

(CERTIFIED TRANSLATION FROM CROATIAN LANGUAGE)

**BazaRev d.o.o.**

**OPEN MEDIA GROUP  
ASSOCIATION**

**AUDIT REPORT  
OF FINANCIAL REPORTS FOR THE PERIOD  
01.01.2011 - 31.12.2011**

Crvenog križa 4, 10000 Zagreb \* tel.+385/1/2370-458,gsm.091/554-4422  
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**BazaRev d.o.o.**

ZAGREB, April 5th 2012

**AUTHORIZED AUDITOR'S REPORT**

1. We have audited the balance sheet as at 31 December 2011 and the Income and expenditure report for the period from 01 January to 31 December 2011, and notes to basic financial statements.

The preparation and assembly of these basic financial statements are responsibility of the Managing Board, but our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Law on Auditing and International Auditing Standards which require that we plan and perform the audit in a way which enables collecting enough evidence which can give us reasonable assurance whether the financial statements are free of significant errors.

Audit included examination based on testing the evidence which support the amounts in the basic financial reports. In the audit, we also included review of generally accepted accounting principles and standards adopted by the accounting policies applied in the Association. We believe that the audit conducted provides a reasonable base for our opinion.

3. In our opinion the basic financial reports in all material aspects fairly present the state of the association OPEN MEDIA GROUP on 31 December 2011 and results of operations for the fiscal year which ended on 31 December 2011 in accordance with applicable regulations and international standards.

DIRECTOR  
Mr.sc. Zdravko Mihaljević,  
Authorized auditor



Fig. 4 of 12  
 Name of user: 0104-12  
 Date: 8-4-2012

**BALANCE SHEET ON 31.12.2011**

| Description   | Notes        | 31.12.2011<br>Kunas | 31.12.2011<br>Kunas |
|---|--------------|---------------------|---------------------|
| <b>ASSETS</b>   |              |                     |                     |
| <b>1. NONFINANCIAL ASSETS</b>                                     | <b>3c,7</b>  | <b>117.459</b>      | <b>96.550</b>       |
| 1.1. PRODUCED LONG-TERM ASSETS                                    | 7            | 55.709              | 34.800              |
| 1.2. NON MATERIAL PRODUCED ASSETS                                 | 3b,8         | 61.750              | 61.750              |
| 1.3. SMALL INVENTORY  | 3f,          | 0,00                | 0,00                |
| <b>2. FINANCIAL ASSETS</b>  | <b>3e,3f</b> | <b>178.821</b>      | <b>652.772</b>      |
| - money in domestic bank and treasury                             | 4            | 111.735             | 516.491             |
| - claims from buyers  | 5            | 30.047              | 0,00                |
| - other not mentioned claims                                      | 6            | 24.600              | 136.281             |
| <b>TOTAL ASSETS (1 + 2)</b>                                       |              | <b>296.280</b>      | <b>749.322</b>      |
| <b>PASIVA</b>   |              |                     |                     |
| <b>1. OBLIGATIONS</b>   |              | <b>143.726</b>      | <b>558.583</b>      |
| 1.1. OBLIGATIONS FOR BUSINESS EXPENSES                            |              | 68.156              | 106.492             |
| 1.1.1. OBLIGATIONS FOR EMPLOYEES                                  | 9            | 23.261              | 30.844              |
| 1.1.2. OBLIGATIONS FOR MATERIAL EXPENSES                          | 10           | 44.895              | 75.648              |
| 1.1.3. OTHER CURRENT OBLIGATIONS                                  |              | 0,00                | 0,00                |
| 1.2. OBLIGATIONS FOR CREDITS AND LOANS                            | 11           | 75.750              | 75.570              |
| 1.3. POSTPONED PAYMENTS OF EXPENSES AND INCOMES OF FUTURE PERIODS | 12           | 0,00                | 376.521             |
| <b>2. OWN SOURCES</b>   |              | <b>152.554</b>      | <b>190.739</b>      |
| - income in current year – Surplus of incomes                     | 13           | 152.554             | 190.739             |
| <b>TOTAL OBLIGATIONS AND OWN SOURCES (1 + 2)</b>                  |              | <b>296.280</b>      | <b>749.322</b>      |

**Report on incomes and expenditures**  
 for period from 01.01. to 31.12.2011

| Description   | Notes | 31.12.2011<br>Kunas | 31.12.2011<br>Kunas |
|---|-------|---------------------|---------------------|
| <b>I. INCOME</b>  |       | <b>1.742.604</b>    | <b>663.448</b>      |
| 1. Operating income   | 3i,14 | 1.740.590           | 662.876             |
| 2. Financial income   | 3k,15 | 2.014               | 572                 |
| <b>II. EXPENSES (1+2+3+4)</b>                                 |       | <b>1.736.008</b>    | <b>625.263</b>      |
| 1. Employees expenses   | 16    | 243.970             | 223.340             |
| 2. Material expenses  | 17    | 1.456.638           | 375.486             |
| 3. Amortization expenses                                      | 3d,18 | 20.910              | 20.910              |
| 4. Financial expenses   | 3m,19 | 3.500               | 5.409               |
| <b>III. SURPLUS OF BUSSINES INCOME (I-II)</b>                 |       | <b>6.596</b>        | <b>38.185</b>       |
| <b>IV. INCOMES SURPLUSS TRANSFERRED</b>                       |       | <b>145.958</b>      | <b>152.554</b>      |
| <b>V. INCOME SURPLUSS FOR THE FOLLOWING PERIOD (III + IV)</b> |       | <b>152.554</b>      | <b>190.739</b>      |

The accounting policies and other notes on pages 6-11 form an integral part of these financial statements.



## 1. INTRODUCTION

### 1. Information about the association

#### 1.1.

**Name, legal form and structure:** OPEN MEDIJA GROUP, Association  
**Office and business address:** Zagreb, Bauerova 6  
**Registration Number:** 21003516  
**VAT :** 41944593445  
**Financial year period :** 01.01.2011 to 31.12.2011

#### 1.2. Activities for achieving the objectives:

- development and implementation of various projects in the sphere of film, new media and performing arts with an emphasis on current social issues, human rights protection and promotion of civil society;
- the organization of round tables, seminars, events, forums, lectures and screenings;
- promotion of its members and their creative work through the public media and other appropriate means;
- perform other activities under Article 7 of Statute.

#### 1.3. Name and role of the person authorized to represent the association:

ANITA JUKA      Managing Board Member  
 IVAN JUKA        Managing Board Member  
 IVANA MEZAK    President of the Managing Board

#### 1.4. Area of the Association:

Republic of Croatia

## 2. AUDIT OF FINANCIAL REPORTS FOR 2011

### 2.1. Legal framework for the preparation of this report

OPEN MEDIA GROUP, as a citizens' association or a non-profit organization was required to keep business records and prepare basic financial statements in accordance with the Regulation on Accounting of Non-profit organizations (NN 10/08 and 7/09), and in accordance with the Regulations on accounting and chart of Non-Profit Organizations (NN 20/94 and 40/94).

Business books OPEN MEDIA GROUP are kept in accordance with the cited regulations, and are based on appropriate accounting principle of development of business events.



## **2.2. State of assets, rights and obligations of OPEN MEDIA GROUP – Association on 31.12.2011**

Audit of balance sheet positions, to determine the assets, rights and obligations as at 31.12.2011 included:

- Review of the closing balances transfer reported on 31.12.2010 on the position of the accounting plan presented as an initial condition on 01.01.2011
- Review of changes that have occurred during 2011, according to the conditions stated in the books,
- For clarity of the changes that have occurred in the balance sheet positions of assets, rights and obligations, balance sheet of the Association is adjusted to the needs of the Audit report.

With described actions and audit reviews in the necessary extent, the state of assets, rights and obligations on 31.12.2011 is determined, which will be presented in continuance through the Balance sheet and balance sheet position as at 31.12.2011 and Income and expenditure report for the period from 01.01. to 31.12.2011.

### **NOTES TO THE FINANCIAL STATEMENTS**

**3. Summary of significant accounting policies applied in the preparation of basic financial statements of the Association are as follows:**

#### **a) Basis of presentation**

The financial statements are prepared in accordance with the Regulation on Accounting of Non-profit Organizations (Official Gazette 10/08 and 7/09) by applying appropriate accounting principles and are presented Croatian Kunas.

#### **b) Long term non material assets**

Non material assets are stated at cost and allowance is made to the actual state of the established annual inventory.

#### **c) Long term material assets**

(i) Property, plant and equipment is stated at cost and are reduced by accumulated depreciation amortization.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

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(ii) Purchases of long term material and non material assets during the year are recorded at cost. Purchase value makes the invoice value of purchased assets plus any costs incurred by their being placed into service.

(iii) Items and equipment are shown as long term material assets, if their usage time is more than one year, and individual purchase price is greater than 3.500,00 kuna.

(iv) Positive differences arising on sales of fixed assets is recognized directly in favor of extraordinary income. Net book value of the confiscated and disposed assets are compensated on charge of extraordinary costs.

**d) Amortization**

Amortization of longterm material and non material assets is calculated on linear method during predicted duration period of material and non material assets.

**e) Financial assets**

In the long term and short-term financial assets are recorded equity instruments and other financial assets at historical cost.

This balance sheet position is no longer subject to value write-off as long term assets, and as short term it is subject to adjustment.

**f) Supplies**

Short term material assets for regular business (small inventory, car tires and similar) is recognized as an expense immediately at the time of purchase, so stock is not in balance.

**g) Short term claims**

(i) Short-term claims include all claims from buyers based on sales of goods and services, employee claims, government and other institutions claims and others. They are stated at their nominal amounts that are expected to be charged. Impairment of claims, whose collection is suspicious or slow shall be made on the basis of assessment of the Board on their recoverability or they are sued.

**h) Conversion of foreign payment exchange and accounting treatment of exchange differences**

(i) All assets and liabilities denominated in foreign currencies are converted according to the average rate of the Croatian National Bank that was valid on the date of the balance sheet.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

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(ii) Negative and positive exchange rate differences arising on conversion of obligations and claims in foreign currencies to the equivalent in Kuna are stated in the annual financial income and expense for the period.

**i) Operating income**

Operating income from sales of services, donations, grants and other income of basic activities are recognized by charged value. Incomes are recorded in the accounting period in which they became available and provided that they can be measured.

**j) Operating expenses**

Operating expenses are all costs that are paid during the accounting period.

**k) Financial income**

Financial income based on claims from the business relationship from financial investments are interest income, foreign exchange and other financial income.

**m) Financial expenses**

Interest rates, exchange rate fluctuations, bank services, payment services, and similar expenses based on obligations arising from business relationships are presented in the Income and expenses report as financial expenses.

**4. Funds**

Funds in the amount of **516.491 kn** ( In 2010 in the amount of 111.735 kn) are formed of:

|                         | <b>2010</b>    | <b>2011</b>    |
|-------------------------|----------------|----------------|
|                         | <b>Kunas</b>   | <b>Kunas</b>   |
| Bank account            | 111.735        | 516.491        |
| <b>On December 31st</b> | <b>111.735</b> | <b>516.491</b> |

**5. Claims from buyers**

There are no claims from buyers on 31st of December 2011.





## NOTES TO THE FINANCIAL STATEMENTS – continued

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**6. Other claims**

Other claims on the 31st December 2011 are of 136.281 kn and they are related to:

|  |           |
|--|-----------|
| - claims for the deposits given                              | 10.500 kn |
| - advance to the contractor Kirschhoffset Zagreb d.o.o.      | 680 kn    |
| - advance to the contractor Medija i reform centar Nis       | 58.609 kn |
| - advance to the contractor FC WMEGLASHI                     | 58.609 kn |
| - claims from HZZO (Croatian Institute for Health Insurance) | 943 kn    |
| - claims from Master Card owners                             | 6.940 kn  |

**7. Produced long-term assets - material**

Produced long-term assets are 76.619 kn, and they are related to:

|                         | Cost (kn)     |                            |               | Allowance-Amortization (kn) |               |                     |               | Current value (kn) |               |
|-------------------------|---------------|----------------------------|---------------|-----------------------------|---------------|---------------------|---------------|--------------------|---------------|
|                         | 31.12. 2010   | increase/ decrease in 2011 | 31.12. 2011   | 31.12 2010                  | for 2011      | increase / decrease | 31.12 2011    | 31.12 2010         | 31.12. 2011   |
| Communication equipment | 88.478        | 0,00                       | 88.478        | 32.769                      | 20.910        | 0,00                | 53.679        | 55.709             | 34.799        |
| <b>Total</b>            | <b>88.478</b> | <b>0,00</b>                | <b>88.478</b> | <b>32.769</b>               | <b>20.910</b> | <b>0,00</b>         | <b>53.679</b> | <b>55.709</b>      | <b>34.799</b> |

**8. Produced long-term assets – non material**

Non material produced long-term assets are 61.750 kn, and they are related to:

|              | Cost (kn)     |                            |               | Allowance-Amortization (kn) |                      |                     |             | Current value (kn) |               |
|--------------|---------------|----------------------------|---------------|-----------------------------|----------------------|---------------------|-------------|--------------------|---------------|
|              | 31.12. 2010   | increase/ decrease in 2011 | 31.12. 2011   | 31.12 2010                  | Amortization in 2010 | increase / decrease | 31.12 2011  | 31.12 2010         | 31.12. 2009   |
| Films        | 61.750        |                            | 61.750        | 0,00                        | 00,00                | 0,00                | 0,00        | 61.750             | 61.750        |
| <b>Total</b> | <b>61.750</b> |                            | <b>61.750</b> | <b>0,00</b>                 | <b>0,00</b>          | <b>0,00</b>         | <b>0,00</b> | <b>61.750</b>      | <b>61.750</b> |



## NOTES TO THE FINANCIAL STATEMENTS – continued

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## 9. Obligations for employees

Obligations for employees are **30.844 kn** and are related to obligations that are calculated for December 2010, and were paid in January 2011, as follows:

|   | 2010          | 2011          |
|---|---------------|---------------|
|   | u kn          | u kn          |
| Obligations to Net Earnings               | 12.971        | 16.262        |
| Income tax and surtax                     | 1.913         | 4.245         |
| Obligations for contributions from wages  | 3.640         | 1.463         |
| Obligations for contributions on salaries | 3.088         | 8.179         |
| Other obligations of employees            | 1.649         | 695           |
| <b>On December 31st</b>                   | <b>23.261</b> | <b>30.844</b> |

## 10. Obligations for material expenses

Obligations for material expenses are 75.648 kn (In 2010 they were 44.895 kn), and they are:

|   | 2010          | 2011          |
|---|---------------|---------------|
|   | Kunas         | Kunas         |
| Compensation of employees expenses            | 19.960        | 61.679        |
| Compensation of other people out of employees | 9.465         | 9.465         |
| Obligations to suppliers                      | 4.934         | 4.503         |
| <b>On December 31st</b>                       | <b>44.895</b> | <b>75.647</b> |

## 11. Obligations for loans and credits

Obligations of **75 570 kn** is the remaining debt on a short-term loan of the member of Managing Board of the Association Anita Juka (loan of 194 000 kn in 2008 - returned 118 430 kn until the 31.12.2011).

## 12. Deferred income recognition

Deferred income recognition of **376.521 kn** refers to the Project ECD valued at 50.000 EUR, that is not finished yet.

## 13. Surplus income - Profit

The surplus income of the business year of **38.185 kn** (2010 surplus income was of 152 554 kn), and total income available in 2012 are as follows:

|   | Kn             |
|---|----------------|
| State on December 31st 2010 (01.01.2011)          | 152.554        |
| Surplus income of 2011                            | 38.185         |
| <b>On December 31st 2011 (disposable in 2012)</b> | <b>190.739</b> |



## NOTES TO THE FINANCIAL STATEMENTS – continued

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**14. Operating income**

Operating income are **662.876 kn** ( in 2010 they were 1.740.590 kn) and they are:

|  | <b>2010</b>      | <b>2011</b>    |
|--|------------------|----------------|
|  | <b>kn</b>        | <b>kn</b>      |
| Income from services   | 30.000           | 0,00           |
| Income from grants from the state budget                                 | 539.690          | 86.666         |
| Income from donations from the budgets of local and regional governments | 100.000          | 189.028        |
| Income from societies and other legal person                             | 100.000          | 0,00           |
| Income from foreign governments and international organizations          | 958.139          | 384.662        |
| Income from reimbursements   | 12.761           | 2.520          |
| <b>On December 31st</b>  | <b>1,740.590</b> | <b>662.876</b> |

**15. Financial income**

Financial income are **572 kn** ( In 2010 they were 2.014 kn), and they are:

|   | <b>2010</b>  | <b>2011</b> |
|---|--------------|-------------|
|   | <b>kn</b>    | <b>kn</b>   |
| Interest income on term deposits and deposits | 1.114        | 572         |
| Income from foreign exchange differences      | 900          | 0,00        |
| <b>On December 31st</b>                       | <b>2.014</b> | <b>572</b>  |

**16. Expenditures for employees**

Expenditures for employees are **223.340 kn** ( In 2010 they were 243.970 kn), and they are:

|  | <b>2010</b>    | <b>2011</b>    |
|--|----------------|----------------|
|  | <b>kn</b>      | <b>kn</b>      |
| Salaries for regular work                        | 210.054        | 186.297        |
| Other expenses for employees                     | 3.413          | 5.000          |
| Contributions from salaries for health insurance | 27.398         | 28.876         |
| Contributions from salaries for employment       | 3.105          | 3.167          |
| <b>On December 31st</b>                          | <b>243.970</b> | <b>223.340</b> |



## NOTES TO THE FINANCIAL STATEMENTS – continued

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**17. Material expenses**

Material expenses are **375.486 kn** (In 2010 they were 1,456.638 kn), and they are:

|   | <b>2010</b>      | <b>2011</b>    |
|---|------------------|----------------|
|   | <b>kn</b>        | <b>kn</b>      |
| Employees compensation costs                  | 45.282           | 21.820         |
| Compensation of other people out of employees | 43.601           | 41.589         |
| Expenditures for Services                     | 1,350.443        | 309.195        |
| Expenses for materials and energy             | 16.476           | 2.882          |
| Other unspecified material expenses           | 836              | 0,00           |
| <b>On December 31st</b>                       | <b>1,456.638</b> | <b>375.486</b> |

**18. Amortization expense**

Amortization expense (revaluation) of long term non financial assets amounted to **20.910 kn** (In 2010 amortization was of 20.910 kn), and it was calculated on linear basis over the relevant period of use.

**19. Financial expenses**

Financial expenses are **5.409 kn** (In 2010 they were 3.500 kn), and they are:

|                              | <b>2010</b>  | <b>2011</b>  |
|------------------------------|--------------|--------------|
|                              | <b>kn</b>    | <b>kn</b>    |
| Banking and payment services | 2.008        | 4.363        |
| Penalty interests            | 1.492        | 1.046        |
| <b>On December 31st</b>      | <b>3.500</b> | <b>5.409</b> |

(END OF TRANSLATION)

I, Nevena Ljubimir, court interpreter for English, Italian and Croatian as appointed by the President of the County Court – Commercial Court in Zagreb Decree No. 4 Su – 1299/11 of November 4<sup>th</sup> 2011 do hereby certify that the above translation is a faithful and complete translation of the original document written in the Croatian language.

Zagreb, 6<sup>th</sup> of April 2012

Number of cont. 01/04-12

