

ARTHUR ANDERSEN

To the Board
Open Society Fund Bosnia - Herzegovina /
Soros Foundation

SCOPE OF WORK

Arthur Andersen d.o.o.

Vlaška 78
10000 Zagreb - Croatia
385 1 4611456 Phone
385 1 4611457
385 1 4611458
385 1 4611459
385 1 4611465 Fax

We conducted a limited review on the accounts of Open Society Fund Bosnia - Herzegovina / Soros Foundation (hereinafter described as the Foundation) as of December 31, 1996 for the period January 1, 1996 to December 31, 1996 prepared as according to International Accounting Standards.

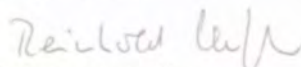
Our review included examination on a test basis, of evidence supporting the amounts of the Foundation's accounts and such other review procedures as we considered necessary in the circumstances. Our work included a review of the internal control structure elements, i.e. its control environment, accounting systems and control techniques, taking into consideration the routines and instructions determined by the OSI Principles of Governance. Significant matters relating to the internal control structure noted during our review are discussed below in this report together with our comments and suggestions on these and other relevant matters.

An effective control structure reduces the likelihood that errors or irregularities will occur and remain undetected; however it does not eliminate that possibility. Accordingly, while we cannot guarantee that errors or irregularities, if present, have been detected, we designed our review to provide reasonable assurance of detecting errors or irregularities that will have a material effect on the Foundation's financial accounts.

According to provided audit instructions we also performed additional procedures. Results of additional procedures are disclosed in the Appendix.

The Foundation established a Representative office in Zagreb which fixed assets and their depreciation were not included in the Financial Statements. As there was not sufficient evidence about them available they were also eliminated from our limited review.

ARTHUR ANDERSEN d.o.o., Zagreb
July 28, 1997


Reinhold Kuffer
Wirtschaftsprufer

LIMITED REVIEW REPORT

To: Network Audit Manger OSI
Open Society Fund Bosnia - Herzegovina / Soros Foundation

We have reviewed the accompanying year end financial statements comprising the balance sheet of Open Society Bosnia - Herzegovina / Soros Foundation (hereinafter described as the Foundation) as of December 31, 1996, and the related statements of income and expenditure prepared according to International Accounting Standards. These financial statements are the responsibility of the management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying year-end financial statements of the Foundation for the year ended 31, December 1996 are not presented fairly in all respects, in conformity with International Accounting Standards (IAS) and the statutes of the Foundation, except for the items listed below:

1. As disclosed in Additional Procedures Report under Statutory Review the Foundation established a Representative office in Zagreb which activities were not included in the Statutory Financial Statements. As the Representative office is part of the legal entity Open Society Fund Bosnia and Herzegovina, Sarajevo, all assets, liabilities and activities have to be included in the financial statements both for statutory and IAS purposes. We are not able to assess the impact from these proceedings.

ARTHUR ANDERSEN

2. As disclosed in note 7 the caption Retained Earnings could not be traced in the course of this review since there were no financial statements for the previous years prepared according to IAS available. We are not able to assess whether this position is evaluated adequately or not.

ARTHUR ANDERSEN d.o.o., Zagreb
July 28, 1997

Reinhold Kuffer

Reinhold Kuffer
Wirtschaftsprüfer

OPEN SOCIETY FUND BOSNIA - HERZEGOVINA / SOROS FOUNDATION
BALANCE SHEET AS OF DECEMBER 31, 1996 ACCORDING TO IAS
(In USD)

<u>ASSETS</u>	<u>Note</u>	
Cash on hand and in banks	2	1,242,422
Receivables	3	868,232
Fixed Assets	4	745,541

Total Assets		2,856,195
		=====

LIABILITY AND CAPITAL

Short Term Liability and Accruals	5	988,688
Revaluation Reserves	6	42,963
Net Result 1996		1,306,438
Donation Carried Forward (Retained Earnings)	7	518,106

Total Liability and Capital		2,856,195
		=====

OPEN SOCIETY FUND BOSNIA - HERZEGOVINA / SOROS FOUNDATION
STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1996
ACCORDING TO IAS
(In USD)

INCOME	8	10,960,327
EXPENDITURE		
Projects		
Education	9	2,671,254
Conference and travel		176,158
East East		54,382
English Language	10	192,162
Library		42,130
E-mail / Internet	11	242,240
Civil Society	12	131,095
Social Welfare	13	506,021
Humanitarian		116,245
Medical and Health	14	67,275
Economic Growth and Development		377,854
Law	15	238,384
Media	16	1,033,854
Publishing	17	269,267
Arts and Culture	18	586,245
Open (Discretionary)		411,636
BBC School		613,320
Housing Loan		94,031
English Lang Textbooks		97,080
Add-on for education		45,471
BH Job Bank		8,628
Other projects		501,821

		8,476,553
Reduction for fixed assets	19	(595,217)
Administrative expenses	20	692,363
Grant commitments	See Note 5	638,087
Accruals	See Note 5	345,807
Depreciation	21	96,296

Total expenses		9,653,889

Net result		1,306,438
		=====