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**OPEN MEDIA GROUP
ASSOCIATION**

**AUDIT REPORT
OF FINANCIAL REPORTS FOR THE PERIOD
01.01.2009. - 31.12.2009.**

**AUDIT REPORT
OF FINANCIAL REPORTS FOR
2009**

CONTENT

AUTHORIZED AUDITOR REPORT.....	3
BALANCE SHEET ON DECEMBER 31st 2009	4
INCOME AND EXPENDITURE ACCOUNT FOR 2009.....	4
INTRODUCTION - INFORMATION ABOUT THE ASSOCIATION	5
INTRODUCTION - AUDIT OF FINANCIAL STATEMENTS	5
NOTES TO THE BASIC FINANCIAL STATEMENTS	6 – 16

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ZAGREB, September 27th 2010.

AUTHORIZED AUDITOR'S REPORT

1. We have audited the balance sheet as at 31 December 2009 and the Income and expenditure report for the period from 01 January to 31 December 2009, and notes to with balance sheet and profit and loss account set out on pages 2 to 19

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 2009 and results of operations for the fiscal year which ended on 31 December 2009 in accordance with applicable regulations and international standards.

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DIRECTOR
Mr.sc. Zdravko Mihaljević,
Authorized auditor

BALANCE SHEET ON 31.12.2009.

Description	Notes	31.12.2008. Kuna	31.12.2009. Kuna
ASSETS			
1. NONFINANCIAL ASSETS	3c,6		138.369
1.1. PRODUCED LONG-TERM ASSETS	6		76.619
1.2. NON MATERIAL PRODUCED ASSETS	3b,7		61.750
1.3. SMALL INVENTORY	3f,		0
2. FINANCIAL ASSETS	3e,3f	333.539	830.847
- money in domestic bank and treasury	4	333.539	812.431
- claims from buyers	5	0	17.802
- other not mentioned claims		0	614
TOTAL ASSETS (1 + 2)		333.539	969.216
PASIVA			
1. OBLIGATIONS		194.345	823.258
1.1. OBLIGATIONS FOR BUSINESS EXPENSES		345	76.691
1.1.1. OBLIGATIONS FOR EMPLOYEES	8	0	18.025
1.1.2. OBLIGATIONS FOR MATERIAL EXPENSES	9	345	58.471
1.1.3. OTHER CURRENT OBLIGATIONS		0	195
1.2. OBLIGATIONS FOR CREDITS AND LOANS	10	194.000	75.570
1.3. POSTPONED PAYMENTS OF EXPENSES AND INCOMES OF FUTURE PERIODS	11	0	670.997
2. OWN SOURCES		139.194	145.958
- income in current year – Surplus of incomes	12	139.194	145.958
TOTAL OBLIGATIONS AND OWN SOURCES (1 + 2)		333.539	969.216

**REPORT ON INCOMES AND EXPENDITURES
FOR PERIOD FROM 01.01. TO 31.12.2009.**

Descriptio	Notes	31.12.2008. Kuna	31.12.2009. Kuna
I. INCOME		931.239	1,097.601
1. Operating income	3i,13	929.577	1,095.737
2. Financial income	3k,14	1.662	1.864
II. EXPENSES (1+2+3+4)		919.320	1,090.837
1. Employees expenses	15	81.347	190.979
2. Material expenses	16	836.630	885.107
3. Amortization expenses	3d,17	0	11.859
4. Financial expenses	3m,18	1.343	2.892
III. SURPLUSS OF BUSSINES INCOME (I-II)	19	11.919	6.764
IV. INCOMES SURPLUSS TRANSFERRED	12	127.275	139.194
V. INCOME SURPLUSS FOR THE FOLLOWING PERIOD (III + IV)	12	139.194	145.958

The accounting policies and other notes on pages 6-12 form an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

I .INTRODUCTION

1. Information about the association

1.1.

Name, legal form and structure: OPEN MEDIA GROUP, Association
Office and business address: Zagreb, Bauerova 6
Registration Number: 21003516
VAT : 41944593445
Financial year period : 01.01.2009. do 31.12.2009.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

2. AUDIT OF FINANCIAL REPORTS FOR 2009**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 31.12.2009

Audit of balance sheet positions, to determine the assets, rights and obligations as at 31.12.2009. included:

- Review of the closing balances transfer reported on 31.12.2008. on the position of the accounting plan presented as an initial condition on 01.01.2009.
- Review of changes that have occurred during 2009, 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 31.12.2009 is determined, which will be presented in continuance through the Balance sheet and balance sheet position as at 31.12.2009 and Income and expenditure report for the period from 01.01. to 31.12.2009.

NOTES TO THE FINANCIAL STATEMENTS - continued

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 Kuna.

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.

(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 2.000,00 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

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,

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. Obligations for employees

Obligations for employees are 18.025 kn and are related to obligations that are calculated for December 2009, and were paid in January 2010, as follows:

	2008.	2009.
	u kn	u kn
Obligations to Net Earnings	0	11.977
Income tax and surtax	0	607
Obligations for contributions from wages	0	169
Obligations for contributions on salaries	0	4.376
Other obligations of employees	0	896
On December 31st	0	18.025

9. Obligations for material expenses

Obligations for material expenses are 58.471 kn (In 2008 they were 346 kn), and they are:

	2008.	2009.
	Kuna	Kuna
Compensation of employees expenses	0	54.013
Compensation of other people out of employees	0	860
Compensation to members of representative bodies	345	0
Obligations to suppliers	0	3.598
On December 31st	345	58.471

10. Obligations for loans and credits

Obligations of EUR 75 500 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 in 2009).

11. Deferred income recognition

Deferred income recognition of 670.997 kn refers to the incomes that were invoiced in 2009, and refer into 2010 as the accounting period.

12. Surplus income - Profit

The surplus income of the business year from 145 958 kn (2008 surplus income was 139 194kn) was found as follows:

	Kn
State on December 31st 2008	139.194
Surplus income of 2009	6.764
On December 31st 2009	145.958

NOTES TO THE FINANCIAL STATEMENTS - continued

13. Operating income

Operating income are 1,095.737 kn (in 2008 they were 929.577 kn) and they are:

	2008.	2009.
	kn	kn
Income from services	76.688	145.444
Income by the special regulations	231.239	
Income from grants from the state budget	343.835	509.118
Income from donations from the budgets of local and regional governments		55.000
Income from foreign governments and international organizations	277.815	368.373
Income from reimbursements		17.802
On December 31st 2009	929.577	1,095.737

14. Financial income

Financial income are 1.864 kn (In 2008 they were 1.662 kn), and they are:

	2008.	2009.
	kn	kn
Interest income on term deposits and deposits	1.662	1.796
Income from foreign exchange differences		68
On December 31st	1.662	1.864

15. Expenditures for employees

Expenditures for employees are 190.979 kn (In 2008 they were 81.347 kn), and they are:

	2008.	2009.
	kn	kn
Salaries for regular work	69.408	160.663
Other expenses for employees	347	3.618
Contributions from salaries for health insurance	10.412	23.980
Contributions from salaries for employment	1.180	2.718
On December 31st	81.347	190.979

NOTES TO THE FINANCIAL STATEMENTS - continued

16. Material expenses

Material expenses are 885.107 kn (In 2008 they were 836.630 kn), and they are:

	2008.	2009.
	kn	kn
Employees compensation costs	28.515	84.087
Compensation of other people out of employees		75.673
Expenditures for Services	782.630	699.053
Expenses for materials and energy	20.181	10.180
Other unspecified material expenses	5.304	16.114
On December 31st	836.630	885.107

17. Amortization expense

Amortization expense (revaluation) of long term non financial assets amounted to 11 859 kn (In 2008 amortization was not calculated) and it was calculated on linear basis over the relevant period of use.

18. Financial expenses

Financial expenses are 2.892 kn (In 2008 they were 1.343 kn), and they are:

	2008.	2009.
	kn	kn
Banking and payment services	1.343	2.843
Penalty interests		49
On December 31st	1.343	2.892

19. The surplus income of the business year

The surplus income of the business year is 6.764 kn (In 2008 it was 1.343 kn) , and it is a result of Association's operations.