

INDEPENDENT AUDITORS' REPORT**To the Directors of Citizens Association for Local Development Initiatives (TALDi):**

We have audited the accompanying balance sheet of Citizens Association for Local Development Initiatives (the 'Association') as at 31 December 2005 and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an independent opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. 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 the significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as of 31 December 2005 and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.



Deloitte d.o.o.

5 May 2006

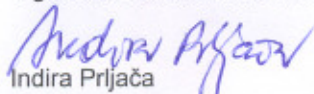
Balance sheet

as at 31 December 2005

(All amounts are expressed in KM)

ASSETS	Notes	2005	2004
Long-term assets			
Property, plant and equipment	6	<u>249,312</u>	<u>263,169</u>
		<u>249,312</u>	<u>263,169</u>
Short-term assets			
Cash and cash equivalents	7	177,630	234,846
Short-term deposits	8	13,795	39,756
Other receivables		<u>7,928</u>	<u>2,044</u>
TOTAL ASSETS		<u>448,665</u>	<u>539,815</u>
EQUITY AND LIABILITIES			
Nominal capital		60,463	60,463
Revaluation effect		106	106
Accumulated excess of revenues over expenses		<u>53,599</u>	<u>50,563</u>
		<u>114,168</u>	<u>111,132</u>
Long-term liabilities			
Loans payable	9	<u>153,186</u>	<u>153,186</u>
		<u>153,186</u>	<u>153,186</u>
Short-term liabilities			
Trade and other payables		16,916	25,111
Deferred income from grants	10	121,772	246,049
Deferred income from own activities	4	40,000	-
Deferred income from donated property		<u>2,623</u>	<u>4,337</u>
TOTAL EQUITY AND LIABILITIES		<u>448,665</u>	<u>539,815</u>

Signed on behalf of the Association on 5 May 2006:


Indira Prljača
Director

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

Notes to the financial statements
for the year ended 31 December 2005

(All amounts are expressed in KM)

4. REVENUE

	2005	2004
<i>GRANT RECEIVED</i>		
Bundesministerium fur auswartige Angelegenheiten, Republik Osterreich	248,120	192,650
CORDAID	215,748	207,043
Open Fund Society	128,219	189,392
EURED	114,556	15,027
Mercy Corps	20,334	29,955
Tuzla Canton Government	15,000	-
DFID	-	27,800
	<u>741,977</u>	<u>661,867</u>
<i>OWN ACTIVITIES/ SERVICES ON REQUEST</i>		
Pax Christi Netherlands	47,699	42,500
Center for Civic Initiative	20,243	-
Sa E Roma	19,820	-
URS (Society of parents against drugs)	10,953	9,120
UHD 'Prijateljice'	10,667	44,298
Reference group Tuzla	6,640	16,295
NGO Forum Gjakova	5,034	-
Humanitarian Association Drina Srebrenica	4,090	1,800
Balkanactie	3,223	-
UNDP	-	9,832
EUPER	-	7,423
BOSPO	-	5,950
Freudenberg Stiftung	-	3,300
Humanitarian Association Duga Sarajevo	-	1,837
Less: Deferred income from own activities for 2006	<u>(40,000)</u>	<u>-</u>
	<u>88,369</u>	<u>142,355</u>
<i>OTHER REVENUES</i>		
Depreciation of donated equipment - LCA	1,714	4,209
Interest income	1,413	1,049
Undistributed revenues from prior years	-	6,069
Other revenues	-	300
	<u>3,127</u>	<u>11,627</u>
TOTAL REVENUES	<u>833,473</u>	<u>815,849</u>

Notes to the financial statements
for the year ended 31 December 2005

(All amounts are expressed in KM)

5. ADMINISTRATIVE AND OTHER EXPENSES

All expenses are the result of major client activities that are defined through the purpose of TALDi's establishment as well as activities described in the project contracts. Payments of such expenses are provided from available funds and consist of the following:

	2005	%	2004	%
PERSONNEL EXPENSES				
Salaries for permanent employees	240,435		244,438	
Work on contract	40,742		27,786	
Compensation to employees	25,699		25,329	
TOTAL PERSONNEL EXPENSES	306,876	36.96	297,553	36.92
SERVICE EXPENSES				
Services for projects support	372,665		331,760	
Audit services	22,599		17,566	
Services for maintenance of tangible assets	22,367		30,498	
Post and telecommunication	11,514		16,090	
Other services	10,929		7,521	
Service for professional improvement	6,835		4,893	
Provisions for banks and clearing institution	3,210		3,027	
Publication services	-		10,914	
TOTAL SERVICE EXPENSES	450,119	54.20	422,269	52.42
Travelling costs	31,701	3.82	26,607	3.30
Depreciation	23,284	2.80	24,054	2.99
Utilities	10,403	1.25	10,870	1.35
Donation	1,100	0.13	700	0.09
Rental expense	-	-	4,312	0.54
Other expenses	6,954	0.84	19,248	2.39
TOTAL EXPENSES	830,437	100	805,613	100