Balkan Investigative Reporting Regional Network, Sarajevo, BiH

("BIRN")

Director's report and financial statement

31 December 2007

Balkan Investigative Reporting Regional Network

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Balkan Investigative Reporting Regional Network

Director's report

The Balkan Investigative Regional Reporting Network (BIRN), established in autumn 2005 as a citizen association in accordance with the Law on Foundations and Associations of BiH, runs a long term strategic programme of media development and training, which supports development of democracy, good governance and the rule of law in the region as part of long-term regional and European integration.

Through grants, BIRN develops its activities in the field of journalism training and publishing, developing cross-regional investigative teams of journalists and building the professional capacities of local journalists and media outlets. BIRN developed the internal capacity of the Network and have began to implement concrete action plans aimed at commercialisation of some BIRN activities with the goal of securing financial self-sustainability.

During 2007, we have trained over 140 local journalists as well as formed and trained an investigative team in each country where BIRN operates. Through the production of articles for Balkan Insight, these journalists were involved in a variety of professional activities, including one-to-one mentoring and training by the network's trainers/editors and a regional training conference.

The quality of reports has been confirmed with over 500 republications in local media in Albania, Bosnia-Herzegovina, Bulgaria, Kosovo, Macedonia, Montenegro, Romania and Serbia and 600 more in international publications. Our newsletter was distributed every week to 15,000 English language subscribers.

In terms of building its own capacity and the capacity of the Network members the BIRN Hub have been active in improvement of capacities and training of staff. Specifically designed financial software was introduced to meet the needs of the organisation and of the network, and all the network's financial staff trained in use of it. As for the personnel of the organisation, it was strengthened with a Finance officer and a Finance Assistant who were hired, to complete the existing team of Operations and Development officers. In addition, towards the end of the year a Business Manager position was opened with the aim to support the sustainability efforts of the organisation. A new webmaster has also been engaged and has with additional donor support created a new visual identity for the BIRN websites. New hosting and server provider was secured for all the Network outputs: Balkan Insight, BIRN Update, BIRN BiH Justice Report, BIRN Kosovo TV Debates, as well as the website of the BIRN produced documentary. On the BIRN website there are banners of BIRN's various media partners, and this is reciprocal and it does not present any income generation and it is not included in BIRN's advertising scheme.

In 2007 BIRN has initiated a well excepted programme titled Balkan Fellowship for Journalistic Excellence, supported by BOSCH and Erste foundations, which is supposed to continue in the following years, expanding further into a fund for support to talented journalists. The book, Moving On, was published as a direct result of this project, containing all investigative reports produced during the implementation of the programme for 2007.

In its training component BIRN has expanded its activities to Albania and has initiated production of a handbook on investigative journalism with the Columbia University, USA. Publishing of the book is expected in 2008.

In addition, BIRN Hub has realized its preliminary plans to transform elements of the Network's activities and make them income-generating. BIRN plans to generate this income through:

- Setting up a Organisation, 100% owned by BIRN HUB to commercialise the network's outputs;

- Introducing subscription for parts of its editorial output and launch of a separate web site, www.balkaninsight.com, that was in the first months of its existence visited by more than 20.000 visitors,

Director's report *(continued)*

- Introducing a one-week commercial course of investigative reporting, based on training modules produced by BIRN. BIRN is looking into cooperation with the Columbia University, USA, with a possibility on joint implementation of the course.

- Establishing a BIRN research unit where different companies, organisations and such can contract BIRN to undertake research on political and economic events or sphere in the region.

- Opening the newly launched web site, www.balkaninsight.com for advertising.

Further information on BIRN can be found at: www.birn.eu.com. We hope that our donors are pleased with our results and achievements in 2007, and with the overall development of BIRN. With many thanks for your kind attention.

1 September 2008

Gordana Igric
Regional Director

71000 Sarajevo
Bosnia and Herzegovina

Balkan Investigative Reporting Regional Network

Statement of the Regional Director's responsibilities

The Regional Director is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Organisation and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. She has a general responsibility for taking such steps as are reasonably available to her to safeguard the assets of the Organisation and to prevent and detect fraud and other irregularities.

The Regional Director is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgments and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Organisation will continue in operations.

The Regional Director is responsible for the submission to the Organisation of the annual report on the Organisation together with the annual financial statements for their adoption.

The financial statements set out on pages 5 to 24 were authorised by the Regional Director on 1 September 2008 for issue to the Organisation and are signed below to signify this.

Gordana Igric
Regional Director

Independent auditors' report to the Balkan Investigative Reporting Regional Network

We have audited the accompanying financial statements of the Balkan Investigative Reporting Regional Network (“BIRN”), which comprise the balance sheet as at 31 December 2007**,** and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director’s Responsibility for the Financial Statements

The Regional Director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o. za reviziju
Registered auditors
Fra Andjela Zvizdovica 1
71000 Sarajevo
Bosnia and Herzegovina

1 September 2008

Balkan Investigative Reporting Regional Network

Income statement
For the year ended 31 December 2007

	Note	**2007 BAM**	2006 BAM
Contributions	*5*	**1,064,570**	945,389
Other income	*6*	**87,064**	9,884
Total income		**1,151,634**	955,273
Staff costs	*7*	**(653,954)**	(537,543)
Other operating expenses	*8*	**(533,665)**	(299,821)
Depreciation and amortisation		**(3,395)**	(1,201)
Total operating costs		**(1,191,014)**	(838,565)
Financial income	*9*	**1,132**	1,601
Financial expense	*9*	**(6,155)**	(1,471)
Net financial expenses		**(5,023)**	130
Net surplus/(deficit) for the year		**(44,403)**	116,838

The notes set out on pages 9-24 are an integral part of these financial statements.

Balkan Investigative Reporting Regional Network

Balance sheet
As at 31 December 2007

	Note	2007 BAM	2006 BAM
ASSETS			
Non-current assets			
Intangible assets	*10*	**-**	1,017
Plant and equipment	*11*	**8,313**	4,943
Investments	*12*	**978**	-
Total non-current assets		**9,291**	5,960
Current assets			
Trade and other receivables	*13*	**1,182**	6,474
Cash and cash equivalents	*14*	**487,752**	264,064
Total current assets		**488,934**	270,538
TOTAL ASSETS		**498,225**	276,498
EQUITY AND LIABILITIES			
Equity			
Retained surpluses		**72,553**	116,956
Current liabilities			
Trade and other payables	*15*	**27,626**	14,018
Deferred income	*16*	**398,046**	145,524
Total current liabilities		**425,672**	159,542
TOTAL EQUITY AND LIABILITIES		**498,225**	276,498

The notes set out on pages 9-24 are an integral part of these financial statements.

Balkan Investigative Reporting Regional Network

Statement of changes in equity
For the year ended 31 December 2007

	BAM
As at 1 January 2006	118
Surplus for the year	116,838
As at 31 December 2006	**116,956**
As at 1 January 2007	116,956
Deficit for the year	(44,403)
As at 31 December 2007	**72,553**

The notes set out on pages 9-24 are an integral part of these financial statements.

Balkan Investigative Reporting Regional Network

Statement of cash flow
For the year ended 31 December 2007

	Note	**2007 BAM**	2006 BAM
Operating activities			
Net surplus/ (deficit) for the year		**(44,403)**	116,838
Adjustments for:			
Depreciation and amortization		**3,395**	1,201
Loss on disposal of property, plant and equipment		**-**	2,049
Interest income		**(221)**	(967)
Operating cash flow before working capital changes		**(41,229)**	119,121
Decrease/ (increase) in trade and other receivables		**5,293**	(8,524)
Increase/ (decrease) in trade and other payables		**13,607**	14,134
(Decrease)/ increase in deferred income		**252,522**	145,524
Cash from working capital changes		**271,422**	151,134
Net cash from operating activities		**230,193**	270,255
Investing activities			
Purchase of property, plant and equipment		**(5,748)**	(6,141)
Purchase of intangible assets		**-**	(1,017)
Payment for investments *(note 12)*		**(978)**	-
Interest received		**221**	967
Net cash used from investing activities		**(6,505)**	(6,191)
Net increase in cash and cash equivalents		**223,688**	264,064
Cash and cash equivalents at beginning of year	*14*	**264,064**	-
Cash and cash equivalents at end of year	*14*	**487,752**	264,064

The notes set out on pages 9-24 are an integral part of these financial statements.

Balkan Investigative Reporting Regional Network

Notes to the financial statements *(forming part of the financial statements)*

1 Reporting entity

The Balkan Investigative Regional Reporting Network (BIRN), established in autumn 2005 as a citizen association in accordance with the Law on Foundations and Associations of BiH, runs a long term strategic programme of media development and training, which supports development of democracy, good governance and the rule of law in the region as part of long-term regional and European integration.

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the financial statements of the Organisation.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Regional Director on 1 September 2008.

(b) Basis of measurement

The financial statements are prepared in accordance with the historical cost convention.

(c) Functional and presentation currency

The functional currency in which the financial statements are presented is BAM.

(d) Going Concern

The ability of BIRN to maintain its operations is dependent inter alia on the continuing support of various institutions (both government and private) by way of grants.

The financial statements have been prepared under the going concern principle.

(e) Use of estimates and judgements

The preparation of financial statements requires Regional Director to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the *note 19*.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(a) Income

Restricted donors' contributions (Grants)

Grants are recognised as revenue in the income statement in the same period in which the expenses are incurred. Allowable expenses under such grants are specified in grant agreements.

Unrestricted donors' contributions (Donations)

Donations which are received for the overall BIRN activities are recognised as income when received, unless donation contracts specifically state for which period the funds are intended. In such cases donations are recognised as deferred income and subsequently recognised as revenue in the contracted period.

Other income

Revenue from services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date.

(b) Foreign currencies

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transactions or the rate as reported on the first day of the month. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure statement.

Non-monetary assets and items that are measured in terms of the historical cost of a foreign currency are retranslated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Organisation becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Organisation's contractual rights to the cash flows from the financial assets expire or if the Organisation transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of

3 Significant accounting policies *(continued)*

(c) Financial instruments (continued)

financial assets are accounted for at trade date, that is, the date that the Organisation commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Organisation's obligations specified in the contract expire or are discharged or cancelled.

(d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (refer to Note 3(f)).

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where major components of an item of property, plant and equipment have different estimated useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organisation and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets in the course of construction are not depreciated.

The estimated useful lives are as follows:

Plant and equipment	3 – 5 years

Depreciation method, useful lives and residual values are reassessed at the reporting date.

(e) Intangible assets

Intangible assets comprises software and is measured initially at cost less any accumulated amortization and any accumulated impairment losses (refer to Note 3 (f)).

Subsequent expenditure on capitalized intangible assets is capitalized only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement as an expense as incurred.

The estimated useful lives are 2 years. Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortization method, useful lives and residual values are reassessed at the reporting date.

(f) Impairment

The carrying amounts of the Organisation's non-financial assets, except for property, plant and equipment, are reviewed at each reporting date to determine whether there is any indication for impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an assets or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income and expenditure statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their

3 Significant accounting policies (*continued*)

(f) Impairment (continued)

present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been an indication that an impairment loss may have decreased and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Liabilities to donor

Grant income is recognised in the balance sheet initially as deferred income when it is received.

Deferred income represents the amount of unused grant revenue that has not been expensed in the reporting period.

(h) Employee benefits

Defined pension funds contributions

Obligations for contributions to defined pension funds for national staff are recognised as an expense in the income and expenditure statement when incurred.

(i) Interest income

Interest income is recognised in the income statement as it accrues.

(j) Financial risk management

The Organisation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Organisation's exposures to each of the above risk, the Organisation's objectives, policies and processes for measuring and managing risk, and the Organisation's management of capital. Further quantitative disclosures are included through these financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Organisation if a donor to a financial instrument fails to meet its contractual obligations, and arises principally from the Organisation's receivables from donors. The Organisation has no significant exposure to credit risk.

3 Significant accounting policies (continued)

(j) Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Organisation will not be able to meet its financial obligations as they fall due. The Organisation is exposed to liquidity risk in that the receipt of donor funds does not match expenditure. Historically, the Organisation has managed the effects of this risk effectively.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the Organisation's income or value of its holdings of financial instruments. The Organisation is exposed to foreign exchange risk. However, this is mitigated by the fact that donations are received in a range of currencies.

(k) Taxation

The organisation is not subject to taxes on net surpluses from operations.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements.

- IFRS 8, Operating Segments (effective from 1 January 2009) introduces the "management approach" to segment reporting. The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. IFRIC 8, which becomes mandatory for the financial statements in 2009, is not expected to have any impact on the financial statements.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the financial statements in 2009 and will constitute a change in accounting policy for the Organisation. In accordance with the transitional provisions the Organisation will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements.
- IFRIC 11 will become mandatory for the financial statements in 2008, with retrospective application required. The Organisation has not yet determined the potential impact of the new Interpretation. IFRIC 12, Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting

3 Significant accounting policies (continued)

(l) New standards and interpretations not yet adopted (continued)

- for public-to-private service concession arrangements. IFRIC 12 will become mandatory for the Organisation's 2008 financial statements, with retrospective application required. IFRIC 12 is not expected to have any impact on the financial statements.
- IFRIC 13, Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for financial statements in 2009, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit asset should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the financial statements in 2008, with retrospective application required. IFRIC 14 is not expected to have any impact on the financial statements.

4 Determination of fair values

A number of the Organisation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) On call bank deposits

The carrying value of on call bank deposits approximate their fair value due to their proximity in nature to cash.

(ii) Accounts and other receivables/payables

The carrying amount of accounts and other receivables/payables is deemed to reflect the fair value due to the short-term maturity of these financial instruments.

Balkan Investigative Reporting Regional Network

Notes to the financial statements *(continued)*

5 Contributions

	2007 **BAM**	2006 BAM
Restricted donors' contributions – grants		
Norway Ministry of Foreign Affairs	**220,603**	291,647
Federal Republic of Germany	-	79,201
MEDIA IM PAKT Media Support for South Eastern Europe	-	39,117
Balkan Trust for Democracy	**86,221**	27,136
State of the Netherlands	**167,642**	321,315
BOSCH & ERSTE	**377,964**	-
SOROS	**72,551**	-
British Embassy	**14,795**	-
National Endowment for Democracy	**14,170**	-
Total restricted contributions	**953,946**	758,416
Unrestricted donors' contributions – donations		
Sigrid Rausing Trust	-	72,513
Rockefeller Brother's Fund	**66,068**	68,854
Mott Foundation	**44,556**	45,606
Total unrestricted contributions	**110,624**	186,973
Total contributions	**1,064,570**	945,389

6 Other income

	2007 **BAM**	2006 BAM
Editorial and training services	**70,504**	9,884
Other income	**16,560**	-
	87,064	9,884

Balkan Investigative Reporting Regional Network

Notes to the financial statements *(continued)*

7 Staff Costs

	2007 BAM	2006 BAM
Author fees	**492,830**	409,211
Temporary employment fees	**56,384**	61,556
Scholarships	**39,116**	-
	588,330	470,767
Taxes		
Taxes on author fees	**50,090**	48,000
Taxes on temporary employment fees	**15,534**	18,776
	65,624	66,776
	653,954	537,543

(a) Author fees

The Organisation uses services of 128 journalists, nine editors, 11 translators and eight administrative staff members (2006: 109 journalists, nine editors, 10 translators and eight administrative staff members), domestic and foreign, who participate in implementation of the Organisation's mission through training events and production of BIRN's online output, the Balkan Insight.

(b) Temporary contract fees

One staff member is employed on temporary service contract terms. Total temporary contract fees in 2007 amounted to BAM 56,384 (2006: 61,556).

(c) Scholarships

In 2007 Organisation provided scholarships for ten journalists from the Region (Serbia, Albania, Bulgaria, Macedonia, Romania and Kosovo). This program was called "Fellowship for Journalist Excellence". The total costs within this program, incurred for the purpose of scholarships was BAM 39,116.

(d) Taxation

The Organisation is obliged to pay author income tax (11.73%) on author contracts and wage tax (30%) and accident protection tax (0.5%) on temporary service contracts. According to the Cantonal Legislations the Organisation is not required to pay pension contributions on above mentioned contracts.

Notes to the financial statements *(continued)*

8 Other operating expenses

	2007 **BAM**	2006 BAM
Editoring	**148,030**	82,271
Per diems and travel	**66,462**	42,534
Promotion of fellowship program	**39,824**	-
Conference meetings and training expenses	**33,088**	24,395
Bank fees and services	**31,478**	29,229
Printing	**29,271**	3,234
Consultancy fees	**24,592**	20,561
Translation	**19,130**	17,473
Supplies	**18,727**	4,279
Monitoring and publishing	**14,397**	5,995
Contributors services	**11,191**	4,017
Bookkeeping services and audit	**9,360**	10,923
Subscriptions	**8,776**	-
Postal services	**6,703**	9,623
Representation	**1,904**	2,380
Other expenses	**70,732**	42,907
	533,665	299,821

9 Financial income and expense

	2007 **BAM**	2006 BAM
Interest income	**221**	967
Foreign exchange gains	**911**	634
Total financial income	**1,132**	1,601
Foreign exchange losses	**(6,155)**	(1,471)
Total financial expenses	**(6,155)**	(1,471)
Net financial expense	**(5,023)**	130

Balkan Investigative Reporting Regional Network

Notes to the financial statements *(continued)*

10 Intangible fixed assets

	Software BAM
Cost	
Balance at 1 January 2006	**-**
Additions	1,017
Disposals	-
Balance at 31 December 2006	**1,017**
Balance at 1 January 2007	**1,017**
Additions	**-**
Balance at 31 December 2007	**1,017**
Accumulated depreciation and impairment losses	
Balance at 1 January 2006	**-**
Charge for the year	**-**
Balance at 31 December 2006	**-**
Balance at 1 January 2007	**-**
Charge for the year	1,017
Balance at 31 December 2007	**1,017**
Carrying amount	
At 1 January 2006	-
At 31 December 2006	1,017
At 1 January 2007	**1,017**
At 31 December 2007	**-**

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Notes to the financial statements *(continued)*

11 Plant and equipment

	Plant and equipment BAM
Cost	
Balance at 1 January 2006	**-**
Additions	8,193
Disposals	(2,049)
Balance at 31 December 2006	**6,144**
Balance at 1 January 2007	**6,144**
Additions	5,748
Balance at 31 December 2007	**11,892**
Accumulated depreciation and impairment losses	
Balance at 1 January 2006	**-**
Charge for the year	1,201
Balance at 31 December 2006	**1,201**
Balance at 1 January 2007	1,201
Charge for the year	2,378
Balance at 31 December 2007	**3,579**
Carrying amount	
At 1 January 2006	-
At 31 December 2006	4,943
At 1 January 2007	**4,943**
At 31 December 2007	**8,313**

Notes to the financial statements *(continued)*

12 Investments

	2007 BAM	2006 BAM
Investments in BIRN d.o.o. Serbia	**978**	-
	978	-

On 14 August 2007, BIRN invested the amount of BAM 978 for establishment of a Organisation BIRN d.o.o. in Serbia, in accordance with self-sustainability project financed by the Open Society Fund. As of 31 December 2007 no activities were conducted by this newly established Organisation. The Organisation is intended to serve as a sales agency for the output produced by the organisation and to develop commercial activities and though finance via profit or otherwise core BIRN activities. As of 31 December 2007, BIRN d.o.o. Serbia only held cash from establishment capital.
On the grounds of immateriality, this entity was not consolidated. If it had been consolidated the underlying investment would be reclassified to cash.

13 Trade and other receivables

	2007 BAM	2006 BAM
Trade and other receivables	**-**	6,474
Prepayments	**1,182**	-
	1,182	6,474

14 Cash and cash equivalents

	2007 BAM	2006 BAM
Cash at bank	**482,812**	263,349
Cash in hand	**940**	715
Short-term deposit	**4,000**	-
	487,752	264,064

BIRN holds current accounts at two domestic banks, Volksbank d.d. and Raiffeisen bank d.d.. Effective interest rate for cash held on transaction accounts is in range between 0.3% - 0.7% annually.

Organisation has short-term deposit which is given as a security for an overdraft on business card which the Organisation did not use in 2007. Overdraft is allowed up to BAM 4,000.

15 Accounts payable

	2007	2006
	BAM	BAM
Liabilities to employees	**19,632**	-
Liabilities for salary tax	**3,430**	-
Other liabilities	**4,564**	14,018
	27,626	14,018

16 Deferred income

	2007	2006
	BAM	BAM
State of the Netherlands	**210,380**	118,746
Sigrid Rausing Trust	**133,086**	-
Rockefeller Brother's Fund	**54,580**	-
Balkan Trust Fund for Democracy	**-**	26,778
	398,046	145,524

Rockfeller Brother's Fund

Purpose of funds granted by Rockfeller Brother's Fund is general support of Organisation's charitable activities. The funds were granted in December 2007 for the activities that should take place in 2008.

State of the Netherlands

The agreement was signed on December 2, 2007 and first instalment amounted to BAM 210,380 was received in December 2007. Purpose of the funds is contribution to the "Balkan Insight Sustainability Programme 2008" in 2008.

Sigrid Rausing Trust

The amount of £25,000 (BAM 66,543) is intended to cover the cost of a full time English Editor for one year and other £25,000 (BAM 66,543) are for Organisation's activities as outlined in the application for the grant in 2008. The grant funds were transferred to BIRN on 21 December 2007.

17 Related parties

Director's earnings

Regional Director is employed on both, author contract and temporary employment contract. The total reimbursements paid to Regional Director in 2007 in the form of salaries based on temporary employment contract amounted to BAM 56,384 (2006: BAM 61,556) and BAM 16,430 (2006: BAM 6,190) on author's contract (editorial services).

17 Related parties (*continued*)

Director's earnings (*continued*)

The total reimbursements paid in 2007 to the Directors in the form of allowances amounted to BAM 3,996 (2006: BAM 8,870).

Other income from related parties (members of the network)

	2007	2006
	BAM	BAM
BIRN Serbia	**34,084**	4,935
BIRN Kosovo	**11,761**	5,581
BIRN Bulgaria	**3,823**	3,036
BIRN Romania	**-**	-
BIRN Macedonia	**-**	-
	49,668	13,552

Expenses to related parties (members of the network)

	2007	2006
	BAM	BAM
BIRN Serbia	**128,930**	42,315
BIRN Kosovo	**75,093**	37,258
BIRN Macedonia	**73,811**	16,671
BIRN Bulgaria	**49,315**	22,187
BIRN Romania	**2,554**	5,193
	329,703	123,624

18 Financial risk management

Exposure to credit, liquidity and currency risk arises in the normal course of the Organisation's business.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**2007 BAM**	2006 BAM
Trade and other receivables	*13*	**-**	6,474
Cash and cash equivalents	*14*	**487,752**	264,064
		487,752	270,538

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2007	Carrying amount	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Trade and other payables	**27,626**	**(27,626)**	**(27,626)**	**-**	**-**	**-**

31 December 2006	Carrying amount	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Trade and other payables	8,976	(8,976)	(8,976)	-	-	-

Notes to the financial statements *(continued)*

18 Financial risk management (*continued*)

Currency risk

Exposure to currency risk

At the balance sheet date the Organisation is not exposed to any currency risk since trade receivables and trade payables are both in BAM:

	2007	2006
	BAM	BAM
Trade receivables	**1,182**	6,474
Trade payables	**(27,626)**	(14,018)
Gross balance sheet exposure	**(26,444)**	(7,544)

The following significant exchange rate applied during the year:

	Average rate		**Reporting spot rate**	
	2007	2006	**2007**	2006
EUR vs BAM	**1.95583**	1.95583	**1.95583**	1.95583

19 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors including the expectations of future events that are believed to be reasonable under the circumstances.

Deferred income

Deferred income represents the amount of unused grant revenue that has not been expensed in the reporting period. In determining the deferred income balance the Organisation is governed by the expenses incurred for the projects and contracted duration of contracts.

Impairment of receivables

Trade receivables are estimated on each reporting date and are impaired according to the estimate of the probability to collect the amount stated.