

## INDEPENDENT AUDITORS' REPORT

To the Association for the Protection of Landowners' Rights  
8, Gagarini I lane,  
Tbilisi, Georgia

We have audited the accompanying balance sheet of the Association for the Protection of Landowners' Rights (the Organization) as of December 31, 2003, and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Organization has conducted the physical inventory in respect of the property, plant and equipment held before the start of the audit. On the basis of inventory results, the net book value of the assets had been found to be in excess of the previously audited register kept by the Organization. Moreover, the most of the items from the previous register had been reclassified making it difficult to compare and reconcile new and old registers. As we did not attend the physical inventory of the property, plant and equipment and could not satisfy ourselves through other audit procedures, we do not express an opinion on the excess amount of USD 11,265 included in the net book value of the property, plant and equipment disclosed in the statement of financial position and corresponding amount of other income recognized in the statement of activities.

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2003, and the results of its operation and its fund balances for the year then ended in conformity with US generally accepted accounting principles.

Yuri Dolidze  
Partner

12 July 2004

