




TRANSLATION

Auditor's report

**Annual financial statements  
as at December 31, 2010**

**Caucasus Nature Fund**  
Offenbach am Main

until September 9, 2010:  
Caucasus Protected Areas Fund  
Frankfurt am Main



## Caucasus Nature Fund, Offenbach am Main

(until September 9, 2010: Caucasus Protected Areas Fund, Frankfurt am Main)

### Balance sheet at December 31, 2010

#### Assets

	12/31/2010	12/31/2009
	EUR	EUR
<b>A. Fixed assets</b>		
<b>I. Property, plant and equipment</b>		
Other works and office machinery and equipment	6,095.31	3,910.42
<b>II. Financial assets</b>		
Investment securities	8,398,583.37	8,375,549.86
	<u>8,404,678.68</u>	<u>8,379,460.28</u>
<b>B. Current assets</b>		
<b>I. Miscellaneous assets</b>	190,731.08	212,252.89
<b>II. Cash and cash equivalents</b>	5,793,292.35	167,407.52
	<u>5,984,023.43</u>	<u>379,660.41</u>
<b>C. Advance payments and prepaid expenses</b>	5,197.33	144.00
	<u>5,197.33</u>	<u>144.00</u>
	<u>14,393,899.44</u>	<u>8,759,264.69</u>

## Equity and Liabilities

	12/31/2010		12/31/2009	
	EUR	EUR	EUR	EUR
<b>A. Equity</b>				
<b>I. Foundation capital</b>				
1. Foundation capital including grants and contributions	8,122,017.91		8,122,017.91	
2. Income from realized asset restructuring	115,664.29	8,237,682.20	115,664.29	8,237,682.20
<b>II. Reserves</b>				
1. Free reserve - Section 58 (7a) of the German Tax Code (AO)	209,673.60		238,671.54	
2. Reserve - Section 58 (11b) of the German Tax Code (AO)	5,000,000.00		0.00	
3. Savings reserve - Section 58 (12) of the German Tax Code (AO)	233,432.75	5,443,106.35	233,432.75	472,104.29
		13,680,788.55		8,709,786.49
<b>B. Provisions</b>				
Miscellaneous provisions		50,720.00		23,992.47
<b>C. Liabilities</b>				
1. Liabilities re donations with conditional repayment obligations		627,184.32		0.00
2. Trade accounts payable		14,747.33		13,129.73
3. Other creditors		20,459.24		12,356.00
		662,390.89		25,485.73
		14,393,899.44		8,759,264.69

## Caucasus Nature Fund, Offenbach am Main

(until September 9, 2010: Caucasus Protected Areas Fund, Frankfurt am Main)

### Summary of fixed asset movements in the 2010 financial year

	Acquisition costs			
	1/1/2010	Additions	Deductions	12/31/2010
	EUR	EUR	EUR	EUR
<b>I. Property, plant and equipment</b>				
Other equipment, works and office equipment	5,529.27	3,973.12	0.00	9,502.39
<b>II. Financial assets</b>				
Investment securities	8,375,549.86	1,030,963.51	1,007,930.00	8,398,583.37
	<u>8,381,079.13</u>	<u>1,034,936.63</u>	<u>1,007,930.00</u>	<u>8,408,085.76</u>

Cumulative depreciation			Net book values		
1/1/2010	Depreciation charged in the financial year	Deductions	12/31/2010	12/31/2010	12/31/2009
EUR	EUR	EUR	EUR	EUR	EUR
1,618.85	1,788.23	0.00	3,407.08	6,095.31	3,910.42
0.00	0.00	0.00	0.00	8,398,583.37	8,375,549.86
1,618.85	1,788.23	0.00	3,407.08	8,404,678.68	8,379,460.28

# Caucasus Nature Fund, Offenbach am Main

(until September 9, 2010: Caucasus Protected Areas Fund, Frankfurt am Main)

## Statement of income from January 1 to December 31, 2010

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1. Income
    - a) Income from donations and grants
    - b) Interest and similar income
    - c) Income from realized asset restructuring
    - d) Other operating income
  2. Expenses
    - a) Project and promotional expenses
      - aa) Promotional measures - projects
      - ab) Project development and technical services
      - ac) Project management
    - b) Fund raising and advertising expenses
    - c) Administration expenses
    - d) Other operating expenses
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3. Net loss for the year (2009: net income for the year)
  4. Funds brought forward from the previous year
  5. Transfers from earnings reserves
  6. Allocation to results from realized asset restructuring
  7. Transfers to earnings reserves
    - a) Free reserve in accordance with Section 58 (7) of the German Tax Code (AO)
    - b) Savings reserve in accordance with Section 58 (12) of the German Tax Code (AO)
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8. Funds carried forward
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2010		2009	
EUR	EUR	EUR	EUR
218,577.29		193,239.45	
348,432.92		339,081.46	
34,129.00		62,481.89	
8.17	601,147.38	53,182.40	647,985.20
-289,579.22		-64,471.81	
-52,778.11		-72,655.96	
-14,823.86	-357,181.19	-2,526.18	-139,653.95
	-109,204.17		-58,577.49
	-163,702.84		-120,753.97
	-57.12		0.00
	-28,997.94		328,999.79
	0.00		141,460.42
	28,997.94		0.00
	0.00		-115,664.29
	0.00		-121,363.17
	0.00		-233,432.75
	0.00		0.00

## Caucasus Nature Fund, Offenbach am Main

(until September 9, 2010: Caucasus Protected Areas Fund, Frankfurt am Main)

### Notes on the 2010 financial year

#### **General information and explanations on the annual financial statements**

With the Foundation Law of June 1, 2007, the Caucasus Nature Fund was formed as a public-law Foundation under the name of Caucasus Protected Areas Fund. Recognition by the Government's President was granted on June 25, 2007. The annual financial statements as at December 31, 2010 have been drawn up in accordance with the Foundation's rules of procedure based on the provisions of the German Commercial Code (HGB) for large joint stock companies (Sections 264 et seq. HGB) with the exception that the preparation and submission of a management report is waived.

The classification of balance sheet and statement of income items has taken account of the special features of the Fund arising from its legal structure as a Foundation. In order to increase the level of transparency of the expenses resulting from the Foundation's activities, the statement of income was prepared for the first time in the 2010 financial year based on the new regulations of the Accounting Modernization Act (BilMoG) in accordance with Section 275(3) of the German Commercial Code (HGB). The initial applications gave rise to no adjustment effects.

In accordance with Section 67 (8) clause 1, 2<sup>nd</sup> sub-clause of the Introduction Law to the German Commercial Code (EGHGB), Section 252 (1) clause 6 and Section 265 (1) and Section 284 (2) clause 3 of the German Commercial Code (HGB) have not been applied in the event of a change in the former presentation or the previously applied valuation methods on the strength of the initial application of the regulations amended by the Accounting Modernization Act (BilMoG).

In accordance with Section 67 (8) clause 2, 1<sup>st</sup> sub-clause of the Introduction Law to the German Commercial Code (EGHGB), the previous year's figures have not been adjusted in the initial application of the Accounting Modernization Act (BilMoG).

#### **Accounting and valuation principles**

Accounting and valuation methods have remained unchanged in comparison with the previous year – with the exception of the accounting and valuation regulations of the German Commercial Code (HGB) amended by the Accounting Modernization Act (BilMoG).

Fixed assets and financial assets are valued in accordance with Section 255 (1) German Commercial Code (HGB). In the case of property, plant and equipment, performance-related depreciation is charged at the standard rates established on the basis of usage periods and straight-line methods recognized for taxation purposes. Financial assets are written down to their lower attributable value in the event of an anticipated permanent reduction in value.

Accounts receivable and other assets and balances at banks are stated at their respective nominal amounts.

The valuations of miscellaneous provisions include all identifiable risks and uncertain obligations. They are stated at the amount which is necessary on the strength of a prudent commercial assessment.

Liabilities are stated at their respective settlement amounts.



Business transactions concluded in foreign currencies are recorded at the rate on the date of the original transaction. Foreign currency receivables on the balance sheet date are valued at the lower rate of exchange on the initial recording date. Foreign currency liabilities on the balance sheet date are converted in accordance with the provisions of Section 256a of the German Commercial Code (HGB).

Bank balances denominated in foreign currencies are stated at the average foreign exchange rates on the balance sheet date unless valuation entities have been established with scheduled transactions.

## Notes on the balance sheet

The classification and development of fixed assets are shown as an integral part of the balance sheet in the Summary of Fixed Asset Movements.

Of the security portfolio forming part of the financial assets with a book value at the end of the report year in the amount of EUR 8,398,583.37, the following securities are shown at their attributable current values:

	Nominal value	Book value	Attributable current value
	EUR	EUR	EUR
<b>Fixed interest securities</b>			
Dt. Telekom Int. Fin. B.V.	200,000.00	207,680.00	205,440.00
The Royal Bank of Scotland N.V.	150,000.00	150,375.00	145,605.00
Deutsche Bank AG Nachr. Stufenz.-Anl.	200,000.00	202,015.00	201,000.00
<b>Shares</b>			
Commerzbank AG Rolling Lock in Certificates	500,000.00	505,250.00	480,600.00
	<b>1,050,000.00</b>	<b>1,065,320.00</b>	<b>1,032,645.00</b>

No unscheduled write-downs to the lower market value were made in the case of the aforesaid financial instruments as at December 31, 2010 as it was assumed that no permanent reductions in value are involved. This assumption is justified by the fact that only short-term and minor fluctuations in the relevant market rates have occurred in the past.

As in the previous year, other assets are all due within one year.

On the balance sheet date, the Company shows foreign currency bank balances of 15,382,410.86 Armenian Drams, 22,122.85 Georgian Lari and 8,871.91 US-Dollars.

The previous level of the Foundation's capital has remained fully intact.

EUR 28,997.94 of the free reserve within the meaning of Section 58 (7) of the German Tax Code (AO) were withdrawn in the report year. An allocation of EUR 5,000,000.00, in respect of which the allocating party expressly declared that this was intended for establishing or increasing the financial position of the Foundation was transferred to the reserve in accordance with Section 58 (11b) of the German Tax Code (AO). According to the agreement with the fund allocator, the allocation is to be utilized within 20 years in line with the purpose of the Foundation. The amount of the earnings transferred to the Foundation's capital originating from the restructuring of assets and the so-called savings reserve in accordance with Section 58 (12) of the German Tax Code (AO) remained unchanged in the report year. Other provisions include outstanding invoices for consultancy services received in the report year, together with costs relating to asset management services and the annual financial statements.

Liabilities in connection with donations which are conditionally repayable relate to donations associated with a specific and individually agreed condition or a specific contractual arrangement with regard to the relevant use thereof and in respect of which the relevant donor has a repayment claim in the event of any non-performance.

The liabilities in connection with conditionally repayable donations in the amount of EUR 627,184.32 have a residual term in excess of five years. All other liabilities have a residual term of less than one year as in the previous year.

## **Notes on the statement of income**

In the 2010 financial year, the Foundation mainly received grants from the World Wide Fund for Nature Umweltstiftung Deutschland, the Bank of Georgia, Central Bank, Tiflis, Georgia, and the Conservation International Foundation, Arlington, Virginia, USA.

Interest and similar income originate from time deposits and investment securities.

Other operating income relates to exchange rate gains.

Expenses for project promotional measures include costs in connection with direct promotional measures in the Caucasus.

Expenses for project development and technical services include personnel expenses, legal consultancy costs and travelling expenses to the Caucasus in connection with promotional measures.

Project management expenses only include personnel costs.

The raising of funds and advertising expenses include personnel costs, travelling and consultancy expenses in connection with the acquisition of funds.

Administration expenses include asset management, auditing and external bookkeeping costs, miscellaneous administration-related personnel costs, expenses in connection with the administration of donations, consultancy costs and other operating expenses, e.g. foreign currency losses in accordance with Section 277 (5) of the German Commercial Code (HGB).

Personnel expenses

	2010 EUR	2009 EUR
Personnel expenses		
a) Wages and salaries	121,634.01	81,249.23
b) Social security contributions, pension and benevolent costs	49,258.30	31,079.28
	<u>170,892.31</u>	<u>112,328.51</u>

No pension expenses were incurred in the report year.

### Miscellaneous information

#### Auditor's fee

The total fee charged by the year-end auditor in respect of the financial year is equivalent to TEUR 17 and includes year-end audit work of approximately TEUR 16 and other services in the amount of TEUR 1.

#### Management Board:

##### Chairmen

Michael Evers,  
Senior Manager Municipal Development and Environment, Europe, KfW Development Bank,  
Dreieich, Germany (until January 14, 2011)

Eva Witt  
First Vice President, Eastern Europe, Caucasus, Central Asia, KfW Development Bank, Dreieich (as from  
January 14, 2011)

##### Deputy chairman

Christoph Heinrich  
Departmental Director, World Wide Fund for Nature Umweltstiftung Deutschland,  
Ruppach-Goldhausen

##### Finance director

Jorgen B. Thomsen  
Director Conservation and Sustainable Development, MacArthur Foundation,  
Chicago, USA

**Additional members**

Scott Dresser

General Counsel and Secretary, Virgin Media, London, Great Britain (as from June 23, 2010)

Ronnie Kent

Executive Vice President, Head of International Listings, New York Stock Exchange Euronext, London, Great Britain (as from January 14, 2011)

Marion Urban, Sectional Head at the Federal Ministry for Economic Collaboration, Bonn

The Management Board conducts its work on an honorary basis.

**Director**

David Morrison, Executive Director,  
Paris

**Number of employees**

The Foundation had an average of three employees in the 2010 financial year.

Offenbach am Main, May 18, 2011

Caucasus Nature Fund

The Management Board