

CONFIDA FINODIT

*Audit company
Belgrade, 1 Imotska St.*

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CONFIDA FINODIT

Belgrade 1 Imotska
Auditing company

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "IAN" International Aid Network Belgrade as of 31 December 2010, and of its financial performance and of its cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia to those legal entities which prepare their financial statements in compliance with International Financial Reporting Standards.

Belgrade, 14 April 2011

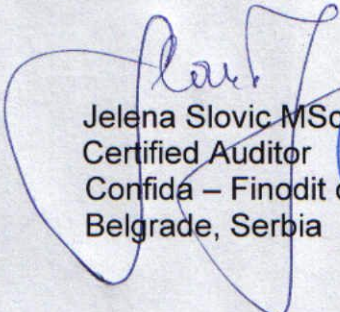

Jelena Slovic MSc
Certified Auditor
Confida Finodit
Belgrade, Serbia

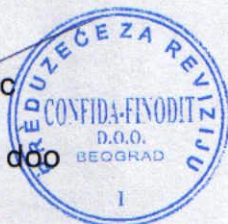


INDEPENDENCE CONFIRMATION

Pursuant to the provision of Article 45 of the Law on Accounting and Auditing ("Official Gazette of RS", number 46/2006), we declare the following:

1. that the Auditing Company CONFIDA – FINODIT I.l.c. from Belgrade is not a shareholder, investor or founder of the client.
2. that the licensed registered auditor who did this auditing is not a shareholder, investor or founder of the client.
3. that the licensed registered auditor who did this auditing is not connected in capital and has no other connections or obligation relations with the client that would prevent him from performing auditing according to the International Standards on Auditing and Law on Accounting and Auditing.
4. that the client is not a shareholder, founder or investor in the Auditing Company CONFIDA – FINODIT I.l.c. from Belgrade.
5. that the licensed registered auditor is not a blood relative, lineal relative by sanguinity in any degree and lateral relative by sanguinity up to fourth degree, a spouse or in-law conclusive with second degree of relation, disregarding if marriage ended, adoptive parent or adoptee of the founder or director of legal entity which is being audited and a guardian, i.e. legal custodian of the founder of legal entity which is being audited that would prevent him from performing auditing according the International Standards on Auditing and Law on Accounting and Auditing.


Jelena Slovic MSc
Certified Auditor
Confida – Finodit d.o.o.
Belgrade, Serbia



1 FINANCIAL REPORTS

Financial reports were enacted by the Management Board on 23/02/2011.

1.1 BALANCE SHEET AS OF 31/12/2010

| <i>BALANCE ITEM</i> | <i>31/12/2010 RSD'000</i> | <i>31/12/2009 RSD'000</i> |
|--|-------------------------------|-------------------------------|
| ASSETS | | |
| FIXED ASSETS | 5.089 | 6.216 |
| I. Subscribed capital unpaid | 0 | 0 |
| II. Goodwill | 0 | 0 |
| III. Intangible assets | 27 | 184 |
| IV. Property, plant, equipment and biological assets | 3.084 | 5.051 |
| 1. Property, plant and equipment | 3.084 | 5.051 |
| 2. Property investments | 0 | 0 |
| 3. Biological assets | 0 | 0 |
| V. Long term financial investments | 1.978 | 981 |
| 1. Share in equity | 1.978 | 981 |
| 2. Other long term financial investments | 0 | 0 |
| CURRENT ASSETS | 12.763 | 7.506 |
| I. Inventories | 86 | 291 |
| II. Properties for resale | 0 | 0 |
| III. Short term receivables, investments and cash | 12.677 | 7.215 |
| 1. Receivables | 537 | 1.051 |
| 2. Overpaid VAT | 0 | 0 |
| 3. Short term financial investments | 0 | 0 |
| 4. Cash equivalents and cash | 12.140 | 4.679 |
| 5. Value added tax and accrued income | 9 | 1.485 |
| III. Deferred taxes | 0 | 0 |
| BUSINESS ASSETS | 17.861 | 13.722 |
| LOSS ABOVE CAPITAL VALUE | | |
| TOTAL ASSETS | 17.861 | 13.722 |
| OFF-BALANCE ASSETS | | 0 |
| EQUITY AND LIABILITIES | | |
| EQUITY | 5.873 | 5.763 |
| I. Share capital | 0 | 0 |
| II. Subscribed capital unpaid | 0 | 0 |
| III. Reserves | 5.763 | 5.905 |
| IV. Revaluation reserves | 0 | 0 |
| V. Unrealised gains based on securities | 0 | 0 |
| VI. Unrealised losses based on securities | 0 | 0 |
| VII. Retained earnings | 110 | 0 |
| VIII. Loss | 0 | 142 |

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| <i>BALANCE ITEM</i> | <i>31/12/2010 RSD'000</i> | <i>31/12/2009 RSD'000</i> |
|--|-------------------------------|-------------------------------|
| IX. Bought-back shares | 0 | 0 |
| LONG TERM PROVISIONS AND LIABILITIES | 11.988 | 7.959 |
| I. Long term provisions | 0 | 0 |
| II. Long term liabilities | 866 | 1.606 |
| 1. Long term loans | 0 | 0 |
| 2. Other long term liabilities | 866 | 1.606 |
| III. Short term liabilities | 11.122 | 6.353 |
| 1. Short term financial liabilities | 0 | 5.654 |
| 2. Liabilities from operating activities | 303 | 540 |
| 3. Liabilities from value added taxes and other public revenues and accruals | 10.532 | 134 |
| 4. Other short term liabilities | 287 | 25 |
| 5. Income tax liabilities | 0 | 0 |
| IV. Deferred tax liabilities | 0 | 0 |
| TOTAL EQUITY AND LIABILITIES | 17.861 | 13.722 |
| OFF-BALANCE LIABILITIES | 0 | 0 |

1.2 PROFIT AND LOSS STATEMENT FOR 2010

| <i>BALANCE ITEM</i> | <i>31/12/2010 RSD'000</i> | <i>31/12/2009 RSD'000</i> |
|---|-------------------------------|-------------------------------|
| INCOME AND EXPENSES FROM OPERATING ACTIVITIES | | |
| I. OPERATING INCOME | <u>71.248</u> | <u>53.004</u> |
| 1. Income from sales | 2.047 | 4.940 |
| 2. Revenue from use of own products, services and merchandise | 0 | 0 |
| 3. Increase in inventories of finished products and goods | 0 | 0 |
| 4. Decrease in inventories of finished products and goods | 0 | 0 |
| 5. Other operating income | 69.201 | 48.064 |
| II. OPERATING EXPENSES | <u>69.038</u> | <u>51.935</u> |
| 1. Purchasing value of goods sold | 0 | 0 |
| 2. Cost of materials | 2.216 | 2.366 |
| 3. Gross salaries, compensations for salaries and other personal expenses | 43.282 | 31.637 |
| 4. Depreciation and provision expenses | 1.329 | 1.447 |
| 5. Other operating expenses | 22.221 | 16.485 |
| III. OPERATING PROFIT | <u>2.210</u> | <u>1.069</u> |
| V. Financial income | 2.770 | 3.513 |
| VI. Financial expenses | 4.860 | 4.741 |
| VII. Other income | 106 | 55 |
| VIII. Other expenses | 116 | 38 |
| IX. PROFIT FROM OPERATING ACTIVITIES | <u>110</u> | |
| X. LOSS FROM OPERATING ACTIVITIES | <u>0</u> | <u>142</u> |
| I. Extraordinary income | 0 | 0 |
| II. Extraordinary expenses | 0 | 0 |
| III. LOSS ON EXTRAORDINARY ITEMS | <u>0</u> | <u>0</u> |
| PROFIT PRIOR TO TAXES | <u>0</u> | <u>0</u> |
| LOSS PRIOR TO TAXES | <u>0</u> | <u>142</u> |
| PROFIT TAX | 0 | 0 |
| <i>NET PROFIT</i> | <i>110</i> | <i>0</i> |
| <i>NET LOSS</i> | <i>0</i> | <i>142</i> |

1.3 CASH FLOW STATEMENT

| <i>CASH FLOW STATMENT</i> | <i>31/12/2010</i> | <i>31/12/2009</i> |
|---|-------------------|-------------------|
| A. OPERATING CASH FLOW | | |
| I. Cash inflow from operating activities | 80.183 | 39.579 |
| 1. Sales and advance payments received | 2.969 | 6.931 |
| 2. Received operating interests | 17 | 11 |
| 3. Other operating inflows | 77.197 | 32.637 |
| II. Cash outflows from operating activities | 67.225 | 53.909 |
| 1. Payments to suppliers and advance payments made | 22.265 | 19.142 |
| 2. Staff expense outflows | 44.541 | 33.669 |
| 3. Interests paid | 206 | 183 |
| 4. Income tax | 0 | 0 |
| 5. Other public revenues paid | 213 | 915 |
| III. Net operating cash inflow | 12.958 | 0 |
| IV. Net operating cash outflow | 0 | 14.330 |
| B. INVESTMENT ACTIVITY CASH FLOW | | |
| I. Investment activity cash inflow | 995 | 12 |
| 1. Sale of intangible placements, real estate, plants, equipment and biological resources | 995 | 12 |
| II. Investment activity cash outflow | 1.214 | 2.928 |
| 1. Payments of stocks and shares (net outflow) | 998 | 981 |
| 2. Payments arising from purchase of intangible and tangible fixed assets | 216 | 1.947 |
| 3. Other placements | | |
| III. Net investment activity cash inflow | 219 | 2.916 |
| IV. Net investment activity cash outflow | | |
| C. FINANCIAL ACTIVITY CASH FLOW | | |
| I. Financial activity cash inflow | 0 | 5.679 |
| Long term and short term loans (net inflow) | 0 | 4.794 |
| Other long term and short term liabilities | 0 | 885 |
| II. Financial activity cash outflow | 6.772 | 370 |
| 2. Long-term and short-term borrowings, net outflow | 5.906 | 0 |
| 3. Financial leasing, payments | 866 | 370 |
| III. Financial activity cash inflow | 0 | 5.309 |
| IV. Financial activity cash outflow | 6.772 | 0 |
| D. Total cash inflow | 81.178 | 45.270 |
| E. Total cash outflow | 75.211 | 57.207 |
| F. Net cash inflow | 5.967 | 0 |

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| <i>CASH FLOW STATMENT</i> | <i>31/12/2010</i> | <i>31/12/2009</i> |
|--|-------------------|-------------------|
| <i>G. Net cash outflow</i> | <i>0</i> | <i>11.937</i> |
| <i>H. Cash, opening balance</i> | <i>4.679</i> | <i>16.745</i> |
| <i>I. Foreign exchange rate gains on cash</i> | <i>1.496</i> | <i>1.032</i> |
| <i>J. Foreign exchange rate losses on cash</i> | <i>2</i> | <i>1.161</i> |
| <i>K. Cash closing balance</i> | <i>12.140</i> | <i>4.679</i> |

1.4 STATEMENT OF CHANGES IN EQUITY

| <i>Balance item</i> | <i>As at 01/01/2010</i> | <i>Increase</i> | <i>Decrease</i> | <i>As of 31/12/2010</i> |
|---------------------|-----------------------------|-----------------|-----------------|-----------------------------|
| Share capital | 0 | 0 | 0 | 0 |
| Reserves | 5.905 | 0 | 142 | 5.763 |
| Retained earnings | 0 | 110 | 0 | 110 |
| <i>Total</i> | <i>5.905</i> | <i>110</i> | <i>142</i> | <i>5.873</i> |

2

ASSOCIATION INFORMATION

| | |
|--|--|
| <i>Full name:</i> | International Aid Network I.A.N. |
| <i>Abbreviated name:</i> | I.A.N. International Aid Network |
| <i>Head office:</i> | Belgrade, 10 Admirala Geprata Street |
| <i>Form of organization:</i> | Citizens' Association |
| <i>Registration no.:</i> | 17242369 |
| <i>Register no.:</i> | 3/1-198/8-1997-07, BU 2570/2010 |
| <i>PIN:</i> | 100279993 |
| <i>Activity code and title:</i> | 9499 – Other organizations based on membership |
| <i>No. of employees:</i> | 26 |
| <i>Size of the association:</i> | Small |
| <i>No. of board members:</i> | 5 |
| <i>Executive manager:</i> | Natasa Cvetkovic Jović |
| <i>Financial manager:</i> | Nada Lucic |
| <i>Person responsible for making and signing financial report:</i> | Mrs. Danijela Živković-Bulatović |
| <i>Date of Statute changes:</i> | 16/01/2010 |
| <i>Last registration with the Ministry of Public Administration and Local Self Government:</i> | 18/03/2010 |
| <i>Audit for year 2009:</i> | Confida-Finodit doo Belgrade |
| <i>Association's Normative Acts:</i> | Statute, Rule book on accounting and accounting policies |

2.1.1 GENERAL INFORMATION

- I.A.N. International Aid Network was founded on 27/06/1997 when the first founding assembly of the citizens' association was held and the first Decision on the entry into the Register of associations, social and political organizations is made under no. 3/1-198/8-1997-07 from 09/10/1997.
- The last change in the decision was entered on 16/01/ 2010 and refers to the election of members of the Management Board, new chairman of the Association and change of person authorized to represent the Association.
- I.A.N. International Aid Network is a citizens' association, nonpolitical, nongovernment, unprofitable and humanitarian. It gathers and organizes people of various occupations in order to achieve its goals determined by the Statute.

- The basic goal of the Association is to organize, gather and distribute humanitarian aid to the endangered population, as well as to create and coordinate mutual projects in order to improve the quality of life.
- These goals are achieved through various forms of cooperation with both domestic and international humanitarian and other organizations, through the active participation of its members and volunteers.
- Program goals of the Association are:
 - Organization, collection and distribution of humanitarian aid for endangered population groups
 - Establishing and developing cooperation with humanitarian and professional institutions in the country and abroad
 - Creating and coordinating projects for improvement of the life quality
 - Improvement of organized scientific and research projects and applying of scientific methods and principles
 - Helping young scientists and scientific institutions
 - International professional and educational exchange
 - To raise the overall level of knowledge and health culture of the population
 - Inter-cultural connecting, as well as reducing and diminishing racial, religious, ethnic and cultural antagonisms
 - Providing information from the field of work of the Association through connecting with world information systems and mass communications and internal rumors.
- As an additional activity in order to make funds (addition to funding) the Association can deal with the following: organization of social skills, English courses, as well as computer courses and similar manifestations pursuant to the legislation.
- The area of activity of the Association is primarily the territory of Serbia, but activities are not territorially limited by the state borders – in order to achieve its program goals international cooperation with commercial-legal subjects and associations is possible.
- IAN is a domestic non-government organization which, since 1997 has been actively engaged in a promotion of mental health and protection of human rights through providing psycho-social, legal and educational help to the members of endangered groups.
- Four program sectors are active within IAN:
 1. Health department include: the rehabilitation center for trauma and torture victims where an overall professional help is provided especially to people affected by war and violence; center for mental health and AIDS is engaged in increasing of knowledge of relevant professionals on problems of mental health and people living with AIDS.
 2. Educational department: IAN Telecenter is engaged in popularization of the concept of learning during the entire life to all Serbian population and especially to sensitive groups and its goal is to provide with high quality training within project programs and local market. IAN Telecenter organizes courses in computers, English, social skills and entrepreneurship. Since April 2005 IAN

Telecenter has been authorized ECDL Test center (the first non-government organization in Serbia to acquire that status).

3. Human rights department: provides help to refugees and exiled persons in overcoming legal and administrative obstacles in a process of acquiring property, social, status and other rights and providing with valid and up-to-date information, thus helping them to achieve a solution they find best for them and their families.
4. Research department: carries through scientific and research projects by performing elaborate data analysis that have been collected in a daily work with traumatized clients and interdisciplinary studies performed in consortiums with respectable research institutions in Serbia and abroad. Data base contains information for over 11,000 persons affected by war.

- IAN has a cooperation with various international and local non-government organizations and it is a member of several national and regional networks.
- IAN's work is solely based on international donations. The overview of donors is presented in the following table:

| <i>Donator</i> | <i>Amount in EUR</i> | <i>Amount in RSD</i> | <i>%</i> |
|---|----------------------|----------------------|------------|
| EC – European Commission | 449.293,95 | 50.377.389,62 | 55,06 |
| UNVFVT - United Nations Voluntary Fund for Victims of Torture | 147.759,84 | 14.617.777,20 | 15,98 |
| Ministarstvo zdravlja Republike Srbije/projekat The Global Fund to Fight AIDS, Tuberculosis and Malaria | 90.240,00 | 9.344.469,72 | 10,21 |
| UNIDEA – Unikredit Group | 59.688,00 | 6.179.570,44 | 6,75 |
| GIP-Global Initiative on Psychiatry | 51.151,00 | 5.414.799,89 | 5,92 |
| Microsoft | 27.140,04 | 2.677.416,20 | 2,93 |
| IWC – International Women's Club | 6.521,97 | 647.425,00 | 0,71 |
| Ministarstvo rada i socijalne politike Republike Srbije | 6.063,40 | 637.275,00 | 0,70 |
| Linkopings University | 4.572,38 | 449.431,17 | 0,49 |
| Omladina JAZAS/projekat The Global Fund to Flight AIDS, Tuberculosis and Malaria | 4.500,00 | 442.638,68 | 0,48 |
| EBTA | 3.500,00 | 348.332,60 | 0,38 |
| UNDP | 1.930,93 | 203.682,00 | 0,22 |
| Sporting hearts | 1.066,00 | 112.826,61 | 0,12 |
| Ministarstvo zdravlja Republike Srbije | 470,01 | 50.000,00 | 0,05 |
| <i>Svega:</i> | <i>898.897,52</i> | <i>91.503.034,13</i> | <i>100</i> |

In 2010 the IAN Association International Aid Network has taken part in numerous projects, which are shown in the following table:

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| Project | Donor | Beginning of project | End of project | Budget | | |
|---|--|----------------------|----------------|------------|------------|-----|
| | | | | EUR | US\$ | RSD |
| "Development of integrated mental health and social care services for a Model region" in the Nis region, Serbia | GIP Global Initiative on Psychiatry | 01/10/2007 | 30/06/2011 | 285.260,00 | | |
| Comprehensive Rehabilitation Program for Torture Victims in Serbia and Bosnia and Herzegovina | European Union | 01/12/2008 | 30/11/2011 | 748.117,14 | | |
| Centre for Rehabilitation of Torture Victims (CRTV), Belgrade | UNVFVT United Nations Voluntary Fund for Victims of Torture | 01/01/2010 | 31/12/2010 | | 120.000,00 | |
| Psycho-Social rehabilitation programme for torture victims in target regions in Bosnia and Herzegovina through CTV and IAN mobile teams | UNVFVT United Nations Voluntary Fund for Victims of Torture | 01/01/2010 | 31/12/2010 | | 58.000,00 | |
| Istanbul protocol training | UNVFVT United Nations Voluntary Fund for Victims of Torture | 01/01/2010 | 31/12/2010 | | 2.500,00 | |
| EaSIER - Economic and Social Integration enhancement for Refugees and IDP – Serbia | Unidea - Foundation of UNICREDIT | 08/12/2009 | 15/11/2010 | 187.830,00 | | |

"IAN" International Aid Network

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| Project | Donor | Beginning of project | End of project | Budget | | |
|---|---|----------------------|----------------|-----------|-----------|-----|
| | | | | EUR | US\$ | RSD |
| | Group | | | | | |
| IT Literacy - a Vehicle towards Employment | MICROSOFT | 01/01/2010 | 31/12/2010 | | 37.000,00 | |
| "Strengthening Capacity of PLHIV for Self Organization and Conducting Self Help Groups" | Youth of JAZAS / Project of The Global Fund | 01/09/2009 | 30/06/2010 | 6.750,00 | | |
| "Perception of Knowledge, Attitudes and Behaviour of Health Care Workers in Serbia, concerning HIV,," | Ministry of Health / Project of The Global Fund | 12/11/2009 | 30/09/2010 | 38.000,00 | | |
| Positive prevention in VCT | Ministry of Health / Project of The Global Fund | 15/11/2009 | 30/06/2010 | 11.250,00 | | |
| Capacity building of social workers for psychosocial support to people living with HIV | Ministry of Health / Project of The Global Fund | 15/11/2009 | 31/03/2010 | 5.625,00 | | |
| A randomized trial of the effects of Solution Focus Brief Therapy on people with PTSD | EBTA (European Brief Therapy Association) | 23/02/2010 | | 3.500,00 | | |
| Empowerment Against Female Poverty | International Women's Club, Belgrade | 23/04/2010 | | 6.815,00 | | |
| "Strengthening advocacy action of civil society organisations in Montenegro through capacity building for | European Union | 26/04/2010 | 15/06/2010 | 710,00 | | |

"IAN" International Aid Network

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| Project | Donor | Beginning of project | End of project | Budget | | |
|--|---|----------------------|----------------|------------|------|-------------|
| | | | | EUR | US\$ | RSD |
| creating public policies of Coalition for society changing" | | | | | | |
| "Health care workers and HIV – standard precaution and good practice in HIV treatment and prevention,, | Ministry of Health / Project of The Global Fund | 14/05/2010 | 30/06/2010 | 59.765,00 | | |
| Click to Europe | European Union | 18/06/2010 | 17/06/2011 | 126.271,25 | | |
| Professional empowerment of heard-of-hearing persons | Ministry for Labour and Social Affairs | 12/07/2010 | 11/04/2011 | | | 1.274550,00 |
| Educational services | Sporting Hearts | 01/08/2010 | 31/12/2010 | 1.080,00 | | |
| Torture Prevention and Rehabilitation Programme | European Union | 01/11/2010 | 31/10/2013 | 730.875,79 | | |
| ToT for People Involved in Capacity Building Activities for PLHIV | Ministry of Health / Project of The Global Fund | 15/11/2010 | 31/12/2010 | 4.500,00 | | |
| Training for burnout prevention | Ministry of Health / Project of The Global Fund | 15/12/2010 | 15/03/2011 | 4.500,00 | | |
| "Health care workers and HIV – standard precaution and good practice in HIV treatment and prevention,, | Ministry of Health / Project of The Global Fund | 15/11/2010 | 30/06/2011 | 29.980,00 | | |
| | | | | | | |

2.1.2 EMPLOYEES QUALIFICATION STRUCTURE

- In the Association on 31/12/ 2010 there were 26 employees with the following qualification structure:

| <i>Speciality degree</i> | <i>No. of employees</i> |
|-----------------------------|-------------------------|
| Ph.D. and Master of Science | - |
| University degree-VII/1 | 17 |
| Academy-VI/1 | 1 |
| Highly qualified workers-V | - |
| High school graduates-IV | 8 |
| Qualified workers-III | - |
| Semi-qualified workers-II | - |
| Law qualification-I | - |
| <i>Total</i> | <i>26</i> |

- There are 26 full time employees working with IAN. Number of the hired workers varies depending on the project that is carried through. The majority of engaged personnel consists of psychiatrists and psychologists. Apart from these profiles, IAN hires lawyers, economists, defectologists etc.

2.1.3 INVENTORY

- At the meeting held on December 12, 2010 the board of directors of the Association made a decision on the forming of the inventory commission.
- CEO gave instructions on operating of inventory commissions, ordinal no. 260/10.
- The Association made an inventory of assets and liabilities with the condition on 31/12/2010 followed by the report enacted by the president of the board of the Association on 31/12/2010 and presented it in its business records.
- The inventory condition is coordinated with accounting condition.

2.1.4 LEGAL DISPUTES

- Up to 31/12/2010 the association « IAN » International Aid Network did not have any legal disputes.

2.1.5 MORTGAGES

- The Association had no mortgages, pawns or guarantees at the condition on 31/12/2010.

2.2 BASE FOR AUDIT OF FINANCIAL REPORTS

- The purpose of auditing was to certify, according to the International Audit Standards, that the audited financial reports had been made pursuant to legislation, International Accounting and Audit Standards, as well as professional policies.
- The auditor's task when planning the audit is to determine a criteria for auditing, scale of samples, processing evidence, define sources of evidence, perform preliminary evaluation of audited materials, estimate risks of a determining process and form the audit crew and a supervisor of the audit.
- In a process of making conclusions the special attention was on facts, which were materially significant as audit evidence according to the International Audit Standards.
- In accordance with this the audit had collected enough valid evidence to collaborate its conclusions.
- Documentation that was the object of this report included the insight into documents, which according to the Act on Accounting and Auditing, were relevant for bookkeeping and for providing evidence on legality of events included in audited financial reports.
- The audit was performed in accordance with professional policies.
- The audit plan was directly coordinated with the association, which gave a full cooperation and presented valid documentation.
- Professional associates in this job did the field job by collecting data and a part of the job in the head office of the audit company in processing the collected information.
- Financial reports were based on an invoice realization with a presumption of indefinite duration of business operations (principle of continuity), which implies that economic conditions in country's economy and future measures of macro-economic politics will have no negative effect on company's business operations.
- The amounts in financial reports are shown in RSD thousand valid on the day of the balance, 31/12/ 2010.
- According to the Act on Accounting and Auditing, accounting reports, International Audit Standards and signed agreement, we have performed the audit of financial reports for year 2010, which content is included in this report.

3 BALANCE SHEET

- On 31/12/2010 the Association IAN International Aid Network made the following Balance Sheet (in RSD thousands):

| <i>Assets</i> | <i>Amount</i> | <i>% increase</i> | <i>Liabilities</i> | <i>Amount</i> | <i>% increase</i> |
|----------------------------|----------------------|--------------------|--------------------------------------|----------------------|--------------------|
| Fixed assets | 5.089 | 28.65% | Equity | 5.873 | 32.88% |
| Current assets | 12.763 | 71.35% | Long-term provisions and liabilities | 11.988 | 67.12% |
| <i>Total assets</i> | <i>17.861</i> | <i>100%</i> | <i>Total liabilities</i> | <i>17.861</i> | <i>100%</i> |

- Fixed assets are not completely covered by equity, which indicates that the Association does not have net current assets.
- Kratkoročne obaveze su u potpunosti pokrivena sa obrtna imovina, što govori u prilog postojanju relativno niskog rizika naplate potraživanja od strane kupaca Društva
- Short term liabilities are fully covered by the current assets, which indicates the existence of a relatively low risk of collection of receivables from customers of the Company.

4 ASSETS

- Balance assets of the Association IAN International Aid Network are RSD 13.722 thousand and consist of the following assets (in RSD thousands):

| | |
|----------------------------|----------------------|
| Fixed assets | 5.089 |
| Currents assets | 12.763 |
| <i>Total assets</i> | <i>17.861</i> |

4.1 FIXED ASSETS

- On 31/12/2010 fixed assets of the Association IAN International Aid Network were RSD 5.089 thousands net and consist of the following items (in RSD thousands):

| <i>Item</i> | <i>Current year</i> | <i>Previous year</i> |
|------------------------|---------------------|----------------------|
| Intangible investments | 27 | 184 |

| <i>Item</i> | <i>Current year</i> | <i>Previous year</i> |
|---------------------------------|---------------------|----------------------|
| Property, plant and equipment | 3.084 | 5.051 |
| Long-term financial investments | 1.978 | 981 |
| <i>Total fixed assets:</i> | <i>5.089</i> | <i>6.216</i> |

4.1.1 INTANGIBLE ASSETS

- Intangible assets are shown at gross value of RSD 1,710 thousands, depreciation of RSD 1,526 thousand and net value of RSD 184 thousand.
- The following table shows the overview of intangible assets, as well as changes at this balance item during the reporting period (in RSD thousand):

| <i>Intangible assets</i> | <i>Acquisition value</i> | <i>Depreciation</i> | <i>Current value</i> |
|--------------------------------|--------------------------|---------------------|----------------------|
| Software | | | |
| As at 01/01/2010 | 1.710 | (1.526) | 184 |
| Increase during year | | (157) | (157) |
| Decrease during year | | | |
| <i>Total intangible assets</i> | <i>1.710</i> | <i>(1.683)</i> | <i>27</i> |

- The increase of depreciation at the amount of RSD 157 thousand refers to the accounted amortization.

4.1.2 PROPERTY, PLANTS AND EQUIPMENT

- Property, plants and equipment of the Association IAN International Aid Network are RSD 3.084 thousand (net) and entirely refer to equipment.
- The following table shows fixed assets with all changes during the reporting period, which have affected their value and which are presented in books of the Association (in RSD thousand):

| <i>Fixed assets</i> | <i>Acquisition value</i> | <i>Depreciation</i> | <i>Current value</i> |
|---------------------------|--------------------------|---------------------|----------------------|
| Plants and equipment | | | |
| As at 01/01/2010 | 8.708 | (3.657) | 5.051 |
| Increase during year | 216 | (1.172) | (956) |
| Decrease during year | (1.317) | 307 | (1.010) |
| <i>Total fixed assets</i> | <i>7.607</i> | <i>4.522</i> | <i>3.084</i> |

- As of 31/12/2010 the equipment was shown at the gross amount of RSD 7.607 thousand, depreciation of RSD 4.522 thousand and net value of RSD 3.084 thousand.
- During the year there was an increase of acquisition value of the equipment for RSD 216 thousand, which referred to the acquisition of office equipment and furniture. Reduction of the acquisition value at the amount of RSD 1.317 thousand refers to the sale of vehicles. The increase of depreciation of the equipment at the amount of RSD 1.172 thousand refers to the accounted amortization. Decrease of depreciation during balancing was RSD 307 thousand and regards write-off and sale.
- The inventory of fixed assets was made and the bookkeeping condition is coordinated with inventory condition.

4.1.3 LONG-TERM FINANCIAL INVESTMENTS

- Long-term financial investments are RSD 1.978 thousand. They refer to increase in equity of depending legal entities and consist of (in RSD thousand):

| <i>Increase in equity of depending legal entities</i> | <i>Amount</i> | <i>% share in equity</i> |
|---|---------------|--------------------------|
| Bizian group LTD. | 1.932 | 50% |
| Quality Bookkeeping LTD. | 46 | 100% |
| <i>Total:</i> | <i>1.978</i> | |

- During the 2009 the Association „IAN” International Aid Network founded two companies: „Bizian Group” ltd. with 50% share in equity and company „Quality Bookkeeping” ltd. with 100% share in equity.
- Pursuant to the agreement on cooperation at Project no. 231/08 from December 8th 2008 between the Association „IAN” Internacional Aid Network and the Association of Citizens „Group 484”, the „IAN” Internacional Aid Network will found a new company and within it establish two newly founded small businesses. Realization of this Project is supported by a donor, i.e. Unidea, which is a fondation of Unicredit group from Milan, Italy.
- On August 14th 2009 the Association „IAN” Internacional Aid Network made a decisión on founding of the limited company called „IAN-484”. The company’s head office isa t 10 Admirala Geparta Street. The main business activity of the company is cleaning of premises. The founder of the company is also the owner of 100% share in equity with:
 - Subscribed financial equity of EUR 20,000 accounted in RSD according to middle exchange rate of the NBS on the day of payment August 14th 2009, which makes RSD 1,869 thousand,

- Paid financial equity of EUR 10,000 accounted in RSD according to middle Exchange rate of the NBS on the day of the payment August 14th 2009, which makes RSD 935 thousand.
- Pursuant to the agreement on joining a member (Annex I of the decision on founding) made on October 1st 2009, the company „IAN-484” Ltd. is joined by a member Association of Citizens „Group 484” with subscribed financial equity of EUR 20,000 and paid financial equity of EUR 10,000 accounted in RSD on the day of the payment. After joining of the member Association of Citizens „Group 484” the ownership structure of the association „IAN-484” Ltd. is the following:
 - The Association „IAN” Internacional Aid Network with 50% of share in equity and
 - Association „Group 484” with 50% of share in equity.
- By the decisión of the Agency for comercial registers BD 170020/2009 from October 30th 2009 the company „IAN-484” Ltd. changes its name into „Bizian Group” Ltd.
- On 31/03/2010 the Association „IAN” Internacional Aid Network has paid he remaining EUR 10,000 in accordance with the project funded by the donor Unidea.
- On 21/10/2009 the Association „IAN” Internacional Aid Network made a decisión on founding „Quality Bookkeeping” Ltd. under no. 171/09. The head office of the company is at 10 Admirala Geparta Street, Belgrade. The main activity of the company is 74120 – accounting and bookkeeping activities related to taxes. The founder of the company is at the same time the owner of 100% of ownership share of total company’s equity with:
 - Subscribed financial equity of EUR 500 accounted in RSD by middle Exchange rate of the NBS on the day of the payment October 21st 2009, which makes RSD 46 thousand,
 - Paid financial equity of EUR 500 accounted in RSD by middle Exchange rate of the NBS on the day of the payment October 21st 2009, which makes RSD 46 thousand.

4.2 CURRENT ASSETS

- On 31/12/2010 the current assets were shown at the amount of RSD 12.763 thousand and consist of the following assets’ items (in RSD thousand):

| <i>Current assets</i> | <i>Current year</i> | <i>Previous year</i> |
|---|---------------------|----------------------|
| Stocks | 86 | 291 |
| Short-term claims, investments and cash | 12.677 | 7.215 |
| <i>Total current assets:</i> | <i>12.763</i> | <i>7.506</i> |

4.2.1 STOCKS

- Stocks are RSD 86 thousand and completely refer to given advances in the country.
- Up to the moment of the audit RSD 76 thousand was closed out of the total balance.

4.2.2 SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH

- Short-term receivables, investments and cash are RSD 12.677 thousand and consist of the following (in RSD thousand):

| <i>Item</i> | <i>Current year</i> | <i>Previous year</i> |
|---------------------------|---------------------|----------------------|
| Receivables | 537 | 1.051 |
| Cash equivalents and cash | 12.140 | 4.679 |
| VAT and accruals | 0 | 1.485 |
| <i>Total:</i> | <i>12.677</i> | <i>7.215</i> |

4.2.2.1. Receivables

- On 31/12/2010 receivables were RSD 537 thousand and consist of (in RSD thousand):

| | |
|---|------------|
| Receivables from domestic buyers | 18 |
| Claims | 67 |
| Receivables based on overpaid taxes and contributions | 107 |
| Other receivables | 345 |
| <i>Total receivables</i> | <i>537</i> |

- Receivables from domestic buyers are RSD 18 thousand.
- Auditing procedure included independent coordination of balance (confirmation) as regular procedure, as well as a control of recoverability of sample receivables.
- Up to the audit date 100% receivables from domestic buyers has been collected.

- Claims are RSD 67 thousand and refer to the Association of Detainees for pre-invoiced overhead expenses for the use of business premises. This claim comes from the previous years and has not been collected up to the audit date.
- Receivables regarding overpaid taxes and contributions are RSD 107 thousand.
- Other receivables are RSD 346 thousand.

4.2.2.2. Cash equivalents and cash

- Cash and cash equivalents are shown at the amount of RSD 4,679 thousand and refer to (in RSD thousand):

| <i>Name</i> | <i>Amount (RSD 000)</i> |
|---|-------------------------|
| RSD funds: | |
| Komercijalna banka | 495 |
| Raiffeisen banka | 380 |
| Jubmes banka | 4 |
| Banca Intesa | 402 |
| Total RSD funds: | 1.281 |
| Foreign currency funds: | |
| Raiffeisen bank (EUR) | 10.696 |
| Raiffeisen bank (US\$) | 113 |
| Total foreign currency funds: | 10.809 |
| Treasury | 50 |
| Total cash equivalents and cash: | 12.140 |

- Balance on current accounts are coordinated with bank statements.
- The inventory of cash and cash equivalents was made and the inventory condition was coordinated with the accounting condition.

5 EQUITY AND LIABILITIES

- Total equity and liabilities are shown in the amount of RSD 17.861 thousand and consist of the following sources (in RSD thousand):

| | |
|-------------------------------------|---------------|
| Equity | 5.873 |
| Liabilities | 11.988 |
| <i>Total equity and liabilities</i> | <i>17.861</i> |

5.1 EQUITY

- Total equity of the Association „IAN” International Aid Network was RSD 5,873 thousand on 31/12/2010. The equity structure is the following (in RSD thousand):

| <i>Name</i> | <i>Amount</i> |
|---------------|---------------|
| Reserves | 5.763 |
| Loss | 110 |
| <i>Total:</i> | <i>5.873</i> |

- Total equity of the Association is shown at the amount of RSD 5.873 thousand and refers to reserves at the amount of RSD 5.763 thousand and loss at the amount of RSD 110 thousand.

5.2 LONG-TERM PROVISIONS AND LIABILITIES

- Long-term provisions and liabilities of the Association „IAN” International Aid Network were RSD 11.988 thousand on the day of the balance, and their structure consists of (in RSD thousand):

| <i>Item</i> | <i>Current year</i> | <i>Previous year</i> |
|--|---------------------|----------------------|
| Long-term liabilities | 866 | 1.606 |
| Short-term liabilities | 11.122 | 6.353 |
| <i>Total long-term provisions and liabilities:</i> | <i>11.988</i> | <i>7.959</i> |

5.2.1 LONG-TERM LIABILITIES

Long-term liabilities are shown in the amount of RSD 866 thousand and consist of other long-term liabilities coming from leasing.

5.2.1.1. Other long-term liabilities

- Other long-term liabilities are RSD 866 thousand and refer to liabilities coming from the following leasing agreements:
 - Liabilities based on the agreement on financial leasing no. 7050/08 with NLB leasing are RSD 866 thousand. The leasing regards the purchase of passenger vehicle HYUNDAI. The leasing duration is 83 months and the last installment is due on 10/04/2015. The acquisition value of the leasing object is RSD 1,101 thousand i.e. EUR 13,400.01 according to EUR exchange rate on the day of the agreement.
 - All liabilities coming from leasing are regularly settled.

5.2.2 SHORT-TERM LIABILITIES

- Short-term liabilities are represented in the amount of RSD 11.122 thousand and consist of the following liabilities, which become due in twelve months (in RSD thousand):

| <i>Item</i> | <i>Current year</i> | <i>Previous year</i> |
|--|---------------------|----------------------|
| Short-term financial liabilities | 0 | 5.654 |
| Operating liabilities | 303 | 540 |
| Other short-term liabilities | 287 | 25 |
| VAT and other public revenues and accruals | 10.532 | 134 |
| <i>Total short-term liabilities:</i> | <i>11.122</i> | <i>6.353</i> |

5.2.2.1. Operating liabilities

- On 31/12/2010 operating liabilities were RSD 303 thousand. The structure of these liabilities is (in RSD thousand):

| | |
|-------------------------------------|------------|
| Received advance payments | 29 |
| Domestic suppliers | 274 |
| <i>Total operating liabilities:</i> | <i>303</i> |

- Liabilities based on received advance payments are RSD 29 thousand.
- The audit has determined that the records for liabilities coming from received advance payments are not entirely coordinated.
- Liabilities to domestic suppliers are RSD 274 thousand.
- The following table shows suppliers (for fixed and current assets) with receivables from the Association „IAN” International Aid Network above RSD 1 thousand. All suppliers with receivables less than RSD 1 thousand are shown within item „other suppliers” (in RSD thousand):

| <i>Suppliers</i> | <i>Amount</i> | <i>Settled</i> | <i>Balance</i> |
|--------------------------|---------------|----------------|----------------|
| | 122 | | |
| Andriad | 20 | 20 | 0 |
| Bizian grupa | 68 | 68 | 0 |
| Gradska čistoća | 4 | 4 | 0 |
| JKP Beogradske elektrane | 32 | 32 | 0 |

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| <i>Suppliers</i> | <i>Amount</i> | <i>Settled</i> | <i>Balance</i> |
|------------------------------|---------------|----------------|----------------|
| JP Gradsko stambeno | 10 | 10 | 0 |
| PTT | 3 | 3 | 0 |
| Rozafa | 13 | 13 | |
| Telekom | 13 | 13 | 0 |
| Telenor | 22 | 22 | 0 |
| Total | 309 | 185 | 0 |
| Suppliers with claim balance | 35 | | |
| <i>Total suppliers:</i> | <i>274</i> | | |

- Control and analysis of domestic suppliers based on samples and available documentation shows that the liabilities to suppliers are settled at the amount of RSD 185 thousand.

5.2.2.2. Other short term liabilities

- Other short term liabilities amounted to RSD 287 thousand and relate to the liabilities to employee for compensation on a business trip in the amount of RSD19 thousand and liabilities for taxes in the amount of RSD 268 thousand.

5.2.2.3. VAT and other public revenues and accruals

- Liabilities based on VAT and other public revenues are RSD 10.532 thousand and refer to (in RSD thousand):

| <i>VAT and other public revenues and accruals</i> | <i>Amount</i> |
|---|---------------|
| VAT | 49 |
| Taxes, customs and other tax liabilities | 6 |
| Deferred income and grants received | 10.477 |
| Total: | 10.532 |

As of 31/12/2010, grants received are shown in the amount of RSD 20.234 thousand while pre-allocated funds will be refunded by the donor in the amount of 9.758 TRSD, so the net amounted to RSD 10.477 thousand.

6 PROFIT AND LOSS STATEMENT

- During the year 2010 the Association made a loss at the amount of RSD 110 thousand as a difference between total incomes of RSD 74.124 thousand and total expenses of RSD 74.014 thousand.
- In a segment of operating and other revenues and expenses the Association made profit, while in a segment of financial incomes and expenses it shows loss, which is shown in the following table:

| <i>Incomes and expenses</i> | <i>Incomes</i> | <i>Expenses</i> | <i>Profit/loss</i> |
|-----------------------------|----------------|-----------------|--------------------|
| Operating | 71.248 | 69.038 | 2.210 |
| Financial | 2.770 | 4.860 | (2.090) |
| Other | 106 | 116 | (10) |
| <i>Total</i> | <i>74.124</i> | <i>74.014</i> | <i>110</i> |

7 INCOMES

- Total incomes are RSD 74.124 thousand and consist of the following incomes (in RSD thousand):

| <i>Name</i> | <i>Current year</i> | <i>Previous year</i> |
|-------------------|---------------------|----------------------|
| Operating incomes | 71.248 | 53.004 |
| Financial incomes | 2.770 | 3.513 |
| Other incomes | 106 | 55 |
| <i>Total:</i> | <i>74.124</i> | <i>56.572</i> |

7.1 OPERATING INCOMES

- Operating income from year 2010 is RSD 71.248 thousand and consist of (in RSD thousand):

| <i>Name</i> | <i>Current year</i> | <i>Previous year</i> |
|--------------------------------|---------------------|----------------------|
| Sale income | 2.047 | 4.940 |
| Other operating income | 69.201 | 48.064 |
| <i>Total operating income:</i> | <i>71.248</i> | <i>53.004</i> |

Sale income is RSD 2.047 thousand and consists of incomes from sale of products and services at domestic market.

- Other operating income is RSD 69.201 thousand and refers to (in RSD thousand):

| | |
|--|---------------|
| Incomes from premiums, subventions, grants, reimbursements | 68.332 |
| Rental income | 391 |
| Membership fees | 33 |
| Other operating income | 445 |
| <i>Total:</i> | <i>69.201</i> |

- Incomes from premiums, subventions, grants and reimbursements are RSD 68.332 thousand and refer to realized received donations for projects run by "IAN,, International Aid Network.
- Rental incomes are RSD 391 thousand and they are based on the Agreement on sub-lease no. 03/06 made on 31/05/2006 with the Institute for Applied Psychology „IPSSI”; agreement on sub-lease from October 21st 2009 with bookkeeping agency „Quality Bookkeeping ltd.”, as well as the agreement on sub-lease no. 126/09 from August 6th 2009 with the company „Bizian Group ltd.” The agreements were made for the use of the premises in Belgrade, 10 Admiral Gepar Street.
- Other operating income is RSD 445 thousand and refers to over-invoiced expenses for municipal services and energy bills.

7.2 FINANCIAL INCOMES

- Financial income is RSD 2.770 thousand and results from (in RSD thousand):

| | |
|------------------------------------|--------------|
| Interests | 17 |
| Positive exchange rate differences | 2.753 |
| <i>Total:</i> | <i>2.770</i> |

- On 31/12/2010 the income from interests was RSD 11 thousand.
- Positive exchange rate differences are shown at the amount of RSD 2.753 thousand and refer to positive effects of exchange rate differences.

7.3 OTHER INCOME

- On 31/12/2010 other income was RSD 55 thousand and comes from (in RSD thousand):

| | |
|--------------------------|------------|
| Other unmentioned income | 106 |
| <i>Total:</i> | <i>106</i> |

- Other unmentioned income is RSD 106 thousand and refers to incomes based on damage compensation for won legal disputes in year 2009.

8 EXPENSES

- Total expenses created in the reporting period are RSD 56.714 thousand and refer to the following expenses (in RSD thousand):

| <i>Expenses</i> | <i>Current year</i> | <i>Previous year</i> |
|------------------------|---------------------|----------------------|
| Operating | 69.038 | 51.935 |
| Financial | 4.860 | 4.741 |
| Other | 116 | 38 |
| <i>Total expenses:</i> | <i>74.014</i> | <i>56.714</i> |

8.1 OPERATING EXPENSES

- Operating expenses are RSD 69.038 thousand and they consist of the following expenses (in RSD thousand):

| <i>Name</i> | <i>Current year</i> | <i>Previous year</i> |
|---|---------------------|----------------------|
| Material expenses | 2.216 | 2.366 |
| Salaries, salary compensations and other staff expenses | 43.282 | 31.637 |

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| <i>Name</i> | <i>Current year</i> | <i>Previous year</i> |
|--------------------------------------|---------------------|----------------------|
| Depreciation and provisions expenses | 1.329 | 1.447 |
| Other operating expenses | 22.211 | 16.485 |
| <i>Total operating expenses:</i> | <i>69.038</i> | <i>51.935</i> |

- Material costs are RSD 2.216 thousand and refer to expenses of other (maintenance) material, petrol, energy.
- Expenses for salaries, salary compensations and other staff expenses are RSD 43.282 thousand and refer to (in RSD thousand):

| | |
|--|---------------|
| Salaries and salary compensations | 27.463 |
| Tax and salary contributions and compensations | 4.913 |
| Compensations on work agreement | 3.664 |
| Compensation on authorship agreements | 1.507 |
| Compensations on agreement on temporary employment | 390538 |
| Compensations to individuals on other agreements | 1.231 |
| Other staff expenses | 3.965 |
| <i>Total:</i> | <i>43.282</i> |

- Other staff expenses at the amount of RSD 3.965 thousand refer to business trips, travel expenses of employees, use of personal vehicles.
- Depreciation expenses at the amount of RSD 1.329 thousand refer to needs of accounting office.
- Other operating expenses are RSD 22.211 thousand and the most important among them are (in RSD thousand):

| <i>Operating expenses</i> | <i>Amount</i> |
|---------------------------|---------------|
| Transportation services | 1.555 |
| Maintenace | 121 |
| Rent | 3.058 |
| Advertising and marketing | 3.517 |
| Other services | 630 |
| Unproductive services | 9.370 |
| Representation | 2.951 |
| Insurance premium | 115 |
| Payroll | 200 |
| Membership fees | 190 |
| Taxes | 146 |
| Other intangible expenses | 359 |
| <i>Total</i> | <i>22.211</i> |

8.2 FINANCIAL EXPENSES

- Financial expenses are RSD 4,860 thousand and consist of the following financial expenses (in RSD thousand):

| | |
|------------------------------------|--------------|
| Interests | 168 |
| Negative exchange rate differences | 4.692 |
| <i>Total:</i> | <i>4.860</i> |

- Expenses for interests are RSD 168 thousand.
- Negative exchange rate differences are RSD 4.692 thousand and they were created by over-accounting of foreign currency items.

8.3 OTHER EXPENSES

- Other expenses are RSD 116 thousand and consist of unmentioned expenses from previous years.

9 CASH FLOW STATEMENT

- The company showed its inflows and outflows based on operating activities, investments activities and financing activities, in its cash flow statement.
- Review of cash flows by activities is shown in the following table (in TRSD):

| <i>Balance item</i> | <i>Inflow</i> | <i>Outflow</i> | <i>Net</i> |
|------------------------|---------------|----------------|---------------|
| Operating activities | 80.183 | 67.225 | 12.958 |
| Investing | 995 | 1.214 | (219) |
| Financial investments | 0 | 6.772 | (6.772) |
| Total | 81.178 | 75.211 | 5.967 |
| Cash opening balance | 4.679 | 0 | 4.679 |
| F/X rates effects | 1.496 | 0 | 1.496 |
| F/X rates effects | 0 | 2 | (2) |
| Total Cash Flow | 87.353 | 75.213 | 12.140 |

- Cash inflow from operating activities is TRSD 80.183, while this segment made an outflow at the amount of TRSD 67.225. Net inflow from operating activities is TRSD 12.958.
- Investment activities made net outflow of TRSD 219.
- Financing activities made an outflow at the amount of TRSD 6.772 that came from payments of instalments to leasing companies.
- Net outflow of cash in year 2010 was TRSD 5.967.
- Cash opening balance was TRSD 4.679, which was increased for net inflows in 2010 of TRSD 5.967 and then increased by exchange rate differences at the amount of TRSD 1.496 and decreased by exchange rate differences at the amount of TRSD 2, therefore the cash balance and cash equivalents on December 31st 2010 was TRSD 12.140.

10 **SUBSEQUENT EVENTS**

- There were no subsequent events after the date of financial statements that would affect fairness of the financial statements presented.