

**Company for Audit and Tax Consulting**

**ADITON Ltd.**

**BANJA LUKA**

**INDEPENDENT AUDITOR REPORT**

**ON FINANCIAL STATEMENTS  
FOR YEAR 2015**

**SARANTIS Ltd., Banja Luka**

Banja Luka, February, 2016

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TO OWNERS AND MANAGEMENT  
SARANTIS Ltd., Banja Luka

## **INDEPENDENT AUDITOR REPORT**

### ***Introduction***

We have audited submitted financial statements of “SARANTIS Ltd.”, Banja Luka (hereinafter the “Company”) which comprise the Balance Sheet on the day of December 31<sup>th</sup> 2015, Income Statement, Cash Flow Statement and Statement on Changes in Equity for the year ended on that date, and a summary of significant accounting policies and notes to the financial statements.

### ***Management’s responsibility for financial statements***

The management of the company is responsible for the preparation and fair presentation of these financial statements, including their adequate and timely disclosure. This involves establishing and maintaining proper accounting records in accordance with the laws of the Republic of Srpska, as well as implementing and maintaining internal controls applicable to the preparation of the financial statements which do not contain misleading information of material importance, the selection and application of the appropriate accounting policies, timely assessment of assets and capital, on the whole, the principles contained in the International accounting standards and International financial reporting standards.

The management’s responsibility entails compliance with the applicable legislation, including the laws on accounting, tax and other relevant to the Company.

The management is responsible for compliance with internal decisions made in accordance with the general act of the Company, which includes providing the full integrity of the property.

### ***Auditor’s responsibility***

Our responsibility is to express an opinion on submitted financial statements based on performed audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Accounting and Auditing of Republic of Srpska. These standards require compliance with ethical principles and that we plan and perform the audit in a way that makes it possible to, in reasonable measure, assure that financial statements do not contain misleading material information.

An audit involves performing procedures to obtain audit evidence about the amounts and informations disclosed in financial statements. Selected procedures are based on auditor’s judgement, including risk assessment of material errors contained in financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal controls relevant to the preparation and fair presentation of financial statements, in order to design best possible audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of used accounting policies and significant estimates made by management, as well as evaluating the overall presentation of financial statements.

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

### ***Unmodified Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the „SARANTIS Ltd.“ on the day December 31<sup>st</sup> 2015, and the results of its operations and cash flow for the year ending on that date, in accordance with the International Accounting Standards.

Broj: 101/15-6/16

Banja Luka, 17.02.2016.god

Ovlašćeni revizor:

Milivoje Đurić



**Balance Sheet**  
(Statement of Financial Position)  
date 31.12.2015.

- in BAM

Group and part of group of accounts	Item	AOP	Current Year Amounts			Previous Year (Opening Balance)
			Gross	Allowance	Net (4-5)	
1	2	3	4	5	6	7
<b>ASSETS</b>						
	<b>A. FIXED ASSETS (I+II+III+IV+V)</b>	001	<b>293.744</b>	<b>110.808</b>	<b>182.936</b>	<b>184.186</b>
01	<b>I INTANGIBLE ASSETS (1 through 5)</b>	002	<b>51.787</b>	<b>13.607</b>	<b>38.180</b>	<b>31.675</b>
010	1. Research and development investments	003				
011	2. Concessions, patents and licenses and similar rights	004				
012	3. Goodwill	005				
014	4. Other intangible assets	006	42.399	13.607	28.792	31.675
015 and 016	5. Advances (prepayments) and intangible assets in preparation process	007	9.388		9.388	
02	<b>II REAL ESTATES, PLANT, EQUIPMENT AND INVESTMENT PROPERTY (1 through 6)</b>	008	<b>239.821</b>	<b>97.202</b>	<b>142.619</b>	<b>151.510</b>
020	1. Land	009				
021	2. Buildings	010				
022	3. Plant and equipment	011	239.821	97.202	142.619	117.997
023	4. Investment property	012				
027 and 028	5. Advances (prepayments) and real estates, plant, equipment and investment property in preparation process	013				
029	6. Investment property, plants and equipment not owned by the company	014				33.513
03	<b>III BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE (1 through 5)</b>	015				
030	1. Forest	016				

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2015.

031	2. Growing crops	017			0	
032	3. Live stock	018			0	
033	4. Agricultural produce	019			0	
038 and 039	5. Advances (prepayments) and biological assets and agricultural produce in preparation process	020			0	
04	<b>IV LONG TERM FINANCIAL INVESTMENTS (1 through 8)</b>	021	<b>2.137</b>		<b>2.137</b>	<b>1.000</b>
040, part 049	1. Shares in related legal entities	022				
041, part 049	2. Shares in other legal entities	023				
042, part 049	3. Long-term loans to related legal entities	024				
043, part 049	4. Domestic long-term loans	025				
044, part 049	5. Long-term loans abroad	026				
045, part 049	6. Financial assets available for sale	027				
046, part 049	7. Financial assets held to maturity	028				
048, part 049	8. Other long-term financial investments (placements)	029	2.137		2.137	1.000
050	<b>V POSTPONED TAX FUNDS</b>	030				
	<b>B. CURRENT ASSETS (I+II+III)</b>	031	<b>3.065.838</b>	<b>32.591</b>	<b>3.033.247</b>	<b>2.107.861</b>
10 to 15	<b>I INVENTORIES, FIXED ASSETS AND ASSETS OF DISCONTINUED OPERATIONS AVAILABLE FOR SALE (1 through 6)</b>	032	<b>857.162</b>		<b>857.162</b>	<b>701.418</b>
100 to 109	1. Inventory of materials	033				
110 to 112	2. Inventories of work in progress, goods, unfinished products and services	034				
120	3. Inventory of finished products	035				
130 to 139	4. Inventory of merchandise goods	036	857.162		857.162	701.418
140 to 149	5. Fixed assets and assets of discontinued operations available for sale	037				
150 to 159	6. Advances paid (prepayments)	038				
	<b>II SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (1 through 5)</b>	039	<b>2.208.676</b>	<b>32.591</b>	<b>2.176.085</b>	<b>1.406.443</b>
20, 21, 22	1. Short-term receivables (a through d)	040	1.893.238	32.591	1.860.646	1.343.296
200, part 209	a) Customers – related legal entities	041	7.707		7.707	
201, part 209	b) Domestic costumers	042	1.846.493		1.846.493	1.218.885
202, part 209	v) Foreign costumers	043				94.365

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.” for year 2015.

210 to 209	g) bad and doubtful claims from domestic costumers	044	39.038	32.591	6.446	30.045
210 to 219	d) Receivables from specific products	045				
220 to 229	đ) Other short-term receivables	046				
23	2. Short-term financial investments (a through ž)	047				
230, part 239	a) Short-term loans to related legal entities	048				
231, part 239	b) Domestic short-term loans	049				
232, part 239	v) Short-term loans abroad	050				
233 and 234	g) Share of long-term financial placements which mature in one year	051				
235, part 239	d) Financial assets at fair value through profit and loss available for trading	052				
236, part 239	đ) Financial assets recognized at fair value through profit and loss	053				
237	e) Shares bought back indented for sale or cancelation	054				
238, part 239	ž) Other short-term investments	055				
24	3. Cash equivalents and cash (a+b)	056	221.790		221.790	37.466
240	a) Cash equivalents - securities	057				
241 to 249	b) Cash	058	221.790		221.790	37.466
270 to 279	4. Value added tax	059				
280 to 289, except 288	5. Prepaid expenses and accrued income	060	93.649		93.649	25.681
288	<b>III DEFERRED TAX ASSETS</b>	061				
	<b>V. OPERATING ASSETS (001+031)</b>	062	<b>3.359.583</b>	<b>143.400</b>	<b>3.216.183</b>	<b>2.292.047</b>
29	<b>G. LOSS OVER THE CAPITAL</b>	063				
	<b>D. TOTAL ASSETS (062+063)</b>	064	<b>3.359.583</b>	<b>143.400</b>	<b>3.216.183</b>	<b>2.292.047</b>

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2015.

Group and part of group of accounts	Item	AOP		Current Year Amounts	Previous Year (Opening Balance)
1	2	3		4	5
<b>EQUITY AND LIABILITIES</b>					
	<b>A. CAPITAL I-II+III+IV+V+VI-VII+VIII-IX)</b>	101		<b>607.678</b>	<b>566.443</b>
30	<b>I SHARE CAPITAL (1 through 6)</b>	102		<b>700.000</b>	<b>700.000</b>
300	1. Share capital	103			
302	2. Shares in limited liability company	104		700.000	700.000
303	3. Shares in cooperatives	105			
304	4. Other shares	106			
305	5. State-owned capital	107			
306	6. Other capital	108			
31	<b>II SUBSCRIBED CAPITAL UNPAID</b>	109			
320	<b>III ISSUANCE PREMIUM</b>	110			
part 32	<b>IV RESERVES (1+3)</b>	111			
321	1. Legal reserves	112			
322	2. Statutory reserves	113			
329	3. Other reserves	114			
330, 331 and 334	<b>V REVALUATION RESERVES</b>	115			
332	<b>VI UNREALISED GAINS FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE</b>	116			
333	<b>VII UNREALISED LOSSES FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE</b>	117			
34	<b>VIII RETAINED EARNINGS (1 through 4)</b>	118		<b>41.235</b>	<b>144.504</b>
340	1. Profit from previous years	119			
341	2. Profit for the financial year	120		41.235	144.504
342	3. Unallocated surplus of income over expenditure	121			
343	4. Net income of entrepreneurs	122			
35	<b>IX. LOSS UP TO THE AMOUNT OF CAPITAL (1+2)</b>	123		<b>133.557</b>	<b>278.061</b>
350	1. Loss of previous year	124		133.557	278.061



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351	2. Loss of current year	125		
40	<b>B. LONG-TERM PROVISIONS (1 through 6)</b>	126		
400	1. For expenses in warranty period	127		
401	2. For restoration of natural resources	128		
402	3. For kept down payments and deposits	129		
403	4. For costs of reorganization	130		
404	5. For employees wages and benefits	131		
407	6. Deferred tax liabilities	132		
408	7. Prepaid expenses and deferred charges	133		
409	6. Other long-term provisions	134		
	<b>V. LIABILITIES (I+II)</b>	135	<b>2.608.505</b>	<b>1.725.604</b>
41, except 418	<b>I LONG-TERM LIABILITIES (1 through 7)</b>	136		
410	1. Liabilities convertible in capital	137		
411	2. Liabilities toward related legal entities	138		
412	3. Long- term securities payable	139		
413 and 414	4. Long-term debt (borrowings)	140		
415 and 416	5. Long-term liabilities from financial leasing	141		
417	6. Long-term liabilities at fair value through profit and loss	142		
419	7. Other long-term liabilities	143		
42 to 48	<b>II SHORT-TERM LIABILITIES (1+10)</b>	144	<b>2.608.505</b>	<b>1.725.604</b>
42	1. Short-term financial liabilities (athrough g)	145		
420 to 423	a) Short-term borrowings and liabilities from short-term securities	146		
424 and 425	b) Share in long-term financial liabilities which mature in one year	147		
426	v) Short-term liabilities at fair value through profit and loss	148		
429	g) Other short-term financial liabilities	149		
43	2. Operating liabilities (a through d)	150	2.421.918	1.617.435
430	a) Prepayments, deposits and bails received	151		
431	b) Suppliers-related legal entities	152	1.503.873	876.747
432 , 433, 434	v) Domestic suppliers	153	103.279	59.644

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2015.

435	g) Foreign suppliers	154		814.766	681.044
439	d) Other operating liabilities	155			
440 to 449	3. Liabilities from specific operations	156			
450 to 458	4. Wages (salaries) and salaries (salaries compensations) payable	157			195
460 to 469	5. Other liabilities	158			
470 to 479	6. Value added tax	159		12.451	10.149
48 except 481	7. Other taxes, contributions and other fees payable	160		3.140	2.479
481	8. Profit tax liabilities	161			
49, except 495	9. Accrued expenses and deferred income	162		170.996	95.346
495	10. Deferred tax liabilities	163			
	G. OPERATING EQUITY AND LIABILITIES (101+125+132)	164		3.216.183	2.292.047
890 to 898	D. OFF BALANCE SHEET EQUITY AND LIABILITIES	165			
	Đ. TOTAL EQUITY AND LIABILITIES (161+162)	166		3.216.183	2.292.047

In Banja Luka  
 Date, 17.02.2016.  
 Authorized Person: Gordana Jovčić (Chief Accountant)  
Elvis Baltić (Director)

**Income Statement**  
(Statement of Comprehensive Income)  
from 01.01. to 31.12.2015

- in BAM -

Group and part of group of accounts	Item	AOP	Amount	
			Current Year	Previous Year
1	2	3	4	5
	<b>A. OPERATING INCOME AND EXPENSES</b>			
	<b>I OPERATING INCOME (1 to 4-5+6-7+8)</b>	201	<b>4.413.453</b>	<b>3.465.924</b>
60	1. Income from sales of merchandise goods (203 through 205)	202	4.401.745	3.448.257
600	a) Income from sale of merchandise goods to related legal entities	203	15.359	
601	b) Income from sale of merchandise goods on domestic market	204	4.386.386	3.439.992
602	v) Income from sale of merchandise goods on foreign market	205		8.265
61	2. Income from sale of products (a through v)	206		
610	a) Income from sale of products and services to related legal entities	207		
611	b) Income from sale of products and services on domestic market	208		
612	v) Income from sale of products and services on foreign market	209		
62	3. Income from employment (activation) or consumption of goods, products and services	210	11.708	17.667
630	4. Increase in value of products in stock	211		
631	5. Decrease in value of products in stock	212		
640 and 641	6. Increase of the value of investment properties and biological assets that are not subject to depreciation	213		
642 and 643	7. Decrease of the value of investment properties and biological assets that are not subject to depreciation	214		
650 to 659	8. Other operating income	215		
	<b>II OPERATING EXPENSES (1 to 8)</b>	216	<b>4.549.178</b>	<b>3.250.136</b>
500 to 502	1. Merchandise goods sold at cost	217	3.051.218	2.329.095
510 to 513	2. Materials expenses	218	66.037	76.113
52	3. Wages, salaries and other employee benefits expenses (a+b)	219	479.605	384.891
520 and 521	a) Gross wages and gross salaries	220	457.229	361.863
522 and 529	b) Other employee expenses	221	22.377	23.027
530 to 539	4. Services expense	222	751.514	283.795
54	5. Depreciation and provisions expenses (a+b)	223	47.650	39.331
540	a) Depreciation	224	47.650	39.331
541 to 549	b) Provisions expenses	225		
55 except 555 and 556	6. Immaterial expense (excluding taxes and contribution)	226	88.092	85.804
555	7. Tax expense	227	21.556	14.193
556	8. Contribution expense	228	43.506	36.914
	<b>B. OPERATING INCOME (A-B)</b>	<b>229</b>		<b>215.787</b>

	<b>V. OPERATING LOSS (B-A)</b>	<b>230</b>	<b>135.725</b>	
66	<b>G. FINANCE INCOME AND EXPENSES</b>	<b>231</b>	<b>147</b>	<b>188</b>
	<b>I FINANCE INCOME (1 through 6)</b>			
660	1. Finance income from related legal entities	232		
661	2. Interest income	233	126	164
662	3. Foreign exchange gains	234		
663	4. Incomes from currency clause	235		
664	5. Income from joint venture investments	236		
669	6. Other finance income	237	20	24
56	<b>II FINANCE EXPENSES (1 through 5)</b>	<b>238</b>	<b>940</b>	<b>28</b>
560	1. Finance expenses from relations with related legal entities	239		
561	2. Interests expense	240	770	
562	3. Foreign exchange losses	241		
563	4. Currency clause expenses	242		
569	5. Other finance expense	243	170	28
	<b>D. OPERATING INCOME (B-V+G) or</b>	<b>244</b>		<b>215.948</b>
	<b>Đ. OPERATING LOSS (V-B+G)</b>	<b>245</b>	<b>136.518</b>	
67	<b>E. OTHER INCOME AND EXPENSES</b>	<b>246</b>	<b>229.729</b>	<b>153.269</b>
	<b>I OTHER INCOME (1 through 10)</b>			
670	1. Income from sale of intangible investments, real-estates, plant and equipment	247	5.540	
671	2. Income from sale of investment property	248		
672	3. Income from sale of biological assets	249		
673	4. Income from sale of discontinued operations assets	250		
674	5. Income from sale of stakes in capital and long-term securities	251		
675	6. Income from sale of materials	252		
676	7. Surpluses, excluding surpluses of products in stock	253		
677	8. Collected written-off receivables	254		
678	9. Incomes from contractually agreed risk protection which cannot be included in the revaluation reserves	255		
679	10. Income from reduction of liabilities, termination of unused long-term provisions and other incomes	256	224.189	153.269
57	<b>II OTHER EXPENSES (1 through 10)</b>	<b>257</b>	<b>51.976</b>	<b>224.712</b>
570	1. Losses arising from liquidation and write-off of fixed assets and intangible assets	258		
571	2. Losses arising from sale and write off of investment property	259		
572	3. Losses arising from sale and write off of biological assets	260		
573	4. Losses arising from sale and write off of discontinued operations assets	261		
574	5. Losses from sale of stakes in capital and long-term securities	262		
575	6. Losses from sale of materials	263		

576	7. Deficits, excluding deficits of products in stock	264		
577	8. Losses from risk protection	265		
578	9. Losses from revaluation and write-offs	266	20.000	18.026
579	10. Losses from write-off of material and goods and other losses	267	31.976	206.686
	<b>Ž. GAIN FROM OTHER INCOMES AND EXPENSES (I-II)</b>	268	<b>177.753</b>	
	<b>Z. LOSS FROM OTHER INCOMES AND EXPENSES (II-I)</b>	269		<b>71.443</b>
	<b>J. INCOME AND LOSSES FROM REVALUATION OF PROPERTY VALUE</b>			
68	<b>I INCOME FROM REVALUATION OF PROPERTY VALUE (1 through 9)</b>	270		
680	1. Income from revaluation of intangible assets	271		
681	2. Income from revaluation of real-estates, plant and equipment	272		
682	3. Income from revaluation of investment property which is subject to depreciation	273		
683	4. Income from revaluation of biological assets which are subject to depreciation	274		
684	5. Income from revaluation of long-term financial placements and financial assets available for sale	275		
685	6. Income from revaluation of materials and goods	276		
686	7. Income from revaluation of short-term financial placements	277		
687	8. Income from revaluation of capital value	278		
689	9. Income from revaluation of other property value	279		
58	<b>II LOSSES FROM REVALUATION OF PROPERTY VALUE (1 through 8)</b>	280		
580	1. Impairment of intangible assets	281		
581	2. Impairment of real-estates, plant and equipment	282		
582	3. Impairment of investment property which is subject to depreciation	283		
583	4. Impairment of biological assets which are subject to depreciation	284		
584	5. Impairment of long-term financial placements and financial assets available for sale	285		
585	6. Impairment of materials and goods	286		
586	7. Impairment of short-term financial placements	287		
588	8. Impairment of receivables by the indirect method of determining the write-off	288		
589	8. Impairment of other property value	289		
	<b>J. REVALUATION GAIN</b>	290		

	<b>K. LOSS FROM THE REVALUATION OF PROPERTY VALUE (II-I)</b>	291		
690 and 691	<b>L. INCOMES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR</b>	292		
590 and 591	<b>LJ. LOSSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR</b>	293		
	<b>M. INCOME AND LOSS BEFORE TAXES</b>		41.235	144.505
	1. Income before taxes	294		
	2. Loss before	295		
721	<b>N. CURRENT AND DEFERRED INCOME TAX</b>	296		
	1. Tax expenses of reporting period			
part 722	2. Deferred tax expenses of reporting period	297		
part 722	3. Deferred tax incomes of reporting period	298		
	<b>NJ. NET INCOME AND NET LOSS</b>	299	41.235	144.505
	1. Net income of current year			
	2. Net loss of current year (	300		
	<b>TOTAL INCOME</b>	301	4.643.329	3.619.381
	<b>TOTAL EXPENSES</b>	302	4.602.094	3.474.876
723	<b>O. INTERIM DIVIDENDS AND OTHER FORMS OF NET INCOME DISTRIBUTION DURING REPORTING PERIOD</b>	303		
	Share of net income/loss which belongs to majority owners	304		
	Share of net income/loss which belongs to minority owners	305		
	Basic earnings per share	306		
	Diluted earnings per share	307		
	Average number of employees based on the working hour	308	19	18
	Average number of employees according to month ending balance	309	19	18

In Banja Luka  
 Date, 17.02.2016.  
 Authorized Person: Gordana Jovčić (Chief Accountant)  
Elvis Baltić (Director)

**Cash Flow Statement**  
(Statement of cash flows)  
from 01.01. to 31.12.2014

-in BAM

Number	Item	AOP	Amount	
			Current Year	Previous Year
1	2	3	4	5
	<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>4.837.805</b>	<b>3.362.799</b>
1	<b>I. Cash proceeds from operating activities (1 through 3)</b>	501		
2	1. Proceeds from sale and advances (prepayments)	502	4.836.711	3.357.106
3	2. Proceeds from premiums, subventions, grants, etc.	503		
4	3. Other proceeds from operating activities	504	1.094	5.693
5	<b>II. Cash outflows from operating activities (1 through 6)</b>	505	<b>4.581.961</b>	<b>3.478.799</b>
6	1. Payments to suppliers and given advances (prepayments)	506	3.928.459	3.010.090
7	2. Payments for employee wages, salaries, and other employee benefits	507	530.265	392.740
8	3. Payment of interests	508		
9	4. Payment of income taxes	509		
10	5. Other payments of operating activities	510	123.237	75.969
11	<b>III. Net inflow of cash from operating activities (I-II)</b>	511	255.844	
12	<b>IV. Net outflow of cash from operating activities (II-I)</b>	512		116.000
	<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>126</b>	<b>164</b>
13	<b>I Proceeds from investing activities (1 through 6)</b>	513		
14	1. Proceeds from short-term financial investment	514		
15	2. Proceeds from sale of shares and capital stakes	515		
16	3. Proceeds from sale of intangible assets, real-estates, plant, equipment, investment property and biological assets	516		
17	4. Proceeds from interests	517	126	164
18	5. Proceeds from dividends and participation in profit	518		
19	6. Proceeds from other long-term financial investments	519		
20	<b>II Cash outflow from investing activities (521 through 524)</b>	520	<b>71.646</b>	<b>62.376</b>
21	1. Outflows from short-term financial investments	521		
22	2. Outflows arising from purchase of shares and participation in capital	522		
23	3. Outflows from purchase of intangible assets, real-estates, plant, equipment, investment property and biological assets	523	71.646	62.376
24	4. Outflow arising from other long-term financial investments	524		
25	<b>III. Net cash inflow from investing activities (I-II)</b>	525		
26	<b>IV. Net cash outflow from investing activities (II-I)</b>	526	71.520	62.212

27	<b>V. CASH FLOW FROM FINANCING ACTIVITIES</b>			
	<b>I. Cash inflow from financing activities (1 through 4)</b>	527		
28	1. Inflow from increase in share capital	528		
29	2. Inflow arising from long-term financial liabilities	529		
30	3. Inflow arising from short-term financial liabilities	530		
31	4. Inflow from other long-term and short-term financial liabilities	531		
32	<b>II. Cash outflow from financing activities (1 through 6)</b>	532		
33	1. Outflow from redemption of own shares and capital stakes	533		
34	2. Outflow from long-term financial liabilities	534		
35	3. Outflow from short-term financial liabilities	535		
36	4. Net outflow arising from finance lease	536		
37	5. Outflow arising from dividends and participation in profit	537		
38	6. Outflows from other long-term and short-term liabilities	538		
39	<b>III. Net inflow of cash from financing activities (I-II)</b>	539		
40	<b>IV. Net outflow of cash from financing activities (II-I)</b>	540		
41	<b>G. TOTAL CASH INFLOW (AI+BI+VI)</b>	541	<b>4.837.931</b>	<b>3.362.963</b>
42	<b>D. TOTAL CASH OUTFLOW (AII+BII+VII)</b>	542	<b>4.653.607</b>	<b>3.541.175</b>
43	<b>Đ. NET CASH INFLOW (G-D)</b>	543	<b>184.324</b>	
44	<b>E. NET CASH OUTFLOW (D-G)</b>	544		<b>178.212</b>
45	<b>Ž. CASH AT THE BEGINNING OF REPORTING PERIOD</b>	545	<b>37.466</b>	<b>215.678</b>
46	<b>Z. FOREIGN EXCHANGE GAINS FROM TRANSLATION OF CASH</b>	546		
47	<b>I. FOREIGN EXCHANGE LOSSES FROM TRANSLATION OF CASH</b>	547		
48	<b>J. CASH AT THE END OF REPORTING PERIOD (G-D+Ž+Z-I)</b>	548	<b>221.790</b>	<b>37.466</b>

(Stamp)

In Banja Luka  
 Date, 17.02.2016.  
Gordana Jovčić (Chief Accountant)  
Elvis Baltić (Director)



**Statement on Changes in Equity**

for period ending 31.12.2014.

- in BAM -

Number	Type of change in equity	Share in shareholders' equity that belongs to owners of parent company							Minority interest	TOTAL EQUITY
		AOP	Shareholders' equity and stakes in limited liability companies	Revaluation reserve	Unrealized gains/losses arising from financial assets available for sale	Other reserves (issuance premium, legal and statutory reserves, cash flow protection)	Retained earnings / uncovered loss	Total		
	1	2	3	4	5	6	7	8	9	10
1	<b>Value on day 31.12.2012.</b>	901	700.000				(278.061)	421.939		421.939
2	Effects of the changes in accounting policies	902								
3	Effects of the corrections of material errors	903								
4	<b>New value on day 31.12.2012. (901 ± 902 ± 903)</b>	904	700.000				(278.061)	421.939		421.939
5	Effects of the revaluation of the material and immaterial assets	905								
6	Unrealized gains/losses arising from financial assets available for sale	906								
7	Foreign exchange differences from the translation of the financial statements in other foreign currency	907								
8	Net income/ loss of the reporting period as reported in income statement	908					144.504	144.504		144.504

9	Net income/losses of the period recognized directly in equity	909						0		0
10	Declared dividends and other distributions of the net income and covering the loss	910						0		0
11	New issuance of the shareholders equity and other increases in capital or decrease in capital	911								
12	<b>Value on day 31.12.2013. / 01.01.2013. (904 ± 905 ± 906 ± 907 ± 908 ± 909 - 910 + 911)</b>	912	700.000				(133.557)	566.443		566.443
13	Effects of the changes in accounting policies	913								
14	Effects of errors corrections	914								
15	<b>New value on day 01.01.2014. (912 ± 913 ± 914)</b>	915	700.000				(133.557)	566.443		566.443
16	Effects of the revaluation of the material and immaterial assets	916								
17	Unrealized gains/losses arising from financial assets available for sale	917								
18	Foreign exchange differences from the translation of the financial statements in other foreign currency	918								
19	Net income/ loss of the reporting period as reported in income statement	919					41.235	41.235		41.235
20	Net income/losses of the period recognized directly in equity	920								
21	Declared dividends and	921								

	other distributions of the net income and covering the loss								
22	New issuance of the shareholders equity and other increases in capital	922						0	0
23	<b>Value on day 31.12.2014.</b> <b>(915 ± 916 ± 917 ± 918 ± 919 ± 920 - 921 + 922)</b>	923	700.000				(92.322)	607.678	607.678

(Stamp)

In Banja Luka  
 Date, 17.02.2016.  
 Authorized Person: Gordana Jovčić  
 Director: Elvis Baltić (Director)

## **LEGAL AND OTHER BASIS**

1.1. In accordance with the Law on Accounting and Auditing of Republika Srpska, the Company is regarded as a medium-sized company.

1.2. The person responsible for the preparation of financial statements is Elvis Baltić, the director of the Company

1.3. Audit documentation includes financial statements of the Company (Balance Sheet, Income Statement, Balance of Cash Flow, Statement of Changes in Equity) as well as gross profit, inventory lists, decisions of the management bodies, business documentation, reports, records on the control of inspection bodies, rules on accounting and bookkeeping policies, normative acts, an extract from the register, other evidence and explanations made available to the auditor.

1.4. Documentation and information was presented to us by Gordana Jovčić, who has certified accountant licence..

1.5. Financial book keeping is performed through a software program for data processing and includes all the essential elements for analytical and synthetic review of the business changes in the Company. The bookkeeping is performed in accordance to the proper accounting standards.

1.6. Internal control is not organized as a separate division and is conducted in accordance with necessary guidelines and procedures, as well as auto controls according to descriptions of job positions.

1.7. The audit team:

1. Duško Daničić, certified auditor
2. Milivoje Đurić, certified auditor

1.8. Duration of the audit of client: December 2015 – February 2016.

1.9 Accounting records are based on the following accounting regulations.

- *Law on Accounting and Auditing of Republika Srpska ( Official Gazette of RS 94/15)*
- *International Standards on Auditing and International Standards on Financial Statements*
- *Standards Act on the application of chart of accounts for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of RS 106/15)*
- *Standards Act on the content and form of charts of accounts for companies, cooperatives, other legal entities and entrepreneurs ( Official Gazette of RS 49/15)*
- *Standards Act on the form and content of chart of statement of changes in equity (Official Gazette 84/09).*

According to the standards of Law on Accounting and Auditing, the companies and co-operations apply the International Standards on Auditing and International Standards on Financial Statements.

## **NOTES TO THE REPORT**

### **1. COMPANY BACKGROUND**

Sarantis Ltd. is a trade and service company based in Banja Luka at Ramići Street No bb, founded in November 23<sup>rd</sup> 2011.

The abbreviated name of the company is Sarantis Ltd., Banja Luka. The Company's main business is wholesale trade of porcelain, glass and cleaning products – 46.44.

The responsible person or person authorized and entered in the register of the District Court Banja Luka to represent the Company is:

- Elvis Baltić, represented as Director of the Sarantis Ltd., Banja Luka

The founder of the Company is:

SARANTIS Ltd. trade and services company, based in Serbia, Belgrade, Milana Rešetar Street, No 7 with a startup capital of 700.000,00 BAM which is currency equivalent to 357.904,32 Euro.

On November 25th, 2011 in the court registry of the District Court of Banja Luka with the Decision No. 257-0-Reg-11-003100 were entered changes in company seat – adress and additional activities, based on provisions of Article 58 Law on Registration of Business Entities of RS (Official Gazette of RS, No. 42/05). The legal basis for registration was Decision amending the Decision on the Establishment OPU – 742/2011 from November 23<sup>rd</sup> 2011.

On May 25th 2013 decision was taken on the establishment of business unit at Sarajevo. Business Unit Sarajevo is registered in the Register of the District Court of Banja Luka decision no. 057-0-Reg-13-001123 on July 08th 2013.

On March 18th 2015 in the court registry of the District Court of Banja Luka with the Decision No. 057-0-Reg-15-000569 were entered changes in company seat – adress. The legal basis for registration was Decision on the Establishment (revised text) OPU – 126/2015 from March 12th 2015.

On May 5th 2015 in the court registry of the District Court of Banja Luka with the Decision No. 057-0-Reg-15-000753 were entered changes in change of the person authorized to represent and changes in the scope of the powers person authorized to represent. The legal basis for registration was Decision on the Establishment (revised text) OPU – 151/2015 from April 1st 2015.

### **2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD**

#### **• Basis for preparation and presentation**

The financial statements of the Company for the period 01.01.2015 -31.12.2015 have been prepared in accordance with the accounting regulations of Republika Srpska.

The supplementary financial statements represent the Company's annual financial statements. The financial statements are arranged on the investing cost principle. The financial statements of the Company are presented in the format prescribed by the Standards Act on the application of chart of accounts for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of RS 106/15), the Standards Act on the content and form of charts of financial statements for companies, cooperatives, other legal entities and entrepreneurs ( Official Gazette of RS 49/15) as well as the Standards Act on the form and content of chart of statement of changes in equity (Official Gazette 84/09).

The amounts in the financial statements attached are expressed in Bosnia and Herzegovina convertible marks (BAM). Convertible Mark represents the official reporting currency in Republika Srpska and Bosnia and Herzegovina.

In the preparation of the cash flow statement for the period 01.01.2015-31.12.2015 the Company used the direct method for reporting the cash flow.

In preparing these financial statements the Company applied accounting policies explained on the pages 28-35 of this financial statement, which are based on the accounting and tax regulations of Republika Srpska.

The complementary financial statements are prepared according to the International Accounting Standards (IAS-39) i.e. the International Finance Reporting Standards (IFRS), which are effective from January 1<sup>st</sup> 2009 thus based on the accounting regulations of Republika Srpska. Specifically, based on the provisions of the applicable Law on Accounting and Auditing of Republika Srpska ("Official Gazette of RS", No. 36/09), all legal entities domiciled in Republika Srpska are required to fully apply IAS i.e. IFRS, as well as International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants, as well as the accompanying instructions, explanations and guidelines adopted by the International Accounting Standards Board and all accompanying instructions, explanations and guidelines issued by the International Federation of Accountants (IFAC), the financial statements for periods beginning on January 1<sup>st</sup> 2010 or later.

Moreover, on the July 15<sup>th</sup> 2010 the Governing Board of the Association of Accountants and Auditors of Republic of Srpska (SRRS) issued a decision on the "Decision on the start of the mandatory IAS / IFRS editions application (published on January 1<sup>st</sup> 2009)", and based on "Decision on powers for translation and publication" of the responsible Commission for the accounting and auditing of Bosnia and Herzegovina dated March 10<sup>th</sup> 2006 (Official Gazette BIH, No. 81/06), with such authorizations the SRRS is granted. The above mentioned IAS/IFRS version is approved by the International Financial Reporting Standards Foundation (IFRS) as an official translation into Serbian language for Bosnia and Herzegovina (Republika Srpska), Serbia and Montenegro. The above mentioned IAS / IFRS Decision published on January 1<sup>st</sup> 2009 is mandatory applicable to financial statements prepared and presented in Republika Srpska for the accounting periods beginning on January 1<sup>st</sup> 2010 or later.

At the date of publication of these financial statements, the mentioned standards and changes of the standards and interpretations were issued by the International Accounting Standards i.e. Standing Interpretation Committee interpretations (SICs), but not formally adopted in the Republika Srpska for annual periods beginning on January 1<sup>st</sup> 2015 or later:

- IFRS 1 (Revised) "First time application of IFRS" (effective for annual periods beginning on or after July 1<sup>st</sup> 2009)
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Great hyperinflation (effective for annual periods beginning on or after July 1st 2011)
- Amendments to "First time application of IFRS" – removal of fixed dates for those who are first-time adopters (effective for annual periods beginning on or after July 1st 2011)
- Amendments to IFRS 1 "First-time adoption of IFRS" - Additional Exemptions for those who first adopted IFRS (effective for annual periods beginning on or after January 1st 2010).
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Limited exemptions from comparative disclosures in accordance with IFRS 7 for those who first adopt IFRS (effective for annual periods beginning on or after July 1st 2010).
- Amendments to IFRS 1 "First-time Adoption of IFRS – Government loans(effective for annual periods beginning on or after January 1st 2013).
- Amendments to IFRS 2 "Action-based Payment"- Group transactions cash payments based on shares (effective for annual periods beginning on or after January 1st 2010),

- IFRS 3 (revised), "Business Combinations" (effective for annual periods beginning on or after July 1st 2009)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfer of financial assets (effective for annual periods beginning on or after July 1st 2011)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2013)
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after January 1st 2013)
- Amendments to IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after January 1st 2013)
- IFRS 12 "Disclosures of Involvement with Other Entities"(effective for annual periods beginning on or after January 1st 2013)
- IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after January 1st 2014)
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after January 1st 2013)
- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after January 1st 2013)
- IFRS 13 "Fair value measurement"(effective for annual periods beginning on or after January 1st 2013)
- IFRS 12 "Disclosures of Involvement with Other Entities" – Instruction on Transition (effective for annual periods beginning on or after January 1st 2013)
- Amendments to IAS 1 "Presentation of Financial Statements" – Item Presentation of Other Comprehensive Income (effective for annual periods beginning on or after July 1st 2012)
- Amendments to IAS 12 "Income Taxes"- Deferred taxes: Coverage of the underlying asset (effective for annual periods beginning on or after January 1st 2012)
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after January 1st 2013)
- Amendments to IAS 24 "Related Party Disclosures"- Simplifying the required disclosures for state-owned entities and clarifying the definition of related parties (effective for annual periods beginning on or after January 1st 2011)
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1st 2009)
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after January 1st 2013)
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after January 1st 2013)
- Amendments to IAS 32 "Financial Instruments: Displaying"- Classification of Rights Issues (effective for annual periods beginning on or after February 1st 2010).
- Amendments to IAS 32 "Financial Instruments: Displaying"- Offsetting Financial Assets and Financial Liabilities(effective for annual periods beginning on or after January 1st 2014)
- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets(effective for annual periods beginning on or after January 1st 2014)
- Amendments to IAS 39 — "Financial Instruments: Recognition and Measurement" - for eligible hedged items (effective for annual periods beginning on or after July 1st 2009)

- Amendments to IAS 39 — "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting(effective for annual periods beginning on or after January 1st 2014)
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on April 16th 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be effective for annual periods beginning on or after January 1st 2010)
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on May 17th 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be effective for annual periods beginning on or after January 1st 2013)
- Amendments to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Fund requires a minimum subscription of the fund (effective for annual periods beginning on or after January 1st 2011),
- IFRIC 17 "Transfer of non-cash Assets to the owners of the Company "(effective for annual periods beginning on or after July 1st 2009),
- IFRIC 18 "Transfer of funds to clients" (effective for annual periods beginning on or after July 1st 2009)
- IFRIC 19 "Extinguishing Liabilities with Equity Instruments"(effective for annual periods beginning on or after July 1st 2010)
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1st 2013)
- IFRIC 21 "Levies" (effective for annual periods beginning on or after January 1st 2014)
- "Conceptual Framework for Financial Reporting 2010" changes to "the Framework for the Preparation and Presentation of Financial Statements" (effective from the date of publication, ie by September 2010)
- Amendments to IAS 19 "Employee Benefits" - Defined benefit plans: Contribution Plan (effective for annual periods beginning on or after January 1st 2014)
- Amendments to "Annual Improvements to IFRS (2010-2012 Cycle)" which are the result of annual improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 , IAS 38) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be effective for annual periods beginning on or after July 1st 2014)
- Amendments to "Annual Improvements to IFRS (2011-2013 Cycle)" which are the result of annual improvements to IFRS (IFRS1, IFRS 3, IFRS 13, IAS 40) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be effective for annual periods beginning on or after July 1st 2014).

• **Comparative data**

As comparative data the Company presented income statement, statement of changes in equity and cash flow statement for the year that ends on the day December 31<sup>st</sup> 2014 and as well as balance sheet on the day of December 31<sup>st</sup> 2014.

• **Continuity of operations**

The Company prepares its financial statements in accordance with the principle of going concern.



### **3. ACCOUNTING POLICIES**

#### **3.1 ACCOUNTING PRINCIPLES**

In drafting the financial statements, the Company is required to comply with the following principles.

**3.1.1.TENURE PRINCIPLE** from which it follows that property, financial and income position of the Company as well as country's economic policy and economic opportunities in the region allow business in indefinite period from which follows temporality and periodicity of reporting, as well as mandatory assessment of buying price and cost price, except in cases of application of imparity principle.

**3.1.2 CONSISTENCY PRINCIPLE** which implies that the method of estimating in longer time period does not change, and if the change does happen the Annex shows the effect of the change and explains the reason for change.

**3.1.3 REALIZATION PRINCIPLE** by which the income statement can include only realized (market-validated) gains.

**3.1.4 IMPARITY PRINCIPLE** (unequal value) which requires a balancing of assets at the lowest value, and liabilities at the highest value, which results in measurement of expenditures on higher value, and revenues on lower value, as well as taking into account impairment (depreciation) and provisions independently whether the result is gain or loss.

**3.1.5 PRINCIPLE OF CAUSALITY** between income and expenditure which takes into account all revenues and expenses of a given accounting period, irrespective of the time of collection of revenue and moments of payments for expenditures.

**3.1.6. PRINCIPLE OF INDIVIDUAL ASSESSMENT OF ASSETS AND LIABILITIES** where possible group assessments for rationalization come from individual assessment.

**3.1.7 PRINCIPLE OF THE BALANCE IDENTITY** by which the opening balance of business books for the current year must be identical to the closing balance for the previous year.

#### **4. PROPERTY EVALUATION**

**4.1. GOODWILL AND INTANGIBLE INVESTMENTS** are recognized only when it is probable that from this investment there will be economic benefits and when the cost of investing is reliably measurable and includes investment in the development, concessions, patents, licenses, investments in other intangible assets and goodwill acquired by purchase.

#### **4.2. PROPERTY, PLANT AND EQUIPMENT**

The property, plant and equipment include: land, buildings, plant and equipment, investment property, property, plan and equipment and investment property under preparation, advance payment for property, plant, equipment and investment properties and investments on leased property, plant and equipment.

At the time of purchasing, these assets are valued at buying price. After initial recognition at buying value, buildings, plants and equipment are measured at present value (buying price less accumulated depreciation and impairment losses).

After initial recognition, investment properties are depreciated and measured at present value.

The present value of buildings, plants, equipment and investment property is increased by the subsequent costs of adaptation, replacement of parts and expenses of general repairs, provided that these costs can be measured and that they extend the useful life and enhance the assets.

After the initial evaluation when book keeping value of property, plant and equipment deviates from the ruling market price at balance sheet date, the assessment of property, plant and equipment is carried out either by new buying price or by revaluation. Positive effects of the assessment increase revaluation reserves, and negative effects decrease revaluation reserves, and if there is no revaluation reserves negative effects increases the expenditures by impairment of assets in the balance sheet.

### **4.3. DEPRECIATION**

The basis for the calculation of depreciation of intangible investments, property, plant and equipment, excluding land and forest, is buying value or revalued buying value.

The property, plant and equipment are grouped in frame within following categories:

Description	Depreciation Rate
Buildings	2-10
Plant and equipment	
Production and movable equipment	4-14
Furniture	10-20
Vehicles	15-25
Computers	25
Other equipment	11-50

### **4.4. OTHER LONG TERM FINANCIAL PLACEMENTS**

Other long-term investments include: long-term loans given to related legal entities, long-term loans in the country, long-term loans abroad, financial assets available for sale, financial assets held to maturity and other long-term financial investments.

Long-term loans and other long-term investments are valued as follows:

- If they were given in national currency they are valued at book value,
- If they were given in foreign currency they are valued at the average exchange rate on the balance sheet date. Foreign exchange gains are recorded in favor of financial income, and foreign exchange losses are charged to financial expenditures. If the given loans are with the foreign currency clause, they are valued at the exchange rate at the balance sheet date specified by the foreign currency clause. Positive effects are recorded in favor of financial income and negative are charged to financial expenditures.

Long-term securities held to maturity are valued as follows:

- If they are denominated in the national currency and not included on the stock exchange quotation list they are valued at book value,
- If they are included on the stock exchange quotation list they are valued at the sale price of the stock exchange on the balance sheet date. Positive effects are recorded in the revaluation reserve and negative on the burden of previously realized revaluation reserve, and if those reserves are not the burden of depreciation expense,
- If they are in a foreign currency and not included in the stock exchange quotation list, they are valued at the average exchange rate on the balance sheet date. Foreign exchange gains are recorded in favor of financial income, and foreign exchange losses are charged to financial expenditures.

#### **4.5. THE SUPPLIES AND GIVEN ADVANCES**

The supplies include: inventory of materials, work in process and intermediate goods inventory, finished goods inventory, stock and the given advances.

Inventories of materials, spare parts and write-off goods inventory are valued at purchase price, which includes the vendor invoice value and associated costs of procurement.

Work in process and finished goods inventories are valued at cost price or net purchase price if it is lower. The cost price includes the cost of production and the proportional share of operating costs of production, whereby these costs exclude the cost of disuse, administrative and sales costs.

The net selling price is the selling price on the day of assessment with subtracted net of fees, cost of sales, as well as the costs of completing the product in the case of work in progress. The net selling price is determined as follows: the ruling price at the balance sheet x (period expenses / net yield).

In case of the decrease in the use-price of the supplies for the amount of real and documented decrease of the value, a write-off of the inventories shall be charged to expenditure.

#### **4.6. TRADE AND OTHER RECEIVABLES SALE**

Receivables from sales and other receivables include: claims arising from sales, receivables from specific, other short-term receivables and value added tax.

Short-term receivables are valued at nominal value. Claims in foreign currency are valued at average rate on the balance sheet date. Foreign exchange gains are recorded in favor of financial income, and foreign exchange losses are charged to financial expenditures. Definitely bad debts are written off directly at the expense of other expenditures. Receivables from debtors in bankruptcy proceedings and claims which have not been billed for 365 days from the date of maturity, indirectly, are written off at the expense of other expenditures.

Value added tax paid includes the value added tax that is not compensated with the collected value added tax.

#### **4.7. CASH AND CASH EQUIVALENTS**

The cash and cash equivalents include: cash equivalents – securities, business accounts, allocated funds, letter of credit, cash funds and other funds whose use is restricted or value impaired.

Securities which are directly cashed and precious metals are considered to be cash equivalents. Securities are valued at buying value and precious metals are valued by the value derived from the prices of precious metals on world markets.

Securities, demand deposits and cash in foreign currency are valued at average exchange rate of foreign currency on the balance date. Foreign exchange gains are recorded in favor of financial income, and foreign exchange losses are charged to financial expenses.

#### **4.8. PREPAYMENTS AND ACCRUED INCOME**

Prepayments and accrued income include prepaid expenses, accrued income, accrued expenses and liabilities arising from other prepayments and accrued incomes.

#### **4.9. DEFERRED TAX ASSETS**

Deferred tax assets include long term and short term deferred tax assets and are quantified in accordance with the Law on Income tax and IAS 12 – Income tax and are recorded in the benefit of deferred tax expense.

#### **4.10. EXCESS CAPITAL LOSS**

The loss exceeding the value of capital is the difference between the total loss and equity.

### **5. EVALUATION OF LIABILITIES**

#### **5.1. CAPITAL**

Capital includes: fixed capital reduced by recorded unpaid capital, reserves ( share premium, legal and statutory reserves), revaluation reserves and unrealized gains and losses on financial assets available for sale, retained earnings and a loss to the amount of capital.

Loss from previous years and current year is a correction of capital value. Capital and loss are recorded in balance in the amount of nominal book value. The asset revaluation reserve is transferred to retained earnings when the asset is fully depreciated or sold.

Unrealized loss on securities and loss from the previous years and current year to the amount of capital are corrections of capital value.

#### **5.2. LONG TERM PROVISIONS**

Long-term provisions are liabilities to cover the costs and risks arising from the previous operations that will occur in the upcoming years and they are relate to:

- Provision for the costs in the warranty period,
- Provision for the costs of natural resources recovery,
- Provisions for retained payments and deposits,
- Provisions for restructuring costs,
- Provisions for wages and benefits, and
- Other provisions for probable costs.

These provisions are estimated by the Company based on actual expected costs, and they are eliminated in the moment with the emergence the costs which detriment provisions. Unused long term provisions to cover the costs are eliminated in favor of financial income.

#### **5.3. LONG TERM LIABILITIES**

Long term liabilities include: liabilities that can convert into capital, liabilities to related parties, liabilities to long term issued liabilities, long term loans in the country, long term loans abroad, long term finance lease obligations in the country and abroad , long term liabilities on fair value through income statement and other long term liabilities.

Long term liabilities in national currency are recorded in unpaid nominal value, and in foreign currency are recorded at average exchange rate of foreign currency on the balance date or at the rate agreed with the lender. Long term liabilities with currency clause are valued on the average exchange rate on the balance date of currency determined by currency clause.

#### **5.4. SHORT TERM LIABILITIES**

Short term liabilities include: short term liabilities to related parties, liabilities on issued short term securities, short term liabilities in the country and abroad, part of long term loans and long term liabilities on financial leasing due for payment up to one year, short term liabilities at fair value through income statement and other short term financial liabilities.

Short term liabilities in national currency are recorded in unpaid nominal value, and in foreign currency are recorded at average exchange rate of foreign currency on the balance date or at the rate agreed with the lender. Short term liabilities with currency clause are valued on the average exchange rate on the balance date of currency determined by currency clause.

#### **5.5. SHORT TERM LIABILITIES CLASSIFIED IN THE GROUP WITH THE FUND EARMARKED FOR SALE OR DISPOSAL**

In the short term liabilities are classified in the group with assets intended for sale or disposal include liabilities based on fixed assets held for sale and assets of the business being suspended. These include obligations in accordance with IFRS 5 - Fixed Assets Held for Sale and Discontinued Operations.

#### **5.6. LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES**

Liabilities to suppliers and other liabilities include: business liabilities, liabilities from specific operations, liabilities based on earnings and fees, other liabilities, except liabilities for participation in profit and liabilities for tax on added value.

Operating liabilities in national currency are recorded in unpaid amount, and in foreign currency are recorded at the average exchange rate on the balance date. Liabilities on tax on added value are related to the calculated added value for customers in the amount not compensated with the calculated tax on the value added by suppliers and based on import .

#### **5.7 CURRENT LIABILITIES FOR INCOME TAX**

Current liabilities for income tax include unpaid income tax.

#### **5.8. ACCRUED COSTS AND DEFERRED REVENUES**

Accrued costs and deferred revenues include: pre-calculated expenses, deferred income for future periods, deferred purchased costs, deferred income and grants received, deferred income from receivables and other accrued costs and deferred revenues.

Donations received to increase revenue shall be included in income to the amount of expenditure, and donations received for the purchased items are recorded in income in the amount of costs incurred on the basis of consumption or depreciation from donations.

#### **5.9. DEFERRED TAX LIABILITIES**

Deferred tax liabilities include long term and short term deferred tax liabilities and are quantified in accordance with the Law on income tax and IAS 12 – Income tax, and are recorded on the expense of tax expenditures.

## **6. AVERAGE EXCHANGE RATE OF CURRENCY AND REVALUATION RATIO**

Average exchange ratio of foreign currencies is:

	31.12.2015	31.12.2014	Indeks
1 EUR	1,95583	1,95583	100

## **7. REVENUE AND EXPENDITURES**

### **7.1 BUSINESS REVENUE AND EXPENDITURES**

#### **7.1.1. Business revenue include:**

- Revenue from sales of goods affiliated to corporate entities in the country and abroad,
- Revenue from income sale affiliated to corporate entities in the country and abroad,
- Revenue from activation and consumption effects are recognized at cost price,
- Revenue from activation and consumption of goods is recognized at purchase price and revenue from growth and increment are recognized at the market price,
- Changes in the value of investment properties
- Change in value of biological assets
- Income from premiums, subsidies, grants, reimbursements, donations, revenue from the Treasury and other designated sources or other similar incomes,
- Income from rents, dues, royalties, revenues from designated sources of financing and other operating income.

Business revenue is adjusted in case of increase and depreciation of inventory of work-in-progress and finished products

**7.1.2 Business expenditures include:** costs of other material, fuel and energy costs, costs of gross salaries and wages, costs of production services, depreciation and reservation costs, intangible costs, taxes and contribution independent of the results. All expenditures are recognized regardless of the payment.

### **7.2. FINANCIAL REVENUE AND EXPENDITURES**

7.2.1. Financial revenue includes: financial revenue from related parties, interest revenue, revenue from exchange rate gains, revenue on the basis of currency clause, revenue from interest in the profit of joint ventures and other financial revenue.

7.2.2. Financial expenditures includes: financial expenditures on the basis of relations with related parties, interest expenditures, expenditures arising from negative exchange rates, expenditures on the basis of currency clause and other financial expenditures.

### **7.3. OTHER REVENUE AND EXPENDITURES**

7.3.1. Other revenue include: revenue from adjustments of assets value, revenue arising from changes in accounting policies and corrections of errors from previous years and other revenue.

7.3.2. Other expenditures include: expenditures from adjustments of assets value,

expenditures arising from changes in accounting policies and corrections of errors from previous years and other expenditures.

#### **7.4. GAINS AND LOSSES DETERMINED DIRECTLY IN RESULTS**

7.4.1. Gains determined directly in equity are: gains after reduction of revaluation reserves on fixed assets, except securities available for sale, profits from change in fair value of securities available for sale, gains based on translating financial statement of foreign operations, actual gains on plans of definite benefits, effective portion of gains on the basis of protection against the risk of cash flows and other gains determined directly in equity.

7.4.2. Losses determined directly in equity are: losses in changes in fair value of securities available for sale, losses arising from translating financial statement of foreign operations, actual losses on plans of definite benefits, effective portion of losses on the basis of protection against the risk of cash flows and other losses determined directly in equity.

#### **7.5. INCOME TAX**

Income tax is calculated in accordance with the applicable regulations and within the time limits prescribed by the Law on Income Tax, and the recognition of temporary differences, deferred tax assets and tax liabilities disposed of shall be consistent with IAS-12.

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. GOODWILL AND INTANGIBLE ASSETS**

	Other intangible assets	Total	IN BAM
<b>Buying value:</b>			
Balance at the beginning of the year	<b>41.086</b>	<b>41.086</b>	
Increase in value	10.700	10.700	
Balance at the end of the year	<b>51.787</b>	<b>51.787</b>	
<b>Accumulated value adjustments:</b>			
Balance at the beginning of the year	<b>9.411</b>	<b>9.411</b>	
Depreciation	4.196	4.196	
Balance at the end of the year	<b>13.607</b>	<b>13.607</b>	
<b>Net present value:</b>			
31.12.2015.	<b>38.180</b>	<b>38.180</b>	
<b>Net present value:</b>			
31.12.2014.	<b>31.675</b>	<b>31.675</b>	

Intangible assets of the Company were in the amount of 38.179,70 BAM and in relation to the accounting software. In 2015 another licence was purchased in the amount of 1.312,44 BAM, a value of 9.387,98 BAM to Other intangible assets in preparation refers to the information system upgrade - an additional program business planner for sale.

As stated in the Company's accounting policies, intangible assets after initial recognition are valued on purchase price and used linear method of depreciation in accordance with assets useful life.

## 2. PROPERTY, PLANT AND EQUIPMENT

	IN BAM		
	Plant and equipment	Real estates, plant, equipment and investment property in preparation process	Investments in others'property, plants and equipment
	Total		
<b>Buying value:</b>			
Balance at the beginning of the year	<b>201.727</b>	<b>33.513</b>	<b>235.240</b>
New purchases	84.336	50.823	<b>135.159</b>
Disposal, sale and other	(46.241)	(84.336)	(130.557)
Balance at the end of the year	<b>239.821</b>		<b>239.821</b>
<b>Accumulated value adjustments:</b>			
Balance at the beginning of the year	<b>83.729</b>	<b>0</b>	<b>83.729</b>
Depreciation	43.454	0	43.454
Accumulated Misappropriation	(29.981)	0	(29.981)
Balance at the end of the year	<b>97.202</b>	<b>0</b>	<b>97.202</b>
<b>Net present value:</b>			
31.12.2015.	<b>142.619</b>		<b>142.619</b>
<b>Net present value:</b>			
31.12.2014.	<b>117.997</b>	<b>33.513</b>	<b>151.510</b>

The Company`s fixed assets, aside previously recorded Intangible assets, comprises of equipment for performing registered activities. The total net value of Company`s equipment on January 01<sup>st</sup> 2015 is 151.510,26 BAM, and on December 31<sup>st</sup> 2015 total net value is 142.619,49 BAM. Due to changes in the Company`s business policies, three (3) delivery vehicles were sold made the allowance for sales in the amount 29,981.49 BAM.



During 2015 three (3) vehicles were purchased, one used and two new, with a total value 61.694,41 BAM, computer equipment in the amount of 3.430,78 BAM, one forklift in the amount of 17.112,00 and office furniture in the amount of 2.098,70 BAM.

The equipment structure on December 31st 2015 is the following:

Vehicles	197.595,50 BAM
Computer equipment	12.741,64 BAM
Office and other equipment	24.673,14 BAM
Office furniture	4.810,71 BAM
TOTAL	239.820,99 BAM
CORRECTIONS TOTAL	97.201,50 BAM
NET VALUE	142.619,49 BAM

Identical to the intangible assets, the Company valued the equipment after initial recognition on purchase price. The Company used linear method of depreciation in accordance with assets useful life.

### **3. SHARES IN LEGAL ENTITIES AND OTHER LONG-TERM FINANCIAL INVESTMENTS**

	OTHER LONG-TERM FINANCIAL INVESTMENTS	TOTAL	IN BAM
<b>GROSS VALUE</b>			
Balance at the beginning of the year	<b>1.000</b>		<b>1.000</b>
Increases in value	<b>2.137</b>		<b>2.137</b>
Decrease in value	<b>1.000</b>		<b>1.000</b>
Balance at the end of the year	<b>2.137</b>		<b>2.137</b>
<b>NET VALUE</b>			
31.12.2015.	<b>2.137</b>		<b>2.137</b>
31.12.2014.	<b>1.000</b>		<b>1.000</b>

Other long-term investments in the total amount of 2.136,75 BAM are related to a long-term payment in advance for purchase of petrol.

### **4. INVENTORY AND ADVANCES**

	31. December 2015	31. December 2014	IN BAM
1. Goods	857.162	701.418	
<b>I Inventory, net</b>	<b>857.162</b>	<b>701.418</b>	
<b>INVENTORY AND ADVANCES</b>	<b>857.162</b>	<b>701.418</b>	

The Company's inventory consists solely of stocks of goods which is towards the end of 2015. recorded in the amount of 857.162 BAM. Goods are recorded on purchase price, in accordance with IAS 2 – Inventories.

## 5. RECEIVABLES FROM SALE AND OTHER RECEIVABLES

	IN BAM				
	Customers - related legal entities	Domestic customers	Foreign customers	Other short term receivables	Total
Gross balance at the beginning of the year		1.218.885	94.365	42.637	1.355.887
Gross balance at the end of the year	<b>7.707</b>	<b>1.846.493</b>		<b>39.038</b>	<b>1.893.238</b>
Correction of value at the beginning of the year				12.591	12.591
Correction of value at the end of the year				<b>32.591</b>	<b>32.591</b>
<b>NET VALUE</b>					
31.12.2014	<b>7.707</b>	<b>1.846.493</b>		<b>6.446</b>	<b>1.860.646</b>
31.12.2012		<b>1.218.885</b>	<b>94.365</b>	<b>30.045</b>	<b>1.343.296</b>

### Receivables by maturity

	in BAM		
Receivables by maturity in days	Up to one year	Over one year	Total
Receivables – gross value	1.854.200	39.038	<b>1.893.238</b>
Correction of value		32.591	<b>32.591</b>
Receivables – net value	<b>1.854.200</b>	<b>6.446</b>	<b>1.860.646</b>

Short term receivables were in the amount of 1.860.646,48 BAM and related to receivables from buyers. Receivables from domestic customers refer to sales of goods and are amounted at 1.852.939,82 BAM. Receivables from buyers from Republika Srpska are in the amount of 1.123.832,89 BAM, and receivables from Federacija Bosne i Hercegovine buyers are 722.660,49 BAM.

A part of receivables amounted at 39.037,79 BAM is related to *bad and doubtful claims from domestic customers*. Against all customers related to bad and doubtful claims there were initiated court proceedings, and was made provision for doubtful claims from domestic customers amounted at 32.591,35 BAM on December 31<sup>st</sup> 2015.

The most important receivables from buyers related to the receivables from:

1. OGIMIL Ltd. Trn - Laktaši.....	854.914,58 BAM
2. BINGO Ltd.. Tuzla .....	342.593,99 BAM
3. KONZUM Ltd. ....	197.397,10 BAM
4. TROPIC MALOPRODAJA Ltd. ....	121.657,00 BAM
5. CM-Cosmetic Market Ltd. Vitez .....	120.641,77 BAM
6. FIS Ltd. ....	27.231,11 BAM
7. dm drogerie markt Ltd. ....	25.055,58 BAM
8. Other buyers .....	157.002,25 BAM
9. Doubtful claims from domestic costumers.....	39.037,79 BAM
10. Provisions for doubtful claims from domestic costumers.....	32.591,35 BAM
Total domestic buyers .....	1.852.939,82 BAM

Receivables from foreign customers amounted to 7.706,66 BAM, and related to the reimbursement from related legal entity „Sarantis“ Belgrade.

The Company has sent the balance confirmation requests to all of its customers on the day 31.12.2015. and there were no significant unreconciled amount.

Against all customers whose claims are older than 365 days the Company has initiated court proceedings.

## 6. CASH AND CASH EQUIVALENT

	in BAM	
	31. December 2015	31. December 2014
1. Business accounts – domestic currency	221.737	37.010
2. Register - domestic currency	52	456
<b>Cash and cash equivalents – total (1 to 2)</b>	<b>221.790</b>	<b>37.466</b>

Cash and cash equivalent consist of giro account money deposited in Komercijalna banka bank in the amount of 158.640,97 BAM, as well as in Sberbank bank in the amount of 63.096.25 BAM and main register funds in the amount of 8.00 BAM and register funds at business unit Sarajevo 44,00 BAM.

## 7. PREPAID EXPENSES AND ACCRUED INCOME

	in BAM	
	31. December 2015	31. December 2014
1. Prepaid expenses	2.257	681
2. Accrued income	91.392	25.000
<b>TOTAL (1 - 2)</b>	<b>93.649</b>	<b>25.681</b>

Amount of 93.648 BAM at prepaid expenses and accrued income account is related to:

1. prepaid website expenses in advance amounted at 2.256,59 BAM and

2. claims for marketing expenses reimbursement from company Conter for 4th quarter 2015 amounted at 91.392.25 BAM, which are going to be invoiced in January 2016.

## 8. CAPITAL

	IN BAM	
	31. December 2015	31. December 2014
1. Shares of limited liability company	700.000	700.000
<b>I. Fixed capital</b>	<b>700.000</b>	<b>700.000</b>
1. Profit for the financial year	41.2355	144.504
<b>II. Profit (1 to 2)</b>	<b>41.235</b>	<b>144.504</b>
1. Loss of previous years	(133.557)	(278.062)
<b>II. Loss (1 to 2)</b>	<b>(133.557)</b>	<b>(278.061)</b>
<b>CAPITAL (I to IV-V)</b>	<b>607.678</b>	<b>566.443</b>

Since the Company is organized as a limited liability company, the share capital of the Company comprised of the Sarantis Ltd Belgrade initial share in the amount of 700.000 BAM. The total capital is lower compared to the originally paid-in capital for the net loss amount stated in the balance sheet. As of December 31<sup>st</sup> 2015, the total capital of the Company is 607.678 BAM.

## 9. LIABILITIES TOWARDS SUPPLIERS, CURRENT LIABILITIES ON THE TAX

	IN BAM	
	31. December 2015.	31. December 2014.
1. Suppliers – related legal entities	1.503.873	876.747
2. Suppliers in the country	103.279	59.644
3. Foreign suppliers	814.766	681.044
<b>I Operating liabilities - total (1 – 3)</b>	<b>2.421.918</b>	<b>1.617.435</b>
1. Obligations for contributions on salaries and benefits other than salary to be refunded	0	195
<b>II Liabilities for salaries and salary compensations - total</b>	<b>0</b>	<b>195</b>
<b>III Liabilities for VAT</b>	<b>12.451</b>	<b>10.149</b>
1. Liabilities for taxes, customs and other charges on purchase or expenditures	3.140	2.479
<b>IV Liabilities for other taxes, fees and other charges without current liabilities on income tax</b>	<b>3.140</b>	<b>2.479</b>
<b>Liabilities to suppliers and other liabilities - total (I – IV)</b>	<b>2.437.509</b>	<b>1.630.258</b>

Liabilities from the Company`s operations are in the total amount of 2.437.508,52 BAM, of which the most part refers to related legal entity Sarantis Ltd. Belgrade in the amount of 1.503.873,35 BAM (which is 62% of total amount of liabilities).

Liabilities to foreign suppliers were in the amount of 814.765,54 BAM, of which the most part refers to liabilities to Conter and Soldaco from Italy for goods in amount of 799.525,71 BAM or 98%.

Liabilities to other domestic suppliers were in the amount of 103.278,99 BAM. Liabilities to suppliers from Republika Srpska amounted to 14.235,09 BAM, and liabilities to suppliers from Federacija Bosne i Hercegovine amounted to 89.043,90 BAM.

Major suppliers are:

MEDIA POOL Ltd. ....	54.023,47 BAM
INTEREUROPA RTC .....	17.272,82 BAM
cm cosmetic markt .....	7.593,30 BAM
L&Co. Ltd. ....	4.202,50 BAM
Bingo Ltd. ....	3.627,00 BAM
TROPIC MALOPRODAJA .....	2.401,84 BAM
Other suppliers .....	14.158,06 BAM
TOTAL domestic suppliers .....	103.278,99 BAM

## 10. ACCRUED COSTS AND DEFERRED REVENUES

	IN BAM	
	31. December 2015	31. December 2014
1. Expenditure period calculated in advance	41.865	7.970
2. Other accrued costs and deferred revenue	129.131	87.376
<b>Accrued costs and deferred revenues- total (1-2)</b>	<b>170.996</b>	<b>95.346</b>

Expenditure period calculated in advance are related to the cost of provision for write-off of damaged goods in the amount of 4.495,71BAM and expenses for writing off the goods expired in the amount of 27.354,49 BAM, as well as expenses for telephone, lease and audit report for December 2015 in the total amount of 10.015,29 BAM for which invoices will be issued in January 2016.

Other accruals in the amount of 129.130,88 BAM are related to provisions for provisions for the cost of positioning goods in the amount of 12.020,53 BAM, for bonuses for realized turnover by the agreements in 2015 – the amount of 108.560,35 BAM for reimbursement of marketing expenses for promotional activities (8.550 BAM) for which invoices will be issued in January 2016.

## 11. OPERATING REVENUES

	IN BAM	
	31. December 2015	31. December 2014
1. Sales revenues from sales to related legal entities	15.359	
2. Sales revenues in domestic market (Republic of Srpska)	2.512.371	3.439.992
3. Sales revenues in domestic market (Federation BiH)	1.874.015	
4. Sales revenues in foreign market		8.265

<b>I Sales revenues - total (1 – 3)</b>	<b>4.401.745</b>	<b>3.448.257</b>
1. Income from own use of goods	11.708	17.667
<b>II Income from own use of products - total</b>	<b>11.708</b>	<b>17.667</b>
<b>OPERATING REVENUES - TOTAL (I – II)</b>	<b>4.413.453</b>	<b>3.465.924</b>

Sales revenues are consist of revenues acquired from wholesale and retail trade of goods in domestic market amounted at 2.512.371,21 BAM in Republika Srpska and 1.874.015,20 in Federacija Bosne i Hercegovina. Sales revenues make the most revenue in the Company's total operating revenues and account for 99.73%. Other operating income consists of income from use or consumption of goods in the amount of 11,707.74 BAM.

## 12. OPERATING EXPENDITURES

	IN BAM	
	31. December 2015	31. December 2014
1. Purchasing price of sold goods	3.051.218	2.329.095
<b>I Purchasing price of sold goods - total</b>	<b>3.051.218</b>	<b>2.329.095</b>
1. Materials expenses	8.207	3.496
2. Other (overhead) costs of material	17.071	17.439
3. Fuel and energy costs	40.759	55.178
<b>II Material costs - total (1 – 3)</b>	<b>66.037</b>	<b>76.113</b>
1. Costs of gross salaries	457.229	361.863
2. Costs of personal travel expenditures	7.514	
3. Costs of other gross personal expenditures	14.862	23.027
<b>III Costs of gross salaries, fees and other personal expenditures (1 – 2)</b>	<b>479.605</b>	<b>384.891</b>
<b>IV Depreciation costs</b>	<b>47.650</b>	<b>39.331</b>
1. Transport costs	157.646	41.544
2. Maintenance costs	2.924	5.359
3. Rent	72.553	59.864
4. Marketing costs	477.226	167.733
5. Costs of other services	41.165	9.296
<b>V Costs of production services - total</b>	<b>751.514</b>	<b>283.795</b>
1. Cost of non-productive services	31.529	37.106
2. Representation costs	18.081	13.304

3. Insurance costs	21.756	22.263
4. Costs of payment fees	9.102	5.702
5. Fee costs	3.753	2.810
6. Tax costs	21.556	14.193
7. Contributions costs	43.506	36.914
8. Other intangible costs	3.871	4.620
<b>VI Intangible costs - total (1 – 8)</b>	<b>153.154</b>	<b>136.911</b>
<b>Operating expenditures - TOTAL (I – VII)</b>	<b>4.549.178</b>	<b>3.250.136</b>

Of the total operating expenditures most of it is related to the purchasing values of the sold goods in the total amount of 3.051.218 BAM, which is in accordance with the primary business of the Company. Costs of gross salaries amounted at 479.606 BAM are related of net salaries and full salary taxes and contributions. Costs of production services in total amount of 751.514BAM are mostly related to marketing costs (477.226 BAM), rent (72.553BAM) and transport costs (157.646 BAM).

### **13. FINANCIAL REVENUE**

	IN BAM	
	31. December 2015	31. December 2014
1. Interest revenue	126	164
2. Other financial revenue	21	24
<b>Financial revenue - total (1 – 2)</b>	<b>147</b>	<b>188</b>

### **14. FINANCIAL EXPENDITURE**

	IN BAM	
	31. December 2015	31. December 2014
1. Interest expenditure	770	
2. Other financial expenditure	170	28
<b>Financial expenditure - total</b>	<b>940</b>	<b>28</b>

### **15. OTHER REVENUE**

	IN BAM	
	31. December 2015	31. December 2014
1. Income from sale of intangible investments, real – estates, plant and equipment	5.540	
1. Revenue from reduction of liabilities, elimination of unused long term reservation and other unmentioned income	224.189	153.269
<b>I OTHER REVENUE - TOTAL</b>	<b>229.729</b>	<b>153.269</b>

Other income in the amount of 224.189 BAM is mostly related to income from refunds of marketing expenses and 5.540 BAM related to gains from the sale of equipment - vehicles.

**16. OTHER EXPENDITURE**

	IN BAM	
	31. December 2015	31. December 2014
1. Losses from write-offs of claims	20.000	18.026
2. Expenditures of material, goods and other inventories	31.976	206.686
<b>OTHER EXPENDITURE- TOTAL (1-2)</b>	<b>51.976</b>	<b>224.712</b>

Within this group of expenditures losses from write-offs of claims and provisions for write-offs of claims amounted at 20.000 BAM; the costs of provisions for write-off of damaged goods in the amount of 31.976 BAM.

**17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Analytical review of the Company's initiated proceedings is given below.



					<b>TOTAL BAM</b>	<b>47.608,99</b>	<b>8.571.20</b>	<b>39.037,79</b>	
<b>No.</b>	<b>Customer</b>	<b>Channel</b>	<b>Date of initiating proceedings</b>	<b>STATUS 31.12.2014.</b>	<b>Main debt/ Proceeding value</b>	<b>Payments after proceedings initiated</b>	<b>DEBT STATUS ON 31.12.2015.</b>	<b>NOTE</b>	
1	BMD KOMERC d.o.o.	RT	21.05.2013.	Verdict due to omission dated 19.07.2013., Writ of execution dated on 05.12.2013.(submitted a complaint by enforcee on 13.02.2014., subimtted a respons to the complaint on 14.02.2014.), Submission demanding to continue execution on the property of enforcee dated on 10.07.2014.;	<b>13.310,38</b>	0,00	<b>13.310,38</b>		
2	BARTULA d.o.o. Sokolac	RT	20.12.2013.	Verdict based on confession from 13.02.2014., confirmed the validity and enforceability of the Writ of execution from 08.08.2014., Writ of execution dated on 08.09.2014., paid fee on the proposal and a writ of execution;	<b>8.547,91</b>	0,00	<b>8.547,91</b>		
3	LADAN d.o.o.	RT	20.12.2013.	A preliminary hearings scheduled for 20.06.2014., was postponed based on the request of defendant, new hearing scheduled for 10.09.2014., defendant paid all duties, charges withdrawn on 05.09.2014.;	<b>1426,99</b>	1426,99	<b>0,00</b>	Defendent paid for proceedings cocts amounted at 970,00 BAM totaly, from which 850,00 BAM is related to costs of legal representation and 120,00 BAM to lawsuit fee;	

4	MINI MARKET ILIĆ str	RT	20.12.2013.	Verdict due to omission from 18.02.2014. (legally binding and enforceable, sent an invitation for paying), Execution proposal dated on 09.07.2014.; Urgency for the adoption of a decision on the 30.03.2015. and 05.08.2015. Decision of the execution of 21.09.2015. Paid taxes on the proposal and a writ of execution, by the court order the objects and means of execution were change.	<b>944,99</b>	0,00	<b>944,99</b>
5	MIRO-PROM d.o.o.	RT	20.12.2013.	On 01.10. 2014. held the main hearing, verdict dated on 31.10. 2014., fee for initiating proceedings and verdict paid, confirmed validity and enforceability of the proposal for execution; Opening of pre-bankruptcy proceedings (RS No.14 / 15), a hearing to examine the conditions for the opening of bankruptcy proceedings scheduled for the day, 04/02/2015., the Decision of the Commercial Court in Bijeljina, no. 59 0 St 027355 14 St from 01.07.2015. bankruptcy proceedings, Reporting of the claims in the bankruptcy proceedings of 05.08.2015. , the Supplement to the calculation of the default interest from 25.09.2015.	<b>2.407,31</b>	0,00	<b>2.407,31</b>

6	SINPLAST d.o.o.	RT	20.12.2013.	Verdict due to omission from 26.03.2014. (legally binding and enforceable), Proposal for execution from 29.08.2014., Case has been referred to Municipal Court in Cazin by the Proposal of execution;	<b>2.400,00</b>	0,00	<b>2.400,00</b>
7	MARIN PROMET d.o.o.	RT	23.12.2013.	Verdict due to omission from 18.02.2014. (legally binding and enforceable, sent a Proposal for paying), Proposal for execution from 29.08.2014., Writ on execution dated on 13.10.2014., fee for Proposal and Writ paid;	<b>3.321,36</b>	0,00	<b>3.321,36</b>
8	MOSCHUS tr.vl.Kaljanac Rusmila	RT	23.12.2013.	The Lawsuit, dated with 23.12.2013. , the respondent checked out as an entrepreneur on 14.01.2013., submission which regulates the lawsuit of 28.09.2015.	<b>524,62</b>	0,00	<b>124,62</b>
9	SLAVUJ KOMERC D.O.O.	RT	24.12.2013.	Lawsuit (31.03.2014. submitted the Response to lawsuit, Submission demanding the adoption of judgement based on confession dated on 03.04.2014.), Verdict based on confession dated on 23.01.2015.;	<b>1.277,89</b>	0,00	<b>1.277,89</b>

10	BINGO s.p.Puškar Edin	RT	21.02.2014.	Lawsuit (fee for lawsuit paid, with letter dated on 25.04.2014. sent confirmation of the address of the defendant), Verdict to omission dated on 30.06.2014., fee for verdict paid, Proposal for execution;	<b>129,60</b>	0,00	<b>129,60</b>	
11	DIPSA d.o.o.	WS	21.02.2014.	By submission dated on 08.08.2014. the lawsuit was withdrawn after the payment of remaining debt (500,00 BAM) and proceedings costs (200,00 BAM);	<b>946,05</b>	946,05	<b>0,00</b>	Proceeding costs amounted at 200,00 BAM paid;
12	POLJOOPREMA HAMEDOVIĆ t.r.	RT	21.02.2014.	Lawsuit, fee for lawsuit paid, with the letter dated on 04.03.2014. sent the confirmation of the address of defendant, Verdict due to omission from 01.08.2014., confirmed validity and enforcement first degree verdict, proposal for execution;	<b>753,48</b>	0,00	<b>753,48</b>	
13	BIS st-ur vl.Irina Vukelić	RT	16.06.2014.	Lawsuit, fee for lawsuit paid, submitted corrections and amendments to lawsuit in part which relates to the status and address of defendant;	<b>237,27</b>	0,00	<b>237,27</b>	

14	OSTRA LUKA , ZZ	RT	18.06.2014.	Lawsuit, fee for lawsuit paid, On 05.08.2014. initiated bankruptcy proceedings, on 29.08.2014. submitted the claims registration, bankruptcy proceeding hearing scheduled for 24.11.2014., bankruptcy administrator admitted claim;	<b>322,40</b>	0,00	<b>322,40</b>	
15	TM MARKET d.o.o.	RT	18.06.2014.	Lawsuit: confirmed Lawsuit in the part referring to the address of the sued.	<b>2.337,28</b>	0,00	<b>2.337,28</b>	
16	BEM-COMMERCE	RT	18.06.2014.	Lawsuit;	<b>993,85</b>	100,00	<b>893,85</b>	
17	DEŽURNI MARKETI d.o.o.		01.08.2014.	Lawsuit;	<b>2.029,45</b>	0,00	<b>2.029,45</b>	
18	HOMINI-KOMERC d.o.o.		29.09.2014.	The lawsuit of 14.01.2015. The Judgment of 24.03.2015. a decision upholding the return to the status quo ante and f or revoking the judgment of 19.06.2015. a preliminary hearing is scheduled for 24.11.2015.	<b>4.298,90</b>	4298,90	<b>0</b>	Court costs were paid i the ammount of 400,00 BAM
19	RC-REAL CLEAN d.o.o.		24.10.2014.	Warning before lawsuit;	<b>443,92</b>	443,92	<b>0</b>	
20	ŠKAFA d.o.o.		12.01.2015	Warning before lawsuit;	<b>378,28</b>	378,28	<b>0</b>	
21	MEGACO d.o.o.		19.01.2015	Warning before lawsuit; the taxes to the complaint eas paid.	<b>577,06</b>	577,06	<b>0</b>	

## **18. EVENTS AFTER THE BALANCE DATE**

At the date of submitting financial statements there were no significant events that would indicate the existence of information that would lead to a correction of the accompanying statements or their disclosure.

## **19. TAX RISKS**

The tax system of Republika Srpska and of the Bosnia and Herzegovina is regulated on the principle that indirect taxes (customs, excise, VAT and road tax) are regulated at the state level, while all other taxes (income tax, tax on income, property taxes, and fees) as well as social security contributions, are introduced at the entity level. For taxpayers, a big problem are the frequent changes in laws and by-laws which regulate the area of taxes, unlike most developed market economies that have a stable tax system.

In case of the practical application of the tax law, frequently there are disagreements in opinion between the relevant state bodies concerning the legal interpretation of certain statutory provisions. These phenomena can lead to uncertainty and conflict of interest. In some cases, the same tax issue there is statutory jurisdiction of several inspection bodies (eg. foreign trade transport, customs matters and foreign currency controls).

The interpretations of tax legislation by tax authorities relating the transactions and the Company's activities may be in disagreement with the interpretations of the Company's management. As a result of different interpretations and application of law by the management and inspection bodies, some transactions can be challenged by the tax authorities thus the Company can have certain extra amount of taxes, penalties and interests.

In accordance with the Law on Tax Procedure of Republika Srpska and with Law on Indirect Taxation of Bosnia and Herzegovina, the period of limitation of tax liability is 5 years. This practically means that the tax authorities have the right to determine pay overdue debts within 5 years from the time when the obligation arose. These facts influence the tax risk in Republika Srpska and Bosnia and Herzegovina, and is significantly higher than in countries with a stable and developed tax system.