

Independent Auditor's Report

To the Directors of Citizens Association for Local Development Initiatives (TALDi):

We have audited the accompanying financial statements of Citizens Association for Local Development Initiatives (the "Association"), set out on pages 3 to 19, which comprise the balance sheet as at 31 December 2006, and the statement of operations, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

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 Association'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 Association'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as of 31 December 2006, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Deloitte d.o.o.

Sarajevo, 4 May 2007

Notes to the financial statements
for the year ended 31 December 2006

(All amounts are expressed in KM)

4. REVENUES

	2006	2005
<i>GRANTS RECEIVED</i>		
CORDAID	202,450	215,748
ADA - Bundesministerium fur auswartige Angelegenheiten	174,267	248,120
CORDAID, partnership with CCI	45,365	-
EURED	21,782	114,556
Open Fund Society	-	128,219
Mercy Corps	-	20,334
Tuzla Canton Government	-	15,000
	<u>443,864</u>	<u>741,977</u>
<i>OWN ACTIVITIES/ SERVICES ON REQUEST</i>		
Pax Christi, the Netherlands	88,795	47,699
MDF – AGROinform, Moldova	10,473	-
UHD Prijateljice	9,964	10,667
CISP, Italy	9,821	-
Ministry for human rights and refugees BiH	3,427	-
Reference group Tuzla	2,565	6,640
Humanitarian Association Drina Srebrenica	641	4,090
UCODEP, Italy	585	-
Center for Civic Initiative	-	20,243
Sa E Roma	-	19,820
URS (Society of parents against drugs)	-	10,953
NGO Forum Gjakova	-	5,034
Balkanactie	-	3,223
Deferred income from own activities for 2006	40,000	-
Less: Deferred income from own activities for 2007	<u>(17,236)</u>	<u>(40,000)</u>
	<u>149,035</u>	<u>88,369</u>
<i>OTHER REVENUES</i>		
Collection of receivables written-off in previous years	153,183	-
Penalty interest	11,257	-
Depreciation of donated equipment - LCA	2,623	1,714
Interest income	659	1,413
Other revenues	3,171	-
	<u>170,893</u>	<u>3,127</u>
TOTAL REVENUES	<u>763,792</u>	<u>833,473</u>

Balance sheet

as at 31 December 2006

(All amounts are expressed in KM)

ASSETS	Notes	2006	2005
Long-term assets			
Property, plant and equipment	6	<u>256,756</u>	<u>249,312</u>
		<u>256,756</u>	<u>249,312</u>
Short-term assets			
Cash and cash equivalents	7	132,099	177,630
Short-term deposits	8	167,406	13,795
Other receivables		<u>13,057</u>	<u>7,928</u>
		<u>312,562</u>	<u>199,353</u>
TOTAL ASSETS		<u>569,318</u>	<u>448,665</u>
EQUITY AND LIABILITIES			
Nominal capital		60,463	60,463
Revaluation effect		106	106
Accumulated excess of revenues over expenses		<u>210,804</u>	<u>53,599</u>
		<u>271,373</u>	<u>114,168</u>
Long-term liabilities			
Loans payable	9	<u>-</u>	<u>153,186</u>
		<u>-</u>	<u>153,186</u>
Short-term liabilities			
Loans payable	9	153,186	-
Trade and other payables		7,833	16,916
Deferred income from grants	10	119,690	121,772
Deferred income from own activities	4	17,236	40,000
Deferred income from donated equipment		<u>-</u>	<u>2,623</u>
		<u>297,945</u>	<u>181,311</u>
TOTAL EQUITY AND LIABILITIES		<u>569,318</u>	<u>448,665</u>

Signed on behalf of the Association on 4 May 2007:

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 2006

(All amounts are expressed in KM)

4. REVENUES (CONTINUED)

On 27 September 2006, TALDi has collected the amount of KM 164,440 as a result of Supreme Court ruling dated 30 May 2006, out of which KM 153,183 represents the principal and KM 11,257 represents penalty interests. These funds were written-off in 2003, as a result of bank failure and compensated by CORDAID during the same year, in order to enable TALDi to carry out its projects (Note 9).

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:

	2006	%	2005	%
PERSONNEL EXPENSES				
Salaries for permanent employees	230,917		240,435	
Compensation to employees	31,250		25,699	
Work on contract	28,695		40,742	
TOTAL PERSONNEL EXPENSES	290,862	47.95	306,876	36.96
SERVICE EXPENSES				
Services for projects support	168,800		372,665	
Audit services	27,531		22,599	
Services for maintenance of property, plant and equipment	17,331		22,367	
Post and telecommunication	8,757		11,514	
Services for professional improvement	3,095		6,835	
Publication services	2,808		-	
Provisions for banks and clearing institutions	2,588		3,210	
Other services	8,899		10,929	
TOTAL SERVICE EXPENSES	239,809	39.53	450,119	52.20
Travelling costs	36,160	5.96	31,701	3.82
Depreciation	22,119	3.65	23,284	2.80
Utilities	10,066	1.66	10,403	1.25
Donations	-		1,100	0.13
Other expenses	7,571	1.25	6,954	0.84
TOTAL EXPENSES	606,587	100	830,437	100