

**Balkan Investigative Reporting Regional
Network, Sarajevo, BiH**

(“BIRN”)

Director’s report and
unconsolidated financial
statements

31 December 2011

Balkan Investigative Reporting Regional Network

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Balkan Investigative Reporting Regional Network

Regional Director's report

About BIRN Network

The Balkan Investigative Reporting Network, BIRN, is a close group of editors, journalism trainers and reporters, dedicated to developing strong, professional, independent media in Southeast Europe as an essential component of the developing democracy and market economy in the Balkans. BIRN is present in nine countries of the Balkan region, with country based organisations in Bosnia and Herzegovina, Kosovo, Macedonia and Serbia. BIRN has editorial and journalistic network in other countries in the Balkans – Albania, Bulgaria, Croatia, Montenegro and Romania.

BIRN's Network is coordinated by non - governmental organisation based in Bosnia and Herzegovina, Balkan Investigating Reporting Regional Network (BIRN Hub) while company BIRN Ltd. is registered in Belgrade.

BIRN Hub covers editorial, training, web operational and development domains, advising and assisting Network members in their projects, while developing, fundraising for and coordinating core regional projects.

Within the broader framework of BIRN's mission, the country-based member organisations have developed their own, locally-specific programmes based on their societies' most important media development, information and dialogue needs. They are also involved in Hub-run regional programmes, which rely on them to implement aspects relating to their countries. They contribute further with logistical support when needed, and with specialised skills they have variously developed.

The Hub deals directly with countries of the region in which no member organisation is currently registered, namely Albania, Croatia and Montenegro, with a view to ensuring proper regional coverage and establishing more substantial projects there.

BIRN HUB in 2011

BIRN Hub implements multi annual media development programmes across the Balkans, designs and controls implementation of commercial activities implemented by BIRN Ltd, company registered in Belgrade, works on strengthening internal capacity of the Network as a whole and ensures that the Network Regulation Rules, a document signed between members of the Network and Hub, are upheld.

Structure and ruling bodies

In November 2011, Hub finalised the process of forming a new BIRN Hub Board. The previous members, directors of local member organisations, have moved to the Steering Committee of the BIRN Hub.

The new board is composed of Tim Judah, author and Balkan correspondent for the Economist, Wolfgang Petritsch, Permanent Representative of Austria to the OECD, Steve Crawshaw, international advocacy director at Amnesty International, Stefan Lehne, former Austrian diplomat and visiting scholar at the Carnegie Europe in Brussels and Per Byman, previously head of the Division/Team/Unit for Humanitarian Assistance in Swedish SIDA and currently secretary general of humanitarian foundation "Radiohjälpen", Swedish Radio and Television. Board is joined by Ana Petrusseva, representative of BIRN members and previously long time president of Board.

The BIRN Hub Board has responsibility for major decisions related to the Network's strategy, adopts the annual report of Regional Network Director, Gordana Igric, and ensures that Network regulation rules are upheld. It assists the Regional Network Director in designing programmes and other operational matters as opportunities or needs dictate.

The Steering Committee is composed of representatives of BIRN members of the Network and the Regional Director and acts as a hands-on operational body to ensure that the Network continues to maintain highest standards.

The changes agreed in November will be reflected in changes to the BIRN Hub Statute, as well as in the Network regulation rules.

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

Programme:

Advancing Sustainability of Independent Online Investigative Journalism

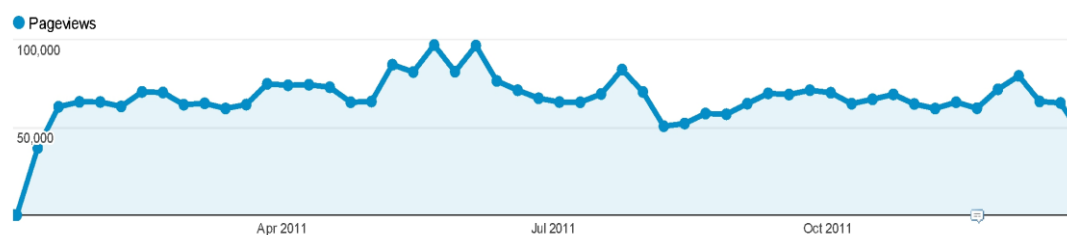
The programme addresses the sustainability of the independent regional media in the Balkans, within the framework of political and economic transition and with the overall objective to promote the democratisation process in the region by training, publishing and developing technical performance, and consequently improving the content of the media, allowing BIRN to keep serving as an independent, reliable, high quality platform for journalists, media organisations and others.

Programme's main output is *Balkan Insight* web site, which is BIRN's flagship internet platform for news publishing. Having this in mind, BIRN has created synergies of other multi-annual training and publishing projects with this one, seeing *Balkan Insight* as an umbrella programme.

In 2011 the programme was providing the general public with better, more relevant and insightful reporting on *Kosovo Organ Trafficking*, *Macedonia Name Dispute*, *Bosnia crisis*, *Albania Local Elections 2011*, *Albania Political Crisis*, *Future of Bosnia*, *Ratko Mladic Facing Justice*, *Montenegro Energy Focus*, *Macedonia Elections 2011*, *The Roma Decade*, *Spotlight on South Serbia*, *Culture Watch* focus, etc. By the end of 2011, BIRN Hub has designed special multi language special page/site *Balkan Transitional Justice*, under *Balkan Insight* umbrella.

The entire realization of the projects under the *Balkan Insight* umbrella was monitored by the editors from BIRN, who also served as mentors and trainers for the journalists that participated in the project.

After the launch of the new Content Management System, with modular design and wide range of possibilities that provides the editorial team with an easy to work with platform, BIRN has also developed its platform to support fully multilingual sites, as opposed to just having translated versions of individual articles. Only in 2011, *Balkan Insight*, with the content which is partly closed and offered for subscription, had over 1,265,000 page visits and almost 3,500,000 page views with more than 43% of the visits by people who had never before visited our site.



Highlights:

- Over 4000 news articles was produced (around 16 stories daily): 530 premium (analytical and investigative) articles - over 320 analyses, 48 comments, 71 features, 36 interviews, 31 investigations and 42 profiles;
- More than 160 journalists were trained, coming from Serbia, Kosovo, Albania, Bosnia and Herzegovina, Romania, Bulgaria, Croatia and Macedonia;
- Pages on social networks for various BIRN projects under *Balkan Insight* programme were created, attracting almost 10,000 readers to BIRN's content;
- Articles were republished more than a few thousand times in local, regional and international media outlets;
- Dissemination of three types of newsletters which raised the visibility of the project: approx. 52 *Balkan Insight* weekly newsletter, disseminated to 12,241 English speaking subscribers each week; approx. 260 *Balkan Insight* daily newsletter, distributed every day with the daily news roundup to the media in the region and other organizations to some 3,052 subscribers; *Culture Watch* monthly newsletter, in four languages, was sent to 737 English language speaking subscribers, to 268 Bosnian/Croatian/Serbian language speaking subscribers, to 156 Albanian and 90 Macedonian language speaking subscribers.

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

Advancing Sustainability of Independent Online Investigative Journalism Programme has been supported by *Norwegian Royal Ministry of Foreign Affairs, Balkan Trust for Democracy, and National Endowment for Democracy* while *Rockefeller Brothers Foundation* and *Mott foundation*, as institutional donors contributed to this programme.

Programme:

Balkan Fellowship for Journalistic Excellence

In 2007 the Robert Bosch Stiftung and ERSTE Foundation established the Balkan Fellowship for Journalistic Excellence, in cooperation with the BIRN Hub. The programme is designed to support quality reporting, initiate regional networking among journalists and to advance balanced coverage of topics that are of key interest in the region and the European Union (EU).

Each year, ten Balkan journalists are selected, by the independent jury, to take part. Successful applicants receive both administrative back-up and the financial assistance necessary to produce the articles.

Topic of 2011 programme was JUSTICE. Candidates for the Balkan Fellowship for Journalistic Excellence in 2011 were invited to explore issues surrounding justice in their country – in government, in business, within society, among interest groups, between individuals and within families – and draw parallels to the situation in neighbouring countries and the EU.

As a result of the seven months long work on research projects, ten journalists produced electronic publication entitled “JUSTICE: Rights and Wrongs in the Balkans”.

The top prize for 2011 won Juliana Koleva for her article Bulgarian Asylum Policy Pushes Migrants West. Second place went to Jelena Kulidžan from Montenegro for her article Rough Justice for Balkan Rape Victims. Stevan Dojčinović took third place for his investigation entitled Serbian Privatisation: Criminals Still Cashing In.

“Now, when the hard work is behind us, after months of research, conversations and interviews, after I have lived with this project, after writing, editing, writing, editing again and hundreds of interesting acquaintances, now I can only say it was worth it and I want to do it again because it makes you believe being a reporter is worthwhile.” Juliana Koleva, 2011 fellow

Republication rates for fellows' articles have increased dramatically over the lifetime of the fellowship, with more than 500 republications only in 2011.

In 2011, two alumni of the Balkan Fellowship for Journalistic Excellence - Ivan Angelovski from Belgrade and Marius Cosmeanu from Bucharest - were selected to take part in the prestigious Milena Jesenská Fellowship for Journalists. Stevan Dojčinović, a 2011 fellow from Serbia, received a national award for investigative journalism. In addition, Dojčinović and 2008 fellow Stanimir Vaglenov, along with other members of the Organized Crime and Corruption Reporting Project team, were awarded the Daniel Pearl award for international investigative reporting. Yana Buhner Tavianer, a 2009 fellowship participant from Bulgaria, is the first fellow from South-East Europe to be awarded the prestigious TED fellowship for innovation, while Barbara Matejčić, a 2009 fellow from Croatia, was the first Croatian journalist to win the Zagreb Pride award for her coverage of LGBT topics. Selviye Bajrami, a 2011 fellow from Kosovo, was awarded first prize by the United Nations Development Programme for her reporting on corruption.

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

Project:

The Fellowship Alumni Initiative

The Alumni Initiative is designed to encourage and support continued cooperation between journalists who have participated in the Balkan Fellowship for Journalistic Excellence programme.

Since the Alumni Fund was set-up in late 2010 three joint editorial regional projects, Turkey and the Balkans, the Roma Decade and Montenegro Energy Focus, have been launched in addition to individual analysis and investigations. The high number of republications - more than 300 republications and quotations in the region and beyond – has proved there is a market for high- quality content.

“The great thing about the Alumni Initiative is that you have enough time and support - not only financial but editorial as well - to work on demanding projects that you usually postpone for those better times that never come, because of commitments to daily jobs. So, the Alumni Initiative is a chance to make your journalistic to-do wish list shorter.” Barbara Matejčić, 2009 fellow

Balkan Fellowship for Journalistic Excellence and *The Fellowship Alumni Initiative* have been supported by **Robert Bosch Stiftung** and **ERSTE Foundation**.

Programme:

Balkan Initiative for Cultural Cooperation, Exchange and Development (BICCED)

BICCED is a three-year project, covering Macedonia, Bosnia and Herzegovina, Serbia, Kosovo and Albania. The specific objectives of the programme are: improvement of skills of journalists, strengthening of inter-regional cooperation and exchange of information between journalists, media and cultural experts and organisations, and raising the level of public awareness on importance of development of cultural policies in the region.

The team of journalists reports about culture policy issues, and publishes on special focus page Culture Watch, in four languages (Albanian, BCS, English and Macedonian) on *Balkan Insight*.

In its second year of implementation, in 2011, a group of 13 journalists from Albania, Kosovo, Serbia, Macedonia and Bosnia and Herzegovina, attended a two-day training session held in Pristina, Kosovo, who, together with another 22 journalists active in 2011, produced a total of 108 articles, features and investigations, and more than 200 news on culture in the Balkans. In addition, six experts of culture contributed with their opinions and comments.

A monthly newsletter in four languages has reached a figure of almost 2000 subscribers in all languages. There was an average of 220 republications per quarter in regional and international media..

In March 2011, with the support of both the Swiss Cultural Programme in the Balkans and the European Culture Foundation, BIRN organised a conference in Pristina, Kosovo, titled “Culture in the Media”, with participation of editors and experts on culture from all participating countries. This was the first conference to join culture editors from Serbia and Kosovo.

Highlight:

In June 2011, Culture Watch team published the first investigation on management in culture, “Rewarding the Best”, focusing on Bosnia and Herzegovina. The investigation was published in major local media, and distributed to more than 300 recipients (ministries, international and local institutions, and individuals). The research was republished in mayor weekly and periodical print issues in the country and also on several web portals.

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

Balkan Initiative for Cultural Cooperation, Exchange and Development (BICCED) programme is supported by the **Swiss Cultural Programme** in the Western Balkans. Conference held, within this project, in March 2011 was funded by the **European Cultural Fund**.

Programme:

Investigative Reporting Initiative

Investigative Reporting Initiative is a broader educational programme that includes cooperation with international universities and several local and international partners, with the aim to put in use a curriculum for investigative reporting produced by BIRN Hub (**Digging Deeper: A guide for investigative journalists in the Balkans**), while improving investigative journalistic skills that are desperately needed in the Balkans.

The programme includes also one annual event, **the Summer School of Investigative Reporting**, comprised of five days of lecture sessions with associated research and practical activities, showcases of interesting investigative stories and individual journalistic successes and provides an overview of investigative techniques, the various sources of information in the region and tips for the practitioners.

Highlight:

BIRN Summer School 2011 gathered 30 trainers and 30 participants. Some of the best known investigative journalists from Europe and USA were participating, such as professors at Columbia University Sheila Coronel and Jim Mintz, Guardian journalist Nick Davies, OCCRP team Drew Sullivan and Paul Radu, Helen Darbishire from All Access Info, CAR trainer Helena Bengtsson

Participants Eldin Hadzovic and Zvezdana Vukojevic, who were awarded small grant to produce investigative report on Srebrenica mass grave, had written the article *Hunt for Bodies Dutch Buried in Srebrenica*, which had significant impact in Dutch and Bosnian media.

Summer School of Investigative Reporting was supported in 2011 by **Open Society Institute London, OSCE Mission to Serbia, USA Embassy in Macedonia, Netherland Embassy in Croatia and BIRN Kosovo**.

Handbook "Digging Deeper" was published with help of **OSCE Mission in Serbia, ERSTE bank in Serbia, OSCE Mission in Kosovo. Macedonian OSI** gave a grant for translation and print of the handbook in Macedonian language.

Project:

Regional Reporting on Transitional Justice Issues

This is a two-year multimedia project, that started in December 2011, with a main goal to establish network of journalists in the Balkans (Transitional Justice Regional Journalistic Team), who will be trained to report on transitional justice issues in the region, raising awareness and assist reconciliation processes.

The programme is multi-language and multi-media and encompasses online, radio and TV production in Serbian/Bosnian/Croatian/Montenegrin as well as English, Albanian and Macedonian.

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

- a) Online Production – Balkan Transitional Justice special focus page is created on www.balkaninsight.com with four templates in different languages. Content produced is free-of-charge in local languages for Balkan media, while premium content in English for international readers is closed and for subscription only;
- b) Radio Regional Justice Production – monthly regional programme (19 radio shows in total) will be produced in three languages using the capacities of the Bosnian BIRN Radio Justice Programme. Radio show also covers the topics regarding reconciliation processes in the Balkans;
- c) TV Regional Justice Production - TV serial comprised of six episodes will be produced, while at same time, a TV documentary will be produced out of existing TV material.

Regional Reporting on Transitional Justice Issues project is supported by **European Commission** and **Swiss Federal Department of Foreign Affairs**.

BIRN Ltd.

BIRN Ltd (company) was established by BIRN Hub in 2007 with support of Open Society Institute in London. It is currently owned 50 per cent by Hub and 50 per cents by small shareholders, BIRN Network employees across the region. It is set up with the purpose of achieving sustainability for some of the aspects of Hub's work (mainly editorial output), due to slow withdrawal of donors support for media outlets as such, specifically ambitious web site Balkan Insight.

Company publishes Belgrade Insight newspaper, sells advertising space in newspaper and subscription on hard copy and pdf for newspaper; receives occasional grant for Belgrade Insight newspaper from Serbian Ministry of Culture (independently of Hub), it sells premium content of Balkan Insight, runs online PR campaign for Hub, sells participation in Hub's Summer School for investigative reporting to international journalists, syndicate articles, sells investigative handbook Digging Deeper to universities and publishing houses; develops further commercial start up initiatives as BIRN Consultancy and Balkan Job finder.

The revenue of BIRN Ltd in 2011 was 108 495 EUR, and expenditure 106 010 EUR (based on the exchanged rate 1 EUR = 105 RSD).

Balkan Insight's Premium Content

Balkan Insight's Premium Content is primary commercial activity of BIRN Ltd and has full time appointed sales executive. A portal of complex analyses, investigations, features and timelines, this content is closed for the public and can be read only by purchasing a subscription.

Belgrade Insight Newspaper

Belgrade Insight, Serbia's only English-language newspaper, is published fortnightly by BIRN Ltd. A 'must-read' for all foreign residents of Belgrade, domestic decision makers and anybody else who simply has a need to know what's happening in the Serbian capital, Belgrade Insight enjoys the respect of its readership and a level of credibility that is unparalleled in Belgrade's print media sector.

2011 Highlights:

In 2011 Belgrade Insight celebrated Issue No 100 with our readers at the National theatre in Belgrade. Newspapers' most devoted readers were present at the event, among which were ambassadors, foreign and domestic diplomats, local and international businessmen, but also regular Belgrade citizens. More on the event you can read here http://www.b92.net/eng/news/society-article.php?yyyy=2011&mm=11&dd=10&nav_id=77271

Balkan Investigative Reporting Regional Network

Regional Director's report (*continued*)

BIRN Consultancy

BIRN Consultancy, was activated by the end of 2011, with the hope service would provide the income for the organization, at a low investment rate. The idea is to reach consulting groups and government institutions in Europe and the United States, along with large firms who are already investing, or might be interested in investing, in the region.

Balkan Job Finder

BalkanJobFinder.com is a recruiting service of the BIRN Ltd. which bridges the gap between corporate and institutional employers and skilled professionals fluent in UN and EU languages. It connects employers, job seekers and recruiters. It was launched in November 2011.

Conclusion

Through developing our activities BIRN aims to sustain and further develop the scope of the independent media in the Balkans. The project's regional approach is unique and wide. No other media outlet or charitable organization in the region offers such an opportunity for journalists and media specialists to work collaboratively on issues of great importance for the whole region.

Cordially,

1 November 2012

Gordana Igric
Regional Network 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 unconsolidated financial statements for each financial year which give a true and fair view of the financial position of the Association 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 Association 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 Association will continue in operations.

The financial statements were authorised by the Regional Director on 1 November 2012 for issue to the Association and are signed below to signify this.

Gordana Igric
Regional Network Director

Independent auditors' report

To the Balkan Investigative Reporting Regional Network

We have audited the accompanying unconsolidated financial statements of the Balkan Investigative Reporting Regional Network ("BIRN" or the "Association"), which comprise the unconsolidated balance sheet as at 31 December 2011, the unconsolidated income statement, unconsolidated statement of changes in equity and unconsolidated statement of cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina, and for such internal controls that management determines is necessary to enable preparation of unconsolidated financial statements that are free of material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the unconsolidated 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 unconsolidated financial statements.

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of the Association as at 31 December 2011, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina.

KPMG B-H d.o.o. za reviziju

Zmaja od Bosne 7-7A/III
71000 Sarajevo
Bosnia and Herzegovina

1 November 2012

Balkan Investigative Reporting Regional Network

Unconsolidated income statement

For the year ended 31 December

	<i>Note</i>	2011 BAM	2010 BAM
Contributions	5	1,234,984	1,206,956
Income from services	6	157,183	159,013
		<hr/>	<hr/>
Total income		1,392,167	1,365,969
		<hr/>	<hr/>
Staff costs	7	(884,490)	(825,839)
Other operating expenses	8	(519,392)	(569,698)
Depreciation and amortisation		(3,399)	(4,745)
		<hr/>	<hr/>
Total operating costs		(1,407,281)	(1,400,282)
		<hr/>	<hr/>
Subtotal		(15,114)	(34,313)
		<hr/>	<hr/>
Financial income	9	2,577	8,262
		<hr/>	<hr/>
Net deficit for the year		(12,537)	(26,051)
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 14-26 are an integral part of these unconsolidated financial statements.

Balkan Investigative Reporting Regional Network

Unconsolidated balance sheet

	<i>Note</i>	31 Dec 2011 BAM	31 Dec 2010 BAM
ASSETS			
Non-current assets			
Equipment	<i>10</i>	3,411	4,869
Investments	<i>11</i>	489	757
		<hr/>	<hr/>
Total non-current assets		3,900	5,626
		<hr/>	<hr/>
Current assets			
Receivables from donors and other receivables	<i>12</i>	31,430	18,327
Cash and cash equivalents	<i>13</i>	353,081	249,686
		<hr/>	<hr/>
Total current assets		384,511	268,013
		<hr/>	<hr/>
TOTAL ASSETS		388,411	273,639
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity			
Retained surpluses		25,733	38,270
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>14</i>	15,090	9,482
Deferred income	<i>15</i>	347,588	225,887
		<hr/>	<hr/>
Total current liabilities		362,678	235,369
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		388,411	273,639
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 14-26 are an integral part of these unconsolidated financial statements.

Balkan Investigative Reporting Regional Network

Unconsolidated statement of changes in equity

For the year ended 31 December 2011

	BAM
As at 1 January 2010	64,321
Deficit for the year	(26,051)
As at 31 December 2010	38,270
As at 1 January 2011	38,270
Deficit for the year	(12,537)
As at 31 December 2011	25,733

The notes set out on pages 14-26 are an integral part of these unconsolidated financial statements.

Balkan Investigative Reporting Regional Network

Unconsolidated statement of cash flow

For the year ended 31 December 2011

	<i>Note</i>	2011 BAM	2010 BAM
Operating activities			
Net (deficit) for the year		(12,537)	(26,051)
Adjustments for:			
Depreciation and amortization		3,399	4,745
		<hr/>	<hr/>
Operating cash flow before working capital changes		(9,138)	(21,306)
Changes in:			
- Trade and other receivables		(13,103)	28,007
- Trade and other payables		5,608	(5,888)
- Deferred income		121,701	28,797
		<hr/>	<hr/>
Cash from working capital changes		114,206	50,916
		<hr/>	<hr/>
<i>Net cash from operating activities</i>		105,068	29,610
		<hr/>	<hr/>
Investing activities			
Purchase of property, plant and equipment		(1,941)	(2,679)
Decrease in investments		268	221
		<hr/>	<hr/>
<i>Net cash used from investing activities</i>		(1,673)	(2,458)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		103,395	27,152
Cash and cash equivalents at beginning of year	<i>13</i>	249,686	222,534
		<hr/>	<hr/>
Cash and cash equivalents at end of year	<i>13</i>	353,081	249,686
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 14-26 are an integral part of these unconsolidated 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 Association.

2 Basis of preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with the Law on accounting and audit of the Federation of Bosnia and Herzegovina "FBiH" (Official Gazette of the FBiH, 83/09), accounting standards that apply in the FBiH, published by the Association of Accountants, Auditors and Financial Professionals of the FBiH (based on powers granted by the Commission for Accounting and Auditing of BiH no. 5/07). Regional Director believes, based on its interpretation of relevant accounting standards, that the Association is not required to prepare consolidated financial statements, given that investment is not material. Financial information of the investment in BIRN d.o.o. are attached as unaudited supplementary information to the financial statements on pages 27 -28.

The financial statements were approved by the Regional Director on 1 November 2012.

(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 17*.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

3 Significant accounting policies

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

(a) *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.

(b) *Income (Grants)*

Grants for specific purposes are recognised as income in the period in which the related expenses are incurred. Allowable expenses under such grants are specified in grant agreements.

Donations which are received for general Foundation activities and unconditionally granted are recognised as income when received.

(c) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and balances held with banks.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

3 Significant accounting policies (*continued*)

(d) *Property, plant and equipment*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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 Association 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:

Equipment	3 – 5 years
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Depreciation method, useful lives and residual values are reassessed at the reporting date.

(e) *Investments*

Investment in an entity in which the Association has direct or indirect control over its operations is valued at cost, less impairment losses, of any.

(f) *Deferred income*

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.

(g) *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.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

3 Significant accounting policies (*continued*)

(h) *Interest income*

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

(i) *Taxation*

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

(j) *Cessation of activities*

The remainder of assets of an association or foundation, which is being terminated from the Register, is distributed based on the decision from Association's authorised body, in accordance with the provisions of the Statute.

If the Association's authorised body does not adopt the decision on the distribution of assets before the day of the termination from the Register, the Federal ministry or a Cantonal body will bring the decision on the distribution of the remainder of assets to another association or foundation registered in the Federation that is carrying out same or similar statutory activity.

4 Determination of fair values

A number of the Association'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	2011 BAM	2010 BAM
	Restricted donors' contributions – grants		
	Bosch & Erste	273,931	352,458
	Norway Ministry of Foreign Affairs	231,129	148,709
	Swiss Cultural Programme in the Western Balkans	211,891	169,372
	Erste Stiftung	90,930	20,470
	National Endowment for Democracy	72,278	46,720
	Foundation Open Society	68,300	70,871
	Balkan Trust for Democracy	36,824	88,012
	Bosch Stiftung	22,934	32,132
	The European Cultural Foundation	20,536	-
	The Swiss Federal Department of Foreign Affairs	19,562	-
	OSCE	19,295	21,905
	Dutch Ministry of Foreign Affairs	3,961	40,518
	British Embassy	-	42,634
	<i>Total restricted contributions</i>	1,071,571	1,033,801
	Unrestricted donors' contributions – donations		
	Rockefeller Brother's Fund	95,446	102,355
	Mott Foundation	67,967	70,800
	<i>Total unrestricted contributions</i>	163,413	173,155
	Total contributions	1,234,984	1,206,956
		<hr/> <hr/>	<hr/> <hr/>
6	Income from services	2011 BAM	2010 BAM
	Editorial and training services	86,565	94,226
	Web services	28,337	21,079
	Other income	42,281	43,708
		<hr/> <hr/>	<hr/> <hr/>
		157,183	159,013

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

7 Staff costs

	2011	2010
	BAM	BAM
Author fees	436,335	375,822
Temporary employment fees	291,934	283,337
Scholarship "Fellowship for Journalist Excellence"	39,116	35,205
Scholarship "Follow-up fund for fellows of the Balkan fellowship for journalistic excellence"	-	3,677
Scholarship Fellowship for journalistic excellence - award	19,167	37,844
Employment contract	19,751	19,751
	<hr/>	<hr/>
	806,303	755,636
	<hr/>	<hr/>
<i>Taxes</i>		
Taxes on author fees	47,424	40,071
Taxes on temporary employment fees	30,763	30,132
	<hr/>	<hr/>
	78,187	70,203
	<hr/>	<hr/>
	884,490	825,839
	<hr/> <hr/>	<hr/> <hr/>

(a) *Author fees*

The Association uses services of 107 journalists, 13 editors, 14 translators, 11 administrative staff members and 16 other (business management, project coordinator, project management, web management) (2010: 86 journalists, 13 editors, 12 translators and 9 administrative staff members and 14 other), domestic and foreign, who participate in implementation of the Association's mission through training events and production of BIRN's online output, the Balkan Insight.

(b) *Temporary contract fees*

In 2011 there is 23 staff members employed on temporary service contract terms (2010: 18 staff members temporarily employed). Total temporary contract fees in 2011 amounted to BAM 322,967 (2010: BAM 313,469), including related taxes.

(c) *Scholarships*

In 2011 the Association continued with scholarship program "Fellowship for Journalist Excellence" and the total cost incurred for the purpose of this program was BAM 39,116 (2010: BAM 35,205).

Balkan Investigative Reporting Regional Network

Notes to the financial statements *(continued)*

8 Other operating expenses

	2011	2010
	BAM	BAM
Conference meetings and training expenses	87,933	106,204
Per diems and travel	30,912	73,838
Rent and utilities	68,980	57,732
Editoring	44,079	85,007
Bank fees and services	34,723	34,022
Contributors services	56,801	31,775
Travel fellowship research expense	33,407	30,041
Promotion of fellowship program	11,712	26,079
Communications	22,055	24,025
Web services	21,760	22,883
Bookkeeping services and audit	18,277	17,470
Subscriptions	21,782	14,141
Translation	28,552	25,600
Supplies	8,214	6,014
Representation	3,822	3,820
Printing	2,911	1,977
Consultancy fees	8,114	1,751
Monitoring and publishing	978	782
Other expenses	14,380	6,537
	<hr/>	<hr/>
	519,392	569,698
	<hr/> <hr/>	<hr/> <hr/>

9 Finance income and expense

	2011	2010
	BAM	BAM
Foreign exchange gains	2,577	8,262
	<hr/> <hr/>	<hr/> <hr/>

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

10 Equipment

	BAM
Cost	
Balance at 1 January 2010	20,651
Additions	2,679
	<hr/>
Balance at 31 December 2010	23,330
	<hr/>
Balance at 1 January 2011	23,330
Additions	1,941
	<hr/>
Balance at 31 December 2011	25,271
	<hr/> <hr/>
Accumulated depreciation and impairment losses	
Balance at 1 January 2010	13,716
Charge for the year	4,745
	<hr/>
Balance at 31 December 2010	18,461
	<hr/>
Balance at 1 January 2011	18,461
Charge for the year	3,399
	<hr/>
Balance at 31 December 2011	21,860
	<hr/>
Carrying amount	
At 1 January 2010	6,935
At 31 December 2010	4,869
	<hr/> <hr/>
At 1 January 2011	4,869
At 31 December 2011	3,411
	<hr/> <hr/>

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

11 Investments

	2011	% of	2010	% of
	BAM	ownership	BAM	ownership
Investments in BIRN d.o.o. Serbia	489	50%	757	77.41%
	<hr/> 489 <hr/>	<hr/> 50% <hr/>	<hr/> 757 <hr/>	<hr/> 77.41% <hr/>

On 14 August 2007, BIRN invested BAM 978 for establishment of BIRN d.o.o. in Serbia, in accordance with self-sustainability project financed by the Open Society Fund. 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.

In 2010 and 2011, based on the decision to transfer the ownership by the Director of association, the transfer of the ownership was executed. Certain share in ownership has been transferred to the journalists who have been working for BIRN since its foundation. The percentage of ownership transferred to the journalist amounts to 50% as at 31 December 2011 and the remaining percentage of ownership of BIRN in BIRN d.o.o. as at 31 December 2011 amounts to 50%.

As of 31 December 2011 there were twenty seven employees participating in the ownership including the Director. Accordingly, the Court Registration of BIRN d.o.o. is updated to reflect this change in the ownership structure, except for the four journalists from Kosovo due to administrative restraints (due to lack of recognition of Kosovo by Serbia, personal documents of citizens are not accepted by Serbian official bodies unabling registration in their name). Four Kosovo citizens have a total share of 7.61% at the end of 2011 and that percentage is added under the name of Director, who holds a 6.93% shares by herself, i.e. 14.61% stake including the shares of Kosovo citizens. This ownership is regulated by a legal contract and binding testament (will) in the unfortunate event of death of Director, protecting the shareholders in Kosovo.

12 Receivables

	2011	2010
	BAM	BAM
Receivables from donors	21,487	7,790
Other receivables	-	31
Prepayments	9,943	10,506
	<hr/> 31,430 <hr/>	<hr/> 18,327 <hr/>

13 Cash and cash equivalents

	2011	2010
	BAM	BAM
Cash at bank	348,958	245,440
Cash in hand	123	246
Short-term deposit	4,000	4,000
	<hr/> 353,081 <hr/>	<hr/> 249,686 <hr/>

BIRN holds current accounts at Raiffeisen bank d.d..

The Association has short-term deposit which is given as a security for an overdraft on business card. Overdraft is allowed up to BAM 4,000.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

14 Trade and other payable

	2011	2010
	BAM	BAM
Suppliers	5,860	5,579
Other liabilities	9,230	3,903
	<hr/>	<hr/>
	15,090	9,482
	<hr/> <hr/>	<hr/> <hr/>

15 Deferred income

	2011	2010
	BAM	BAM
Swiss cultural programme in Western Balkans	22,186	16,876
Erste Stiftung	31,242	25,478
Bosch & Erste	2,817	22,243
National Endowment for Democracy	6,842	6,085
Norway Ministry of Foreign Affairs	192,891	150,333
The Balkan Trust for Democracy	6,160	-
OSCE	-	4,872
The Swiss Federal Department of Foreign Affairs	76,660	-
The European Cultural Foundation	8,790	-
	<hr/>	<hr/>
	347,588	225,887
	<hr/> <hr/>	<hr/> <hr/>

Swiss cultural program for Western Balkans

The Swiss Cultural Programme in the Western Balkans is run by Pro Helvetia, the Swiss Arts Council, upon mandate of the Swiss Agency for Development and Cooperation SDC, Federal Department of Foreign Affairs. The SCP entrusts to BIRN the implementations of the regional cooperation project (RCP) Balkan's Initiative for Cultural Cooperation, Exchange and Development (BICCED), as a lead implementing association. The Project runs from 1 January 2010 until 31 December 2012.

Erste Stiftung

Purpose of the funds is to support prolongation of the fellowship program called "Balkan Fellowship for Journalist Excellence" in 2011. The program promotes excellence in journalism in the Balkans and publishes reports on development issues for the region. Funding started in 2008 and was extended in January 2011 for the period ending January 2012.

Bosch & Erste

The Robert Bosch Stiftung GmbH and Die ERSTE Österreichische Spar-Casse Privatstiftung in cooperation agree to prolong the programme "Balkan Fellowship for Journalistic Excellence". The agreement was signed in January 2011 period of one year until 31 December 2011. Agreement can be renewed by a written agreement of both parties.

National Endowment for Democracy

The Purpose of the awarded funds is to support "Advancing Investigative Journalism". The project is extended until 31 January 2012.

Norway Ministry of Foreign Affairs

Purpose of the awarded funds is to support "Advancing Sustainability of Independent Online Investigative Journalism". Total amount awarded is NOK 3,273,800 for the period 2010 – 2012.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

15 Deferred income (*continued*)

The Balkan Trust for Democracy

Purpose of this grant is to support creating four focus pages on pressing issues in the Balkans, improve quality of journalism in BIRN - Montenegro and create a mechanism for self-sustainability for the entire BIRN network. Amount of the grant is EUR 22,000 and the end date of the grant is May 2012.

The Swiss Federal Department of Foreign Affairs

The purpose of this grant is for the implementation of the Action entitled “*Regional Reporting on Transitional Justice Issues*”. Total amount awarded is EUR 150,000 for the period from 1 November 2011 to 31 October 2013.

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

16 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 2011 in the form of salaries based on temporary employment contract amounted to BAM 54,177 (2010: BAM 62,969) and BAM 13,082 (2010: BAM 7,785) on author's contract (editorial services).

Other income from related parties (members of the network)

	2011	2010
	BAM	BAM
BIRN Serbia	3,477	6,157
BIRN Kosovo	88,270	63,319
BIM BiH	30,001	47,407
BIRN d.o.o.	20,927	21,514
BIRN Macedonia	8,557	-
	<hr/>	<hr/>
	151,232	138,397
	<hr/> <hr/>	<hr/> <hr/>

Expenses to related parties (members of the network)

	2011	2010
	BAM	BAM
BIRN Serbia	29,151	58,284
BIRN Kosovo	17,980	13,863
BIRN Macedonia	74,974	91,367
BIRN Romania	587	978
BIRN d.o.o. Serbia	67,564	38,987
BIM BiH	16,353	7,176
	<hr/>	<hr/>
	206,609	210,655
	<hr/> <hr/>	<hr/> <hr/>

Balkan Investigative Reporting Regional Network

Notes to the financial statements (*continued*)

17 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.

Revenue recognition

Grants (“restricted donors’ contributions”) are recognised as revenue in the income and expenditure statement in the same period in which the expenses are incurred. Allowable expenses under such grants are specified in grant agreements.

Donations (“unrestricted donors’ contributions”) which are received for the overall BIRN activities are recognised as income when received.

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 Association 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 of their collectibility.

Balkan Investigative Reporting Regional Network

Supplementary information – Income statement of BIRN d.o.o. Serbia (unaudited)

The following table summarises main financial performance indicators of BIRN d.o.o. Serbia:

	<i>Note</i>	2011 BAM	2010 BAM
Revenue – advertising		17,002	25,060
Revenue – subscriptions		185,891	63,701
Other income		9,305	47,401
		<hr/>	<hr/>
Total income		212,198	136,162
		<hr/>	<hr/>
Staff costs		(46,148)	(21,723)
Other operating expenses		(160,611)	(116,302)
Depreciation and amortisation		(579)	(538)
		<hr/>	<hr/>
Total operating costs		(207,338)	(138,563)
		<hr/>	<hr/>
Finance income		710	1,797
Finance expense		(225)	(25)
		<hr/>	<hr/>
Net financial income		485	1,772
		<hr/>	<hr/>
Income tax expense		(393)	-
		<hr/>	<hr/>
Net profit / loss for the year		4,952	(629)
		<hr/> <hr/>	<hr/> <hr/>

This is supplemental information and does not form part of the audited financial statements.

Balkan Investigative Reporting Regional Network

Supplementary information –Balance sheet of BIRN d.o.o. Serbia (unaudited)

The following table summarises balance sheet at 31 Dec 2011 of BIRN d.o.o. Serbia:

	31 Dec 2011 BAM	31 Dec 2010 BAM
ASSETS		
Non-current assets		
Plant and equipment	1,240	1,807
	<hr/>	<hr/>
Total non-current assets	1,240	1,807
	<hr/>	<hr/>
Current assets		
Receivables	13,607	7,907
Cash and cash equivalents	18,365	21,803
	<hr/>	<hr/>
Total current assets	31,972	29,710
	<hr/>	<hr/>
TOTAL ASSETS	33,212	31,517
	<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES		
Equity		
Share capital	776	978
Retained earnings	7,723	3,330
	<hr/>	<hr/>
	8,499	4,308
	<hr/>	<hr/>
Current liabilities		
Trade and other payables	24,713	27,209
	<hr/>	<hr/>
Total current liabilities	24,713	27,209
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	33,212	31,517
	<hr/> <hr/>	<hr/> <hr/>

This is supplemental information and does not form part of the audited financial statements.