received from individuals other than founders	5,619	3,768	61,257
Founders’ contributions to the Charter Fund	-	-	10,010
Interest received from bank deposits	182	361	2,011
	388,116	507,688	1,589,035

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2006 and cumulative as at that date (in US dollars)

4. Administrative Expenses

Administrative expenses represent cash disbursements related to general management of the projects and popularization of the Foundation’s activities. They primarily comprise of the Foundation’s employees salaries and related taxes and office rental expenses.

5. Operating Environment and Economic Conditions

The Ukrainian economy, the primary economic environment in which the Foundation conducts its activity, while deemed to be of market status, continues to display certain characteristics consistent with that of a market in transition. The stability of the Ukrainian economy will be significantly impacted by the government’s policies and actions with regards to supervisory, legal, and economic reforms.

Further, Ukrainian legislation and regulations regarding taxation, currency control and other operational matters, including those relating to charitable and non-for-profit activities, continue to evolve as a result of an economy in transition. Legislation and regulations are not always clearly written and their interpretation is subject to the opinions of local, regional and national authorities, and other Governmental bodies. Instances of inconsistent opinions are not unusual.

6. Tax and Other Regulatory Compliance Risks

The Foundation has the status of non-for-profit organisation and it is generally exempt from the income tax and other taxes, which would otherwise be applicable to its activity, including passive income earned, subject to its continued compliance with this status.

Management believes that its interpretation of the relevant applicable legislation is appropriate and that the Foundation has complied with all regulations and continues to maintain its non-for-profit status. All due statutory withholdings, including employment related taxes have been paid timely and properly. At the same time it is possible that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

7. Commitments and Contingencies

Legal

In the ordinary course of activities, the Foundation may become subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the future operations of the Foundation.

Appropriation of donations

Prior to entering into the projects, management evaluates the compliance of the proposed projects with the statutory goals of the Foundation as well as with the statutory requirements for the charitable and non-for-profit activities. Further, in course of the projects’ implementation, management monitors, to the extent practical and possible, their alignment with the declared goals based on the reports and other documentation provided by the participants of the projects and donation recipients as well as selective inspections.

However, because of the limited ability of the Foundation’s management to assess and monitor eligibility and actual appropriation of the funding by the other project participants and the donation recipients, misappropriation of the funds extended to the projects by the Foundation may take place and not be detected. As with other contingencies, management believes that the ultimate liability of the Foundation arising from such cases, if any, will not have a material adverse effect on the financial condition or the future operations of the Foundation.

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2006 and cumulative as at that date (in US dollars)

8. Subsequent events

Cash disbursements amounting to USD 39,000 included in Information and education campaigns on HIV/AIDS in 2006 were returned to the Foundation subsequent to the year end as the scope of the respective prepaid services, which should had been provided by the recipient of the funds in December 2006 was reduced.