



ADITON Ltd. Banja Luka
Company for Audit and Tax Consulting

INDEPENDENT AUDITOR REPORT

ON FINANCIAL STATEMENTS FOR YEAR 2016

SARANTIS Ltd., Banja Luka

Banja Luka, February, 2017

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TO OWNERS AND MANAGEMENT

SARANTIS Ltd., Banja Luka

INDEPENDENT AUDITOR REPORT

Introduction

We have audited the submitted financial statements of "SARANTIS Ltd.", Banja Luka (hereinafter the "Company") which comprise the Balance Sheet on the day of December 31st 2016, 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 information 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.

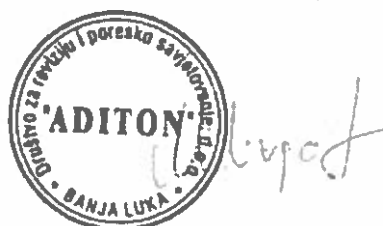
Positive Opinion

In our opinion, the financial statements present accurate and fairly, in all material respects, the financial item of the „SARANTIS Ltd.” on the day December 31st 2016, as well as the results of its operations and cash flow for the year ending on that date, in accordance with the International Accounting Standards.

No: Broj:62/16-2/17

Banja Luka, 14.february 2017.

Certified Auditor:
Milivoje Đurić



BALANCE SHEET - Statement of Financial Position
date 31.12.2016

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
	ASSETS	001	332.037	103.480	228.557	182.936
01	A. FIXED ASSETS (I+II+III+IV+V)	002	55.209	18.786	36.424	38.180
010	I INTANGIBLE ASSETS (1 through 5)	003				
011	1. Research and development investments	004				
012	2. Concessions, patents and licenses and similar rights	005				
014	3. Goodwill	006	51.787	18.786	33.001	28.792
015,016	4. Other intangible assets	007	3.423		3.423	9.388
02	5. Advances (prepayments) and intangible assets in preparation process	008	274.691	84.694	189.997	142.619
020, part 029	II REAL ESTATES, PLANT, EQUIPMENT AND INVESTMENT PROPERTY (1 through 6)	009				
021, part 029	1. Land	010				
022, part 029	2. Buildings	011	274.691	84.694	189.997	142.619
023, part 029	3. Plant and equipment	012				
024, part 029	4. Investment property	013				
027, 028, part 029	5. Advances (prepayments) and real estates, plant, equipment and investment property in preparation process	014				
03	6. Investment property,	015				

	plants and equipment not owned by the company							
030, part 039	III BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE (1 through 5)	016						
031, part 039	1. Forest	017						
032, part 039	2. Growing crops	018						
033, part 039	3. Live stock	019						
037, 038, part 039	4. Agricultural produce	020						
04	5. Advances (prepayments) and biological assets and agricultural produce in preparation process	021	2.137			2.137		2.137
040, part049	IV LONG TERM FINANCIAL INVESTMENTS (1 through 8)	022						
041, part049	1. Shares in related legal entities	023						
042, part049	2. Shares in other legal entities	024						
043, part049	3. Long-term loans to related legal entities	025						
044, part049	4. Domestic long-term loans	026						
045, part049	5. Long-term loans abroad	027						
046, part049	6. Financial assets available for sale	028						
048, part 049	7. Financial assets held to maturity	029	2.137			2.137		2.137
050	8. Other long-term financial investments (placements)	030						
10 to 15	V POSTPONED TAX FUNDS	031	3.113.117	32.591		3.080.526		3.033.247
10	B. CURRENT ASSETS (I+II+III)	032	771.478			771.478		857.162
	I INVENTORIES, FIXED ASSETS AND ASSETS OF DISCONTINUED OPERATIONS AVAILABLE FOR	033						

233,234 part 239	v) Short-term loans abroad	051						
235,dio239	g) Share of long-term financial placements which mature in one year	052						
236,dio239	d) Financial assets at fair value through profit and loss available for trading	053						
237	d) Financial assets recognized at fair value through profit and loss	054						
238,dio239	e) Shares bought back indented for sale or cancelation	055						
24	ž) Other short-term investments	056	480.088			480.088		221.790
240	3. Cash equivalents and cash (a+b)	057						
241-249	a) Cash equivalents - securities	058	480.088			480.088		221.790
27	b) Cash	059	4.887			4.887		
280-289 except 288	4. Value added tax	060	206.904			206.904		93.649
288	5. Prepaid expenses and accrued income	061						
	III DEFERRED TAX ASSETS	062	3.445.154		136.071	3.309.083		3.216.183
29	V. OPERATING ASSETS (001+031)	063						
	G. LOSS OVER THE CAPITAL	064	3.445.154		136.071	3.309.083		3.216.183

Balance Sheet (Statement of Financial Position) - continued

date 31.12.2016.

IN BAM

Group and part of group of accounts	Item	AOP	Current Year Amounts	Previous Year (Opening Balance)
1	2	3	4	5
	EQUITY AND LIABILITIES			
	A. KAPITAL (I-II+III+IV+V+VI-VII+VIII-IX)	101	2.254.824	607.678
30	I SHARE CAPITAL (1 through 6)	102	2.200.000	700.000
300	1. Share capital	103		
302	2. Shares in limited liability company	104	2.200.000	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	II SUBSCRIBED CAPITAL UNPAID	109		
320	III ISSUANCE PREMIUM	110		
part 32	IV RESERVES (1+3)	111		
321	1. Legal reserves	112		
322	2. Statutory reserves	113		
329	3. Other reserves	114		
330,331, 334	V REVALUATION RESERVES	115		
332	VI UNREALISED GAINS FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE	116		
333	VII UNREALISED LOSSES FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE	117		
34	VIII RETAINED EARNINGS (1 through 4)	118	147.146	41.235
340	1. Profit from previous years	119		
341	2. Profit for the financial year	120	147.146	41.235
342	3. Unallocated surplus of income over expenditure	121		

343	4. Net income of entrepreneurs	122	
35	IX. LOSS UP TO THE AMOUNT OF CAPITAL (1+2)	123	133.557
350	1. Loss of previous year	124	133.557
351	2. Loss of current year	125	
40	B. LONG-TERM PROVISIONS (1 through 8)	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 employee 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	
	V. LIABILITIES (I+II)	135	2.608.505
41	I LONG-TERM LIABILITIES (1 through 8)	136	
410	1. Liabilities convertible in capital	137	
411	2. Liabilities toward related legal entities	138	
412	3. Long-term securities payable	139	
413,414	4. Long-term debt (borrowings)	140	
415,416	5. Long-term liabilities from financial leasing	141	
417	6. Long-term liabilities at fair value through profit and loss	142	
419	8. Other long-term liabilities	143	
42-49	II SHORT-TERM LIABILITIES (1+10)	144	2.608.505
42	1. Short-term financial liabilities (a through g)	145	
420-423	a) Short-term borrowings and liabilities from short-term securities	146	
424,425	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
430	a) Prepayments, deposits and bills received	151	

431	b) Suppliers-related legal entities	152	132.720	1.503.873
432,433,434	v) Domestic suppliers	153	77.928	103.279
435	g) Foreign suppliers	154	696.398	814.766
439	d) Other operating liabilities	155		
44	3. Liabilities from specific operations	156		
45	4. Wages (salaries) and salaries (salaries compensations) payable	157		
46	5. Other liabilities	158		
47	6. Value added tax	159		12.451
48,except481	7. Other taxes, contributions and other fees payable	160	3.542	3.140
481	8. Profit tax liabilities	161	13.024	
49,except495	9. Accrued expenses and deferred income	162	130.648	170.996
495	10. Deferred tax liabilities	163		
	G. OPERATING EQUITY (A to V)	164	3.309.083	3.216.183
89	D. OFF BALANCE SHEET EQUITY	165		
	D. TOTAL EQUITY AND LIABILITIES (G+D)	166	3.309.083	3.216.183

Authorized Person:
Gordana Jovčić

Gordana Jovčić



Director:
Elvis Baltić

Elvis Baltić

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

IN BAM

Group d part of group of accounts	ITEM	AOP	Amount	
			Current Year	Previous Year
1	2	3	4	5
	A. OPERATING INCOME AND EXPENSES	201	5.412.174	4.413.453
60	I OPERATING INCOME (1 to 4-5+6-7+8)	202	5.402.264	4.401.745
600	1. Income from sales of merchandise goods (203 through 205)	203	13.807	15.359
601	a) Income from sale of merchandise goods to related legal entities	204	5.388.457	4.386.386
602	b) Income from sale of merchandise goods on domestic market	205		
61	v) Income from sale of merchandise goods on foreign market	206		
610	2. Income from sale of products (a through v)	207		
611	a) Income from sale of products and services to related legal entities	208		
612	b) Income from sale of products and services on domestic market	209		
62	v) Income from sale of products and services on foreign market	210	9.910	11.708
630	3. Income from employment (activation) or consumption of goods, products and services	211		
631	4. Increase in value of products in stock	212		
640.641	5. Decrease in value of products in stock	213		
642.643	6. Increase of the value of investment properties and biological assets that are not subject to depreciation	214		
65	7. Decrease of the value of investment properties and biological assets that are not subject to depreciation	215		
	8. Other operating income	216	5.624.109	4.549.178
50	II OPERATING EXPENSES (1 to 8)	217	3.829.587	3.051.218
51	1. Merchandise goods sold at cost	218	63.063	66.037
52	2. Materials expenses	219	528.608	479.605
520 do 523	3. Wages, salaries and other employee benefits expenses (a+b)	220	482.487	457.229
524 do 529	a) Gross wages and gross salaries	221	46.121	22.377
53	b) Other employee expenses	222	977.303	751.514
54	4. Services expense	223	51.172	47.650
540	5. Depreciation and provisions expenses	224	51.172	47.650

	(a+b)			
541-549	a) Depreciation	225		
55 except 555 i 556	b) Provisions expenses	226	99.115	88.092
555	6. Immaterial expense (excluding taxes and contribution)	227	29.104	21.556
556	7. Tax expense	228	46.156	43.506
	8. Contribution expense	229		
	B. OPERATING INCOME (A-B)	230	211.935	135.725
66	V. OPERATING LOSS (B-A)	231	27	147
660	G. FINANCE INCOME AND EXPENSES I FINANCE INCOME (1 through 6)	232		
661	1. Finance income from related legal entities	233		126
662	2. Interest income	234		
663	3. Foreign exchange gains	235		
664	4. Incomes from currency clause	236		
669	5. Income from joint venture investments	237	27	20
56	6. Other finance income	238	28	940
560	II FINANCE EXPENSES (1 through 5)	239		
561	1. Finance expenses from relations with related legal entities	240		770
562	2. Interests expense	241		
563	3. Foreign exchange losses	242		
569	4. Currency clause expenses	243	28	170
	5. Other finance expense	244		
	D. OPERATING INCOME (B-V+G) or	245	211.936	136.518
67	D. OPERATING LOSS (V-B+G)	246	412.986	229.729
670	E. OTHER INCOME AND EXPENSES I OTHER INCOME (1 through 10)	247	16.814	5.540
671	1. Income from sale of intangible investments, real-estates, plant and equipment	248		
672	2. Income from sale of investment property	249		
673	3. Income from sale of biological assets	250		
674	4. Income from sale of discontinued operations assets	251		
675	5. Income from sale of stakes in capital and long-term securities	252		
676	6. Income from sale of materials	253		
677	7. Surpluses, excluding surpluses of products in stock	254		
678	8. Collected written-off receivables	255		
679	9. Incomes from contractually agreed risk protection which cannot be included in the revaluation reserves	256	396.172	224.189
57	10. Income from reduction of liabilities,	257	40.880	51.976

	termination of unused long-term provisions and other incomes			
570	II OTHER EXPENSES (1 through 10)	258	5.867	
571	1. Losses arising from liquidation and write-off of fixed assets and intangible assets	259		
572	2. Losses arising from sale and write off of investment property	260		
573	3. Losses arising from sale and write off of biological assets	261		
574	4. Losses arising from sale and write off of discontinued operations assets	262		
575	5. Losses from sale of stakes in capital and long-term securities	263		
576	6. Losses from sale of materials	264		
577	7. Deficits, excluding deficits of products in stock	265		
578	8. Losses from risk protection	266	6.132	20.000
579	9. Losses from revaluation and write-offs	267	28.881	31.976
	10. Losses from write-off of material and goods and other losses	268	372.107	177.753
	Z. GAIN FROM OTHER INCOMES AND EXPENSES (I-II)	269		
68	Z. LOSS FROM OTHER INCOMES AND EXPENSES (II-I)	270		
680	J. INCOME AND LOSSES FROM REVALUATION OF PROPERTY VALUE	271		
681	I INCOME FROM REVALUATION OF PROPERTY VALUE (1 through 9)	272		
682	1. Income from revaluation of intangible assets	273		
683	2. Income from revaluation of real-estates, plant and equipment	274		
684	3. Income from revaluation of investment property which is subject to depreciation	275		
685	4. Income from revaluation of biological assets which are subject to depreciation	276		
686	5. Income from revaluation of long-term financial placements and financial assets available for sale	277		
687	6. Income from revaluation of materials and goods	278		
689	7. Income from revaluation of short-term financial placements	279		
58	8. Income from revaluation of capital value	280		
580	9. Income from revaluation of other property value	281		
581	II LOSSES FROM REVALUATION OF PROPERTY VALUE (1 through 8)	282		
582	1. Impairment of intangible assets	283		
583	2. Impairment of real-estates, plant and	284		

583	2. Impairment of real-estates, plant and equipment	284		
584	3. Impairment of investment property which is subject to depreciation	285		
585	4. Impairment of biological assets which are subject to depreciation	286		
586	5. Impairment of long-term financial placements and financial assets available for sale	287		
588	6. Impairment of materials and goods	288		
589	7. Impairment of short-term financial placements	289		
	8. Impairment of receivables by the indirect method of determining the write-off	290		
	8. Impairment of other property value	291		
690.691	J. REVALUATION GAIN	292		
590.591	K. LOSS FROM THE REVALUATION OF PROPERTY VALUE (II-I)	293		
	L. INCOMES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR	294		
	LJ. LOSSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR	295		
721	M. INCOME AND LOSS BEFORE TAXES	296	160.170	41.235
	1. Income before taxes			
part 722	2. Loss before	297		
part 722	N. CURRENT AND DEFERRED INCOME TAX	298	13.024	
	1. Tax expenses of reporting period			
	2. Deferred tax expenses of reporting period	299		
	3. Deferred tax incomes of reporting period	300		
	NJ. NET INCOME AND NET LOSS	301	147.146	41.235
	1. Net income of current year			
	2. Net loss of current year (302		
723	TOTAL INCOME	303	5.825.187	4.643.329
	TOTAL EXPENSES	304	5.665.017	4.602.094
	O. INTERIM DIVIDENDS AND OTHER FORMS OF NET INCOME DISTRIBUTION DURING REPORTING PERIOD	305		
	Share of net income/loss which belongs to majority owners	306		
	Share of net income/loss which belongs to minority owners	307		
	Basic earnings per share	308	20	19
	Diluted earnings per share	309	20	19

Authorized Person:
Gordana Jovčić




Director:
Elvis Baltić



Balance Statement Sheet - abridged

On 31.12.2016

IN BAM

ITEM	Note No	Current Year Amounts			Previous Year (Opening Balance)
		Gross	Allowance	Net (3-4)	
1	2	3	4	5	6
A. FIXED ASSETS		3.445.154	136.071	3.309.083	3.216.183
I INTANGIBLE ASSETS		332.037	103.480	228.557	182.936
Goodwill					
Other intangible assets	1	55.209	18.786	36.424	38.180
Real estates, plant and equipment	2	274.691	84.694	189.997	142.619
Biological assets					
Equity share					
Other long-term financial investments (placements)		2.137		2.137	2.137
II Current assets		3.113.117	32.591	3.080.526	3.033.247
Inventory and prepayments	3	771.478		771.478	857.162
Assets classified as assets held for sale					
Trade receivables and other receivables	4	1.654.647	32.591	1.622.056	1.860.646
Short-term investments					
Cash equivalents and cash	5	480.088		480.088	221.790
Prepayments	6	206.904		206.904	93.649
III DEFERRED TAX ASSETS					
IV LOSS OVER THE CAPITAL					
B. SOURCES OF FUNDING		3.309.083		3.309.083	3.216.183
I CAPITAL	7	2.254.824		2.254.824	607.678
II MINORITY SHAREHOLDER INTEREST					
III LONGTERM LIABILITIES					
Long-term provisions					
Long-term financial obligations					
IV SHORT TERM LIABILITIES		1.054.259		1.054.259	2.608.505
Short-term financial liabilities					

Short term liabilities classified in the group with the fund earmarked for sale or disposal					
Accounts payable and other liabilities	8	910.587		910.587	2.437.509
Current liabilities for income tax	8	13.024		13.024	
Accrued costs and deferred revenues	9	130.648		130.648	170.996
V DEFERRED TAX LIABILITIES					

Income Statement - abridged
In the period 01.01. - 31.12.2016

IN BAM

ITEM	NOTE NO	AMOUNT	
		Current Year	Previous Year
1	2	3	4
OPERATING REVENUE	10	5.412.174	4.413.453
Sales revenues		5.402.264	4.401.745
Other operating revenue		9.910	11.708
OPERATING EXPENDITURE	11	5.624.109	4.549.178
Purchasing price of sold goods		3.829.587	3.051.218
Materials expenses		63.063	66.037
Costs of gross salaries, fees and other personal expenditures		528.608	479.605
Depreciation		51.172	47.650
Other operating expenditures		1.151.679	904.668
13. FINANCIAL REVENUE (EXPENDITURE)		(211.935)	(135.725)
Financial revenue	12	27	147
Financial expenditure	13	28	940
Other financial revenue	14	412.986	229.729
Other financial expenditure	15	40.880	51.976
NET REVENUE (EXPENDITURE) BEFORE TAX		160.170	41.235
Income tax		13.024	
NET REVENUE (EXPENDITURE) CURRENT		147.146	41.235
Gains or losses recognized in equity			
Income tax relating to other gains and losses			

TOTAL NET RESULT IN ACCOUNTING PERIOD				147.146	41.235
Part attributable to owners					
Part that belongs to minority owners					

Cash Flow Statement
(Statement of cash flows)
from 01.01. to 31.12.2016

IN BAM

ITEM	AOP	Amounts	
		Current year 3	Previous year 4
1	2		
A. CASH FLOWS FROM OPERATING ACTIVITIES	501	6.804.485	4.837.805
I. Cash proceeds from operating activities (1 through 3)	502	6.800.504	4.836.711
1. Proceeds from sale and advances (prepayments)	503		
2. Proceeds from premiums, subventions, grants, etc.	504	3.981	1.094
3. Other proceeds from operating activities	505	7.908.473	4.581.961
II. Cash outflows from operating activities (1 through 6)	506	7.171.848	3.928.459
1. Payments to suppliers and given advances (prepayments)	507	578.915	530.265
2. Payments for employee wages, salaries, and other employee benefits	508		
3. Payment of interests	509		
4. Payment of income taxes	510	157.710	123.237
5. Other payments of operating activities	511		255.844
III. Net inflow of cash from operating activities (I-II)	512	1.103.988	
IV. Net outflow of cash from operating activities (II-I)	513	164	126
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I Proceeds from investing activities (1 through 6)	514		
1. Proceeds from short-term financial investment	515		
2. Proceeds from sale of shares and capital stakes	516		
3. Proceeds from sale of intangible assets, real-estates, plant, equipment, investment property and biological assets	517	164	126
4. Proceeds from interests	518		
5. Proceeds from dividends and participation in profit	519		
6. Proceeds from other long-term financial investments			

II Cash outflow from investing activities (521 through 524)	520	137.878	71.646
1. Outflows from short-term financial investments	521		
2. Outflows arising from purchase of shares and participation in capital	522		
3. Outflows from purchase of intangible assets, real-estates, plant, equipment, investment property and biological assets	523	137.878	71.646
4. Outflow arising from other long-term financial investments	524		
III. Net cash inflow from investing activities (I-II)	525		
IV. Net cash outflow from investing activities (II-I)	526	137.714	71.520
V. CASH FLOW FROM FINANCING ACTIVITIES	527	1.500.000	
I. Cash inflow from financing activities (1 through 4)			
1. Inflow from increase in share capital	528	1.500.000	
2. Inflow arising from long-term financial liabilities	529		
3. Inflow arising from short-term financial liabilities	530		
4. Inflow from other long-term and short-term financial liabilities	531		
II. Cash outflow from financing activities (1 through 6)	532		
1. Outflow from redemption of own shares and capital stakes	533		
2. Outflow from long-term financial liabilities	534		
3. Outflow from short-term financial liabilities	535		
4. Net outflow arising from finance lease	536		
5. Outflow arising from dividends and participation in profit	537		
6. Outflows from other long-term and short-term liabilities	538		
III. Net inflow of cash from financing activities (I-II)	539	1.500.000	
IV. Net outflow of cash from financing activities (II-I)	540		
G. TOTAL CASH INFLOW (AI+BI+VI)	541	8.304.649	4.837.931
D. TOTAL CASH OUTFLOW (AII+BII+VII)	542	8.046.351	4.653.607
D. NET CASH INFLOW (G-D)	543	258.298	184.324
E. NET CASH OUTFLOW (D-G)	544		
Z. CASH AT THE BEGINNING OF REPORTING PERIOD	545	221.790	37.466
Z. FOREIGN EXCHANGE GAINS FROM TRANSLATION OF CASH	546		
I. FOREIGN EXCHANGE LOSSES FROM TRANSLATION OF CASH	547		
J. CASH AT THE END OF REPORTING PERIOD (G-D+Z+Z-I)	548	480.088	221.790



Authorized Person:
Gordana Jovčić

Director:
Elvis Baltić

STATEMENT ON CHANGES IN EQUITY
for period 01.01. - 31.12.2016

IN BAM

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 Ltd. company	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. Value on day 31.12.2014.	901	700.000				(133.557)	566.443		566.443
2. Effects of the changes in accounting policies	902								
3. Effects of the corrections of material errors	903								
New value on day 1.1.2015. (1 to 3)	904	700.000				(133.557)	566.443		566.443
4. Effects of the revaluation of the material and immaterial assets	905								
5. Unrealized gains/losses arising from financial assets available for sale	906								
6. Foreign exchange differences from the translation of the financial statements in other foreign currency	907								
7. Net income/ loss of the reporting period as reported in income statement	908					41.235	41.235		41.235
8. Net income/losses of the period recognized directly in equity	909								
9. Declared dividends and other	910								

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 a certified accountant license.

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 2016 - February 2017.

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 62/16)

-Standards Act on the form and content of chart of statement of changes in equity (Official Gazette 63/16).

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

COMPANY BACKGROUND

Sarantis Ltd. is a trade and service company based in Banja Luka at Kojića put Street No 4, founded in November 23rd 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 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 - address 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 23rd 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 - address.

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.

On August 15th 2016 in the court registry of the District Court of Banja Luka with the Decision No. 057-0-Reg-16-001633 were entered changes in Share capital increase (in cash flow). The legal basis for registration was Decision on the Establishment (revised text) OPU-668/2016 from August 5th 2016.

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 01.01.2016 -31.12.2016 have been prepared in accordance with the accounting regulations of Republika Srpska.

The accompanying financial statements represent the Company's annual financial statements.

The financial statements are arranged on the purchasing value 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 01.01.2016-31.12.2016 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 1st 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 1st 2010 or later.

Moreover, on the July 15th 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 1st 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 10th 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 1st 2009 is mandatory applicable to financial statements prepared and presented in Republika Srpska for the accounting periods beginning on January 1st 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 1st 2015 or later:

- IFRS 1 (Revised) "First time application of IFRS" (effective for annual periods beginning on or after July 1st 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, i.e. 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 31st 2015 and as well as balance sheet on the day of December 31st 2015.

Continuity of operations

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

ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES

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

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.

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.

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

IMPARIITY 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.

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.

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

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.

PROPERTY EVALUATION

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.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment include: land, buildings, plant and equipment, investment property, property, plant 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.

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

OTHER LONG TERM FINANCIAL INVESTMENTS

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.

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.

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.

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.

PREPAYMENTS AND ACCRUED INCOME

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

DEFERRED TAX ASSETS

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

EXCESS CAPITAL LOSS

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

EVALUATION OF LIABILITIES

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.

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 related 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.

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.

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.

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.

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.

CURRENT LIABILITIES FOR INCOME TAX

Current liabilities for income tax include unpaid income tax.

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.

DEFERRED TAX LIABILITIES

Deferred tax liabilities include long term and short terms 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.

AVERAGE EXCHANGE RATE OF CURRENCY AND REVALUATION RATIO

Average exchange ratio of foreign currencies is:

	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>Index</u>
1 EUR	1,95583	1,95583	100

REVENUE AND EXPENDITURES

BUSINESS REVENUE AND EXPENDITURES

Business revenue includes:

- 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

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.

FINANCIAL REVENUE AND EXPENDITURES

Financial revenue includes: financial revenue from related parties, interest revenue, and 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.

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.

OTHER REVENUE AND EXPENDITURES

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.

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.

GAINS AND LOSSES DETERMINED DIRECTLY IN RESULTS

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.

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.

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.

1) GOODWILL AND INTANGIBLE ASSETS

			IN BAM
	Other intangible assets	Intangible assets pending	Total
Buying value:			
Balance at the beginning of the year	42.399	9.388	51.787
New purchases	9.388	3.423	12.811
Disposal, sale and other		(9.388)	(9.388)
Balance at the end of the year	51.787	3.423	55.209
Accumulated value adjustments:			
Balance at the beginning of the year	13.607		13.607
Depreciation	5.179		5.179
Evaluation of the reduction Accumulated value in alienation			
Balance at the end of the year	(18.786)		(18.786)
Net present value:			
31.12.2016	33.001	3.423	36.424
Net present value:			
31.12.2015	28.792	9.388	38.180

Intangible assets of the Company are in the amount of 36.423 BAM and in relation to the accounting software and Business wiever. Intangible assets in pending status refer to the information system upgrade and are in the amount of 3.423 BAM. Other intangible assets in pending status refer to the information system upgrade - an additional program business wiever for sale.

The 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	Total
Purchase value:		
New purchases	115.247	115.247
Disposal, sale and other	(80.377)	(80.377)
Balance at the end of the year	274.691	274.691
Accumulated value adjustments:		
Balance at the beginning of the year	97.202	97.202
Depreciation	45.994	45.994
Accumulated value in alienation	(58.501)	(58.501)
Balance at the end of the year	84.694	84.694
Net present value:		
31.12.2016.	189.997	189.997
Net present value:		
31.12.2015.	142.619	142.619

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 01st 2016 is 142.619 BAM, and on December 31st 2016 total net value is 189.997 BAM. Due to renewal in fleet vehicles in 2016 five (5) vehicles were sold of which three (3) were delivery vehicles and two (2) were personal vehicles. Changes in items due to sale in the amount of 58.501 BAM were made. Five (5) new vehicles were purchased of which four (4) delivery and one (1) personal vechicle.

The equipment structure on December 31st December 2016 is the following:

Vehicles	227.778 BAM
Computer equipment	17.116 BAM

Office and other equipment	24.673 BAM
Office furniture	5.124 BAM
TOTAL	274.691 BAM
CORRECTIONS TOTAL	84.694 BAM
NET VALUE	189.997 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) INVENTORY AND ADVANCES

	IN BAM	
	31 st December 2016	31 st December 2015
1. Goods	771.478	857.162
I Inventory, net	771.478	857.162
INVENTORY AND ADVANCES	771.478	857.162

The Company's inventory consists solely of stocks of goods which is towards the end of 2016. recorded in the amount of 771.478 BAM. Goods are recorded on purchase price, in accordance with IAS 2 - Inventories.

4) RECEIVABLES FROM SALE AND OTHER RECEIVABLES

	IN BAM					
	Customers - related legal entities	Domestic customers	Bad debt	Other short term receivables	Value added tax	Total
Gross balance at the beginning of the year	7.707	1.846.493	39.038			1.893.238
Gross balance at the end of the year		1.616.642	32.591	526	4.887	1.654.647

Correction of value at the beginning of the year	32.591	32.591
Correction of value at the end of the year	32.591	32.591

NET VALUE

31.12.2016.	1.616.642	526	4.887	1.622.056
31.12.2015.	7.707	1.846.493	6.446	1.860.646

Receivables by maturity

IN BAM

Receivables by maturity in days	Up to one year	Over one year	Total
Sales receivables - gross value	1.616.642	32.591	1.649.233
Correction of value		32.591	32.591
Sales Receivables - net value	1.616.642		1.616.642
Other receivables - gross value	526		526
Correction of value			
Other receivables - net value	526		526

Short term receivables were in the amount of 1.622.056 BAM and related to receivables from buyers. Receivables from domestic costumers refere to sales of goods and are amounted at 1.846.493 BAM. Receivables from buyers from Republika Srpska are in the amount of 838.118 BAM, and receivables from Federacija Bosne i Hercegovine buyers are 778.524 BAM.

A part of receivables amounted at 39.037,79 BAM is related to *bad and doubtful claims form domestic costumers*. Against all customers related to bad and doubtful claims there were initiated court proceedings, and was made provision for doubtful claims from domsestic costumers amounted at 32.591,35 BAM on December 31st 2016.

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

Customers	Receivables amount (in BAM)
OGIMIL DOO TRN LAKTASI	539.089,36
BINGO d.o.o.	304.353,19
KONZUM D.O.O.	188.302,01
TROPIC MALOPRODAJA d.o.o.	183.197,69
CM-COSMETIC MARKET d.o.o.Vitez	160.653,43
VELPRO d.o.o.	46.874,94
Dm drogerie markt d.o.o.	42.527,11
LEBURIC KOMERC d.o.o.	36.852,41
FIS DOO Vitez	27.584,28
A.S.T. D.O.O.	21.927,48
OTHER BUYERS	65.280,37

The Company has sent the balance confirmation requests to all of its customers on the day Dec 31st 2016 and there were no significant unreconciled amount.

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

5) CASH AND CASH EQUIVALENT

	IN BAM	
	31 st December 2016	31 st December 2015
1. Business accounts - domestic currency	479.449	221.737
2. Register - domestic currency	640	52
Cash and cash equivalents - total (1 to 2)	480.088	221.790

Cash and cash equivalent consist of giro account money deposited in Komercijalna banka bank in the amount of 179.127 BAM, as well as in Sberbank bank in the amount of 300.322 BAM and main cash register funds in the amount of 640,00 BAM.

6) PREPAID EXPENSES AND ACCRUED INCOME

	IN BAM	
	31 st December 2016	31 st December 2015
1. Prepaid expenses	681	2.257
2. Accrued income	206.223	91.392
Prepaid expenses and accrued income - total (1 to 2)	206.904	93.649

Amount of 206.904 BAM at prepaid expenses and accrued income account is related to:

1. Prepaid website expenses in advance amounted at 681 BAM and
2. Claims for marketing expenses reimbursement from company *Conter* for 4th quarter 2016 amounted at 206.223 BAM, which are going to be invoiced in January 2017.

7) CAPITAL

	IN BAM	
	31 st December 2016	31 st December 2015
1. Shares of limited liability company	2.200.000	700.000
I. Fixed capital	2.200.000	700.000
1. Profit for the current year	147.146	41.235
II. Undistributed profit	147.146	41.235
1. Prior year loss	(92.322)	(133.557)
2. Current year loss		
III. Loss (1 to 2)	(92.322)	(133.557)
CAPITAL (I to II - III)	2.254.824	607.678

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 2.200.000 BAM.

The total capital is lower compared to the originally paid-in capital for the net loss amount stated in the balance sheet.

This item in 2016 as compared to 2015 is increased to 1.500.000 due to recapitalization in 2016 by the company founder.

On December 31st 2016 the capital value is increased and the net gain amounts to 147.146 BAM.

As of December 31st 2016, the total capital of the Company is 2.254.824 BAM.

8) LIABILITIES TOWARDS SUPPLIERS, CURRENT LIABILITIES ON THE TAX

	IN BAM	
	31 st December 2016	31 st December 2015
1. Suppliers - related legal entities	132.720	1.503.873
2. Suppliers in the country	77.928	103.279
3. Foreign suppliers	696.398	814.766
I Operating liabilities - total (1 to 3)	907.045	2.421.918
II Liabilities for VAT		12.451
1. Liabilities for taxes, customs and other charges on purchase or expenditures	3.542	3.140
III Liabilities for other taxes, fees and other charges without current liabilities on income tax	3.542	3.140
Liabilities to suppliers and other liabilities - total (I to III)	910.587	2.437.509
Current liabilities on income tax	13.024	

Liabilities from the Company's operations are in the total amount 910.587 BAM, of which the most part refers to related foreign legal entity Sarantis Ltd. Belgrade in the amount of 132.720 BAM (which is 14,57 % of total amount of liabilities).

Liabilities to foreign suppliers were in the amount of 696.398 BAM, of which the amount 564.118 BAM (81 %) refers to liabilities for goods to *Conter* from Italy.

Liabilities to other domestic suppliers are in the amount of 77.928 BAM. Liabilities to suppliers from Republika Srpska amounts to 8.740 BAM, and liabilities to suppliers from Federacija Bosne i Hercegovine amounts to 69.187 BAM.

9) ACCRUED COSTS AND DEFERRED REVENUES

	IN BAM	
	31 st December 2016	31 st December 2015
1. Expenditure period calculated in advance	74.223	41.865
2. Other accrued costs and deferred revenue	56.425	129.131
Accrued costs and deferred revenues- total (1 to 2)	130.648	170.996

Expenditure period calculated in advance are related to the cost of provision for write-off of damaged goods in the amount of 14.444 BAM and expenses for writing off the goods expired in the amount of 14.437 BAM, as well as expenses for telephone, lease and audit report for December 2016 in the total amount of 45.342 BAM for which invoices will be issued in January 2017.

Other accruals in the amount of 56.4258 BAM are related to provisions for provisions for the cost of positioning goods in the amount of 9.347 BAM, for bonuses for realized turnover by the agreements in 2016 - the amount of 47.077 BAM for which invoices will be issued in January 2017.

10) OPERATING REVENUES

	IN BAM	
	31 st	31 st
	December 2016	December 2015
1. Sales revenues from sales to related legal entities	13.807	15.359
2. Sales revenues in domestic market (Republic of Srpska)	2.867.885	2.512.371
3. Sales revenues in domestic market (Federation BiH)	2.520.572	1.874.015
I Sales revenues - total (1 to 3)	5.402.264	4.401.745
1. Income from own use of goods	9.910	11.708
II Income from own use of products - total	9.910	11.708
OPERATING REVENUES - TOTAL (I to II)	5.412.174	4.413.453

Sales revenues consist of revenues acquired from wholesale and retail trade of goods in domestic market amounted at 2.867.885 BAM in Republika Srpska and 2.520.572 in Federacija BiH. Sales revenues make the most revenue in the Company's total operating revenues and account for 99, 82%. Other operating income consists of income from use or consumption of goods in the amount of 9.910 BAM.

11) OPERATING EXPENDITURES

	IN BAM	
	31 st	31 st
	December 2016	December 2015
1. Purchasing price of sold goods	3.829.587	3.051.218
I Purchasing price of sold goods - total	3.829.587	3.051.218
1. Materials expenses	14.715	8.207
2. Other (overhead) costs of material	16.034	17.071
3. Fuel and energy costs	32.314	40.759
II Material costs - total (1 to 3)	63.063	66.037
1. Costs of gross salaries	482.487	457.229
2. Costs of personal travel expenditures	10.841	7.514
3. Costs of other gross personal expenditures	35.280	14.862

III Costs of gross salaries, fees and other personal expenditures (1 to 2)	528.608	479.605
IV Depreciation costs	51.172	47.650
1. Transport costs	220.526	157.646
2. Maintenance costs	2.787	2.924
3. Rent	70.149	72.553
4. Marketing costs	635.799	477.226
5. Costs of other services	48.043	41.165
V Costs of production services - total	977.303	751.514
1. Cost of non-productive services	33.576	31.529
2. Representation costs	15.357	18.081
3. Insurance costs	23.460	21.756
4. Costs of payment fees	16.686	9.102
5. Fee costs	4.840	3.753
6. Tax costs	29.104	21.556
7. Contributions costs	46.156	43.506
8. Other intangible costs	5.197	3.871
VI Intangible costs - total (1 to 8)	174.376	153.154
Operating expenditures - TOTAL (I to VII)	5.624.109	4.549.178

Of the total operating expenditures most of it is related to the purchasing values of the sold goods in the total amount of 3.829.587 BAM, which is in accordance with the primary business of the Company. Costs of gross salaries amounted at 528.608 BAM are related of net salaries and full salary taxes and contributions ending on 31st Dec 2016. Costs of production services in total amount of 977.303 BAM are mostly related to marketing costs (635.799 BAM), rent (70.149 BAM) and transport costs (220.526 BAM).

12) FINANCIAL REVENUE

	IN BAM	
	31 st December 2016	31 st December 2015
1. Interest revenue		126
2. Other financial revenue	27	20
Financial revenue - total (1 to 2)	27	147

13) FINANCIAL EXPENDITURE

	IN BAM	
	31 st December 2016	31 st December 2015
1. Interest expenditure		770
2. Other financial expenditure	28	170
Financial expenditure - total	28	940

14) OTHER REVENUE

	IN BAM	
	31 st December 2016	31 st December 2015
1. Income from sale of intangible investments, real - estates, plant and equipment	16.814	5.540
1. Revenue from reduction of liabilities, elimination of unused long term reservation and other unmentioned income	396.172	224.189
Other revenue - total (1 to 2)	412.986	229.729

Other income in the amount of 412.986 BAM is mostly related to income from refunds of marketing expenses (396.172 BAM) and 16.814 BAM related to gains from the sale of equipment - vehicles.

15) OTHER EXPENDITURE

	IN BAM	
	31 st December 2016	31 st December 2015
1. Losses from sale expenses of intangible assets, real estate's, plant, equipment.	5.867	
2. Losses from write-offs of claims	6.132	20.000
3. Expenditures of material, goods and other inventories	28.881	31.976
Other expenditure- total (1 to 2)	40.880	51.976

Within this group of expenditures losses from write-offs of claims and provisions for write-offs of claims amounted at 6.132 BAM; the costs of provisions for write-off of damaged goods in the amount of 28.881 BAM.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

TOTAL BAM		47.608,99	8.571.20	39.037,79	NOTE			
No.	Customer	Channel	Date of initiating proceedings	STATUS 31.12.2015	Main debt/ Proceeding value	Payments after proceedings initiated	DEBT STATUS ON 31.12.2015	
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 enforcer on 13.02.2014., submitted a responds to the complaint on 14.02.2014.), Submission demanding to continue execution on the property of enforcer dated on 10.07.2014.;	13.310,38	0,00	13.310,38	
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;	8.547,91	0,00	8.547,91	
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.;	1426,99	1426,99	0,00	Defendent paid for proceedings costs amounted at 970,00 BAM totally, 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.	<p>Verdict due to omission from 18.02.2014. (legally binding and enforceable, sent an invitation for paying), Execution proposal dated on 09.07.2014.;</p> <p>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.</p>	944,99	0,00	944,99		
5	MIRO-PROM d.o.o.	RT	20.12.2013.	<p>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.</p>	2.407,31	0,00	2.407,31		

6	SINPLAST d.o.o.	RT	20.12.2013.	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. 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;	2.400,00	0,00	2.400,00	
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;	3.321,36	0,00	3.321,36	
8	MOSCHUS tr.vl.Kalja nac 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. 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	524,62	0,00	124,62	
9	SLAVUJ KOMERC D.O.O.	RT	24.12.2013.		1.277,89	0,00	1.277,89	

					on confession dated on 23.01.2015.;					
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;	129,60	0,00	129,60	0,00	129,60
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);	946,05	946,05	946,05	0,00	946,05
12	POLJOOPR EMA HAMEDOVI Ć 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;	753,48	0,00	753,48	0,00	753,48
13	BIS st-ur vl.Irina Vuketić	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;	237,27	0,00	237,27	0,00	237,27

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;	322,40	0,00	322,40	
15	TM MARKET d.o.o.	RT	18.06.2014.	Lawsuit: confirmed Lawsuit in the part referring to the address of the sued.	2.337,28	0,00	2.337,28	
16	BEM- COMMERCE	RT	18.06.2014.	Lawsuit;	993,85	100,00	893,85	
17	DEZURNI MARKETI d.o.o.		01.08.2014.	Lawsuit;	2.029,45	0,00	2.029,45	
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.	4.298,90	4298,90	0	Court costs were paid i the ammount of 400,00 BAM
19	RC-REAL CLEAN d.o.o.		24.10.2014.	Warning before lawsuit;	443,92	443,92	0	
20	ŠKAFA d.o.o.		12.01.2015	Warning before lawsuit;	378,28	378,28	0	
21	MEGACO d.o.o.		19.01.2015	Warning before lawsuit; the taxes to the complaint eas paid.	577,06	577,06	0	

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.

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 are significantly higher than in countries with a stable and developed tax system.

DIRECTOR APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by the Company's Director and authorized for issue on February 13th 2017.