



PRIVREDNI SAVETNIK – REVIZIJA AD
A MEMBER OF AGN INTERNATIONAL LTD



INDEPENDENT AUDITORS' REPORT

To Mrs. Aleksandra Vesic, Executive Director

1. We have audited the accompanying balance sheet of the Balkan Community Initiatives Fund, Belgrade, Dobracina 29 (in further text: BCIF) as of 31 December 2005, and the related statement of income for the period 1 January to 31 December 2005, shown on pages 2 and 3.

These financial statements are the responsibility of the BCIF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the international auditing standards. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In 2004, we have audited the statements of income and expenditures related to individual projects, as well as the movements on the resident and non-resident domestic and foreign currency bank accounts. The balances of the items shown in the balance sheet as of 31 December 2004 represent opening balances as of 1 January 2005, which effect the financial results for the year 2005, and are shown only for comparative purposes.

4. In our opinion, except for the matter stated in Paragraph 3 above, the above referred financial statements present fairly, in all material respects, the financial position of the BCIF as at 31 December 2005, as well as the results of its operations for the year then ended in accordance with Serbian accounting standards and regulations as disclosed in the notes to the financial statements.

5. Without qualifying our opinion, we draw your attention to Note 2 to the Financial Statements, which states that Serbian accounting regulations differ from particular requirements of International Financial Reporting Standards in the fact that they do not include the latest improvements of IAS's as well as the new MSFI's in force since 1 January 2005.

Belgrade, 16 June 2006

General Manager

"Privredni Savetnik - Revizija"

Miloš Petrović - certified auditor



PRIVREDNI SAVETNIK - REVIZIJA, BELGRADE, KNEGINJE ZORKE 96

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