



REVIZIJA DERVI d.o.o.

PRIVREDNO DRUŠTVO ZA REVIZIJU I POSLOVNI KONSALTING

H.V.Hrvatinića 17, JAJCE, mob. 063 334 413, tel: 030 654 210 (office)

www.revizijadervi.com e-mail: info@revizijadervi.com

Eastern Mining d.o.o. Visoko

Financial statements for the year
ended 31 December 2016
and Independent Auditors' report

June 2017

Contents

Responsibility for the financial statements	3
Independent auditors' report	5
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Notes to the financial statements	9-25

Responsibility for the financial statements

In accordance to the Accounting and Auditing law of FBiH ("Official paper of F BiH" 32/05 and 83/09), the Management is obliged to secure that financial reports for each financial year are prepared due to IFRS published by International Accounting Standards board in a manner to give a true and objective impression of financial state and results of business activity of the Company for indicated period.

After realizing adequate analyses, the Management is sure that the Company has fit assets to continue operating in near future. Therefore, Management keeps accepting operating continuity principle in forming of financial reports.

In forming of financial reports the Management is responsible for:

- Choosing and then coherent use of adequate accounting policy;
- Estimations and evaluations to be reasonable and cautious;
- Applying of current accounting standards, and publishing and clarification of each significant deviation in financial reports; and
- Preparation of financial reports by operating continuity principle, except if it is inapt to assume that the Company will continue its operational activities.

The Management is responsible for correct accounting evidence, which will at any time with acceptable accuracy present financial position of the Company as well as their accordance to Accounting and Auditing law of FBiH. The Management is also responsible for preserving of Company assets, therefore for taking adequate actions to stop and reveal peculations and other illegitimacies.

Here we confirm our responsibility for fair presenting of financial state and business success of the company and accordance of financial reports to International Accounting Standards and to International Financial Reports Standards.

Also, we declare that:

- There was no malicious mistakes by Management and employees who have significant roles in accounting system and internal control system or who could have a significant influence on presented financial reports,
- Financial reports do not contain materially significant mistaken statements and omissions, the Company has fully complied with all aspects of contractual liabilities which would have significant influence on financial reports in case of disrespecting them,
- There was no disagreement with authorities, which could have a significant influence on financial reports in case of acting contrary to adequate regulations,
- All operating transactions with associated and non-associated legal entities are objectively presented,
- The Company has satisfying ownership right to all assets possessed and possible burdens on company assets are objectively stated,
- All liabilities, rights and operating changes relevant to financial reports are logged.

We have signed Indicated statement, in its extended form, before the beginning of the auditing and it is deposited in working documentation of the auditor. These financial reports have been approved by the Management on 31.12.2016. and are signed by:

Signed on behalf of the Management

Miloš Bošnjaković

Eastern Mining d.o.o.
Musala 1
Visoko

June 19, 2017. godine



REVIZIJA DERVI d.o.o.
H.V.Hrvatinića 17
Jajce
BOSNA I HERCEGOVINA
mail: info@revizijadervi.com
www.revizijadervi.com

Independent Auditor's Report

To the owners and management of the company Eastern Mining d.o.o. Visoko

Auditing subject

We have performed auditing of financial reports of Eastern Mining d.o.o. Visoko with state on as at 31 December 2016. which includes state balance sheet, profit and loss balance sheet, capital changes report for the year ending on the above indicated date presented through pages 7 to 8 and summary of significant accounting policies and other related notes through pages 9 to 25.

Responsibility of Company Management for financial reports

Company Management is responsible for financial reports which means forming and fair presentation of attached financial reports in accordance to International Financial Reports Standards. Responsibility includes: forming, introduction and management of internal control systems which are important for forming and fair presenting of financial reports, without materially significant mistakes that are result of error or deception, choosing and implementation of adequate accounting policies and reasonable accounting evaluations in given circumstances.

Responsibility of the Auditor

Our responsibility is to give opinion on these financial reports based on our audit. Auditing has been performed in accordance to International Auditing Standards which require compliance with ethical regulations, as well as planning and performing of auditing in order to determine, with reasonable assurance, that the financial reports have no materially significant mistakes.

Auditing includes performing procedures with aim of obtaining auditing evidence of amounts and declarations in financial reports. The choice of procedures depends on auditor's judgement, including risk evaluation of materially significant mistakes in financial reports which can arise as result of deceit or error. In evaluation of these risks, auditor considers internal controls relevant to forming and objective presentation of financial reports which are formed by Company in order to implement auditing procedures in accordance to existing circumstances and for the purpose of giving opinion on efficiency of internal controls of the Company. Auditing also includes evaluation of implemented accounting policies, suitability of

accounting evaluations defined by Management as well as evaluation of total presentation of financial reports.

We believe that obtained auditing evidence are sufficient and make adequate basis for the purpose of giving our opinion.

Opinion

In our opinion, financial statements have a fair presentation in all aspects of the financial position of the company Eastern Mining d.o.o. Visoko as at December 2016, results of its operating for the ending year at that point in accordance to Accounting and Auditing law of FBiH and to accounting standards applied in territory of Federation which include: International Accounting Standards and International Financial Reports Standards together with instructions, explanations, guidance and principles which IFAC and IASB bring and are translated and published by Accounting and Auditing Commission of BiH.

Revizija Dervi d.o.o. Jajce

mr.sc. Jasmina Neretljak.
director

Nijaz Dervišić
auditor
license 3090034145

Jajce, Bosnia and Herzegovina
June 27, 2017

	Note	2016	2015
Sales revenue		-	-
Other operating income		-	14.700
Other operating income		-	-
Operating income		-	14.700
Purchased value of sold goods		-	-
Material and energy costs	4	(236)	(1.098)
Staff costs	5	(7.830)	(14.967)
Other tangible and intangible costs	6	(1.470)	(5.183)
Depreciation of material and non-material assets		-	(927)
Non-material costs	7	(3.815)	(12.788)
Operating expenses		(13.351)	(34.963)
Profit/(loss) from operations		(13.351)	(20.263)
Finance income		-	-
Finance costs	8	(2)	-
Profit/(loss) from financial activities		(2)	-
Other income		-	-
Other expenses		-	-
Profit/(loss) from other activities		-	-
Profit/(loss) before tax		(22.648)	(20.263)
Income tax benefit/(expense)		-	-
Net gain/(loss) for the year		(22.648)	(20.263)

The accompanying notes form an integral part of these financial statements.

Eastern Mining d.o.o. Visoko

Statement of financial position for the year ended 31December 2016.

(All amounts are expressed in BAM)

	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	10	175.206	175.206
Property, plant and equipment	11	1.250.010	1.250.010
		1.425.216	1.425.216
Current assets			
Cash and cash equivalents	12	124	4.398
Other short-term receivables	13	986	985
VAT receivables	14	109	9.573
		1.219	14.956
TOTAL ASSETS		1.426.435	1.440.172
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1.794.116	1.794.116
Accumulated losses		(400.897)	(378.253)
		1.393.219	1.415.863
Current liabilities			
Short-term loans	16	24.923	21.123
Trade and other payables	17	140	-
Salaries	18	8.153	3.186
TOTAL EQUITY AND LIABILITIES		1.426.435	1.440.172

The accompanying notes form an integral part of these financial statements.

Eastern Mining d.o.o. Visoko

Notes to the financial statements for the year ended 31. December 2016.

(All amounts are expressed in BAM)

1. GENERAL DATA OF COMPANY

ID: 4236448780005

VAT number: 236448780005

Firm: Eastern Mining d.o.o. Visoko, Company for producing, trade and services

Short name of the firm: Eastern Mining d.o.o. Visoko

Head office: Musala 1, Visoko

Founder:

Firm

Balkan Mining PTY LTD

Head office

Australia, Leve 1, Hay street 350,
Subiaco WA 6008

Founder	Capital	Share
Balkan Mining PTY LTD ,	1.794.115,99	100%

Director: Miloš Bošnjaković

.

2. LEGAL, ACCOUNTING AND OTHER BASIS OF FINANCIAL REPORTS

Legal basis

Legal basis to act of the Company is Law of Economic Society of Federation of BiH (Official paper F BiH br: 23/99, 29/03, 45/00, 2/02, 6/02, 68/05).

Conceptual frame and basis and liability for making the financial reports is defined on basis of Accounting and Auditing Law of BiH which entered into force on 18.09.2004. and Accounting and Auditing Law of F BiH (Official paper F BiH 32/05 28/09) on 28.12.2013. Since 1st January of 2005. International Financial Reporting Standards are being applied. They are needed to confirm whether Financial reports of the Company are made in accordance to International standards and interpretations approved by International Standards Committee (IASC) which are named International Financial Reporting Standards (IFRS) and which have been earlier called International Accounting Standards.

General aspect and goal of auditing

Based on request of the company **Eastern Mining d.o.o. Visoko** and on Contract of performing auditing of financial reports for year 2016. auditing of Financial reports has been performed by company for auditing and business services **Revizija Dervi d.o.o. Jajce**, in period from 19.6.2017. to 27.6.2017.

Based on general auditing goals, the goal of this auditing is that independent auditor gives its opinion on whether financial reports of the Company for year 2016. were prepared in accordance to regulations of F BiH, are indicating true and fair review of presented financial positions within Balance sheet, Profit and Loss Balance sheet, special data of payments and number of employees and notes to financial reports.

Based on general auditing goals there has been made an plan of auditing as we have envisioned: Meeting the client and law regulations which regulate its work, letters exchange, insight to bookkeeping documentation and evidence of the client before making auditing report, gathering of adequate auditing proofs and forming of the working documentation, revision of financial reports for 2016. grading of true and fair presentation of operating in 2016, forming auditing report and giving the opinion of the authorized auditor.

Responsible personnel for making financial reports

Responsible persons for making the financial reports of **Eastern Mining d.o.o. Visoko** are:

- Miloš Bošnjaković director of the Company
- Mirsada Murtić accounting manager, number of licence CR 4585/5

Documentation for financial reports auditing

Auditing documentation is financial reports of the Company (Balance sheet, Profit and Loss Balance sheet, Capital changes report) as well as Brutto balance sheet, Main book (ledger) of Inventory list, Management and Administration decisions, business documentation, Management reports, Supervisory Board reports, Internal Auditors reports, records on VAT and other controls, accounting and accounting policies regulation book, normative acts, Court Registry Excerpt, Bank excerpts, inventory lists and other proofs and explanations put at auditors disposal.

Documentation and data were presented by following persons:

- Mirsada Murtić accounting manager, number of licence CR 4585/5

Financial bookkeeping

Financial bookkeeping is done through data processing programme and covers all crucial elements for analytical and synthetic view of business changes (transactions).

Implementation of ISA

During the process of auditing we have implemented International Standards on Auditing (ISA) especially: ISA 200 Goal and basic principles of Financial reports auditing

ISA 500 Auditing proofs

ISA 510 Starting states

ISA 530 Sampling and testing

ISA 700 Auditor's report with opinion

Cost identifying and monitoring

The Company does the cost identifying and monitoring due to requests of ISA 14 – Segmental reporting.

Cost and services bookkeeping is kept in such a manner that at the end of accounting period collective order is made which transfers costs from financial to operational bookkeeping, and based on stock listing of not finished production and finished products realized costs are determined.

Auditing team

Auditing team that performed auditing of the financial reports of the Company:

1. Nijaz Dervišić – Auditor

Duration of auditing

Duration of auditing at client's: from 19.6.2017. to 27.6.2017.

Accounting register

Accounting registering is based on following accounting regulations:

- *Accounting and Auditing Law ("Official paper F BiH", 83/09),*
- *International Accounting Standards,*
- *Regulation on implementation of account frame for companies and cooperatives,*
- *Regulation of forms for balance sheets and profit and loss balance sheets for companies and cooperatives, other legal entities and contractors which keep double bookkeeping , Regulation of form and position content in the form of capital changes report,*
- *By decrees of Accounting and Auditing law in BiH, all legal entities implement International Accounting standards since 2006.*

Accounting-bookkeeping actions are organized within the Company.

The Company has also, along with financial reports for business year 2016. Presented used basic accounting policies and notes.

Business books and financial reports are also kept and made due to chart of accounts for economic society.

3. REVIEW OF SIGNIFICANT ACCOUNTING POLICIES

Evaluation rules – basic assumptions

Financial reports should be made by principle of business transaction occurrence (principle of cause) and principle of continuity. The principle of occurrence of business transaction the effects of the business transaction and other actions are acknowledged at the moment of occurrence (and not when cash or its equivalent has been paid or received).

Financial reports made by principle of occurrence of business transaction give information not only about business change from previous period, which include paying or receiving of cash(inflow or outflow), but also about liabilities in paying cash in the future period and resources that represent cash which will be received in the future period.

Financial reports are made by assumption that the Company will operate through unlimited time period and that it will keep operating in the future as well.

Acknowledging of elements of the financial reports

The asset is acknowledged in balance sheet when it is probable that future economic benefits will come to the Company and when the asset has its acquisition value or cost price or value which can be reliably determined. Liability is acknowledged in the balance sheet when it is probable that resource outflow which contains economic benefits will come out of current liabilities payment and when amount of liability to be paid can be reliably determined.

Income is acknowledged in the profit and loss balance sheet when increasing of future economic benefits related to increasing of means or reduction of liabilities which can be reliably determined, that is acknowledging of incomes occurs simultaneously with acknowledging of means increase or liability reduction.

Expenditure is acknowledged in the profit and loss balance sheet when reducing of future economic benefits which are related to reduction of means or increasing of liabilities and can be reliably determined, that is acknowledging expenditure occurs simultaneously with liability increasing or means reduction.

Capital is presented due to financial concept of capital as invested money or invested purchasing power and represents net value of the Company. Financial concept of capital results in concept of preserving financial capital. Preserving of financial capital is measured in nominal monetary units - CSD. By this concept the profit is earned only if financial (or money) amount of net value of asset at the end of period surpasses financial (or money) amount of net value of asset at the beginning of period, after including any allocations to owners or contributions of owners during the year.

Conversion of foreign currencies and accounting treatment of exchange rate differences

Conversion of currencies, claims and liabilities in foreign currencies has been made to their equivalent by exchange rate on the date of balancing. Positive and negative exchange rate differences occurred thereof are presented as income or expenditure of the period.

Accounting principles

While forming financial reports the Company is obliged to stick to following principles:

The continuity principle

The continuity principle wherefrom results that asset, financial and yield position of the Company as well as the economic circumstances in the environment allow operating in unlimited period what results with temporary and periodical reporting as well as obligation of evaluating by acquisition cost and cost price except in cases of applying imparity principle.

The principle of coherence

The principle of coherence which means that the manner of evaluation in longer time period does not change, and if the change yet occurs the change effect is presented in the Annex with explanation of its cause.

The principle of the realization

The principle of the realization to which profit and loss balance sheet can have included only realized (market confirmed) gains (profits).

Imparity principle

Imparity principle (uneven value), which requires balancing of assets by lowest and liabilities by highest value which results in measuring expenditure higher and income lower, as well as considering price reduction (depreciation) and reserving apart whether result is profit or loss.

The principle of revenue and expenditure cause

The principle of revenue and expenditure cause which means considering all the revenues and all the expenditures of determined time period no matter of the moment of collection of revenue (invoiced realization) and moment of payment based on expenditure.

The principle of individual evaluation of dues and liabilities

The principle of individual evaluation of dues and liabilities where possible group evaluations for rationalization come out of individual evaluation.

The principle of balance identities

The principle of the balance identities by which balance of opening of business registries for current year must be identical to concluding balance for previous year.

ASSET

Asset is needed to be evaluated before the date of balancing.

Unpaid registered capital

Unpaid registered capital is evaluated by current value of claim based on unpaid registered capital.

Intangible investments

Intangible investments are acknowledged only when it is probable that there will be inflow of economic benefits from that investment and when its acquisition value of investment is reliably measurable, and they stand for development investments, concessions, patents, licences, investments to other intangible asset as well as purchasing of acquired goodwill.

Intangible investments are evaluated by acquisition value.

Properties, plant, equipment and assets

Properties, plant, equipment and assets are material assets which Company keeps to use in production or goods delivery or services provision, for landing to other persons or in administrative purposes or which are expected to be used longer than one accounting period.

Purchasing of intangible investments, properties, equipment and assets during the year are registered by acquisition value. Acquisition value is made of invoice value of purchased assets increased for all relating costs to purchase and all costs in bringing the asset to state of functional readiness. The cost price of mentioned assets produced by company itself is made of direct costs and related indirect costs which relate to investment.

Profits or losses that are result of discard or alienation are determined as the difference between estimated net inflows from sales and presented value of asset and is acknowledged as income or expenditure in profit and loss balance sheet.

In the moment of purchase this asset is valued by acquisition price.

After starting acknowledging by acquisition value building, plant, equipment and assets are evaluated by current value (acquisition value reduced for amount of accrued amortization and losses based on value reduction).

Investing properties after starting acknowledging are evaluated by current value (usually it is ruling market value). Profit or loss resulting from value change of investing property is included in result in which it occurred.

Current value of buildings, plant, equipment and investing assets is increased for additional costs based on adaptation costs, part replacement and general repairs costs under condition that these costs can be measured and that they prolong usage period or increase the asset efficiency.

After starting evaluation when bookkeeping value of properties, plant and equipment deviates from market prices on the date of forming balance sheets the evaluation of properties, plant and equipment is done by new acquisition value or by revalorization. Positive effects of this evaluation increase revalorization reserve and negative effects decrease revalorization reserve, and if there is no revalorization reserve negative effect increases expenditure with lower asset value in the profit and loss balance sheet.

Amortization

Basis for amortization calculation of intangible investments, properties, plant, equipment, except land and forests, is acquisition value or that is revalorization acquisition value.

Amortization calculation is done from the beginning of the following month to the month when the asset has been put to use.

Amortization is calculated by proportional method, applying rates determined on basis of estimated time of use of the assets.

Basis for amortization calculation of assets is acquisition value.

The rest of the value is equal to difference between acquisition value and amortization value (correction value), which means that the Company does not expect to gain some value for the asset at the end of its time of use (lifetime).

The effects of estimation are enclosed in profit and loss balance sheet (positive on behalf of revenues from adjusting the assets value, and negative on behalf of expenditure based on asset value depreciation).

The calculation method of amortization is linear that is proportional (paragraph 62 ISA 16 – Property, plant and equipment).

Amortization rates determined on basis of estimated lifetime are:

1. Building and building objects	1,5-10%
1.1. Management, administration, office and other buildings for doing service activities	3%
1.2. House buildings, hotels, restaurants	5%
1.3. Roads, communal objects, upper machine of railway tracks	14,30%
2. Equipment, vehicle and mechanization	11-20%
2.1. Water management equipment, water system and sewage system	14,30%
2.2. Computers and environment protection equipment	33,30%
3. Multiannual crops	14,30%
4. Basic herds	40%
5. Vehicles	12,5-25%
6. Intangible investments	33,33%

Financial placements and claims

Capital participation

Capital participation is estimated by nominal value or market value if it is lower. Capital participation is discarded proportionally to loss and increases proportionally to gain of basic capital from net profit share both based on report of legal entity where capital has been invested and covering of loss that is the decision of increasing basic capital from net profit share..

Loans

Loans are evaluated by nominal value. Loans are directly discarded for the amount of documented unrecoverability, and indirectly based on decisions of management in cases of not recovering on due time

Securities

Securities, redeemed securities and shares are evaluated by acquisition value or market value if it is lower.

Short term claims

Short term claims are evaluated by nominal value reduced for indirect discard, by the decision of management, of probable unrecoverable claims that is for direct discard if unrecoverability of claim is documented.

Financial placements and claims

Financial placements and claims in foreign currency are evaluated by middle exchange rate of the currency on the date of balancing.

The company in general act determines indirect discard of placements and claims.

Outdated claims are discarded directly on burden of expenditure.

Stocks

Stocks of goods and materials are evaluated by their acquisition value. Acquisition value is made of all costs of supplying in getting stocks to their present place and state. The costs of supplying stocks enclose purchase price, importing taxes and other liabilities (except for the ones reclaimable by the Company afterwards from tax authorities), costs of transport, manipulative costs and other costs that can be directly related to stock supply. Discounts, rebates and other personal items are deducted in determining of supply costs.

Outlet of materials and goods stock is registered by method of weighted average price. Stocks of materials, spare parts, one-time discard inventory and goods are evaluated by acquisition value which encloses invoiced value of supplier and depending costs of supply. Calculation of outlet of stocks of materials, spare parts, small inventory and goods is done by average acquisition value.

Unfinished production and finished products stocks are evaluated by cost price or net sales price if it is lower. The cost price encloses production costs and proportional part of general costs of production whereof it excludes the costs of unused capacity and management and sales costs.

Net sales price is sales price on the date of evaluation reduced for deductions, sales costs, as well as for costs of finishing production in case of not finished production. Net sales value is determined in following manner: current sales price on the date of forming balance sheets x (period costs/sales income).

In case of reduction of use value of stocks for the amount of real occurred or documented reduction of value discarding of stocks is done on burden of stocks.

Cash and cash equivalents

Securities directly cashed and precious metals are considered cash equivalents. Securities are evaluated by acquisition value and precious metals are evaluated by value derived from world market prices of precious metals.

Securities, sight deposit and cash in foreign currency are evaluated by middle exchange rate of the currency on the date of forming balance sheets.

Active accrual accounts

Active accrual accounts enclose advance paid that is invoiced costs and revenues of current period which could not be invoiced and which have caused costs during the current period.

Capital

Capital includes: basic capital, emission bonus, reserved capital (law and statutory reserves), revalorization reserves and unallocated net profit of earlier or current year.

Loss from earlier or current year is correction of capital value (amortization). Capital and loss are entered in balance sheets in amount of nominal bookkeeping value. Revalorization reserve of the given asset is transferred to unallocated profit when that asset is completely amortized or sold.

Liabilities

Long and short term liabilities that come out of financial and business transactions are evaluated by nominal value. Liabilities in foreign currency are evaluated by middle exchange rate of currency on the date of forming balance sheets.

Outdated liabilities are terminated on behalf of revenues.

Long term reserving

Long term reserving represent liabilities for covering costs and risks that came out from previous operating which will occur in future years and are related to:

- ✦ Reserving for costs in guarantee period based on sold services which for income has been calculated in full amount,
- ✦ Reserving for costs of renewing of natural wealth,
- ✦ Reserving for retained bails and deposits,
- ✦ Reserving for restructuring costs,
- ✦ Reserving for fees and other benefits of employees, and
- ✦ Other reserving for probable costs.

This reserving the Company evaluates based on really expected costs, and are terminated in the moment of occurring of costs which burdens reserving. Unused long term reserving for costs covering is terminated on behalf of other revenues.

Passive accrue accounts enclose:

- ✦ Advance calculated costs,
- ✦ Calculated revenues of future period,
- ✦ Delayed revenues based on effects of contracted risk protection,
- ✦ Accrued acquisition costs,
- ✦ Donations.

Donations received for increase of revenues are entered in revenues to the amount of expenditure, and donations received for acquisitioned things are entered in revenues in amount of costs which have occurred based on costs or amortization of received things from donations.

Liabilities for value added tax (VAT)

Calculation of value added tax to buyers is presented in amount which has not been compensated by calculated value added tax of supplier and based on importing.

Operating revenues and expenditure

Operating revenues are:

- ⤴ Revenues from goods and services sales reduced for tax fees and given discounts independent on the moment of collection,
- ⤴ Activating and expenditure of services acknowledged by cost price,
- ⤴ Activating and expenditure of goods acknowledged by acquisition price, and revenues by increase of basic herd acknowledge by market price,
- ⤴ Value change of biological asset,
- ⤴ Revenues from bonuses, subventions, grants, recourses, donations, revenues from budget and other resources and other personal revenues,
- ⤴ Revenues from lease, memberships, reserving terminations and other operating revenues.

Revenue is measured based on fair value of fee or claim received taking into consideration amount of all commercial discounts and quantity deductions which the Company approves. The difference between fair value and nominal amount of fee is acknowledged as interest revenue.

Operating revenues are corrected to more for increased value of service stocks and to less for value reduction of service stocks.

Sales revenues are presented in amount of invoiced realization that is performed sales till the end of accounting period under the condition that by that day the debtor-creditor relationship has occurred and that the invoice has been issued.

Services revenues are presented proportionally to degree of service completion on the day of balancing.

Profits represent increase of economic benefit, and enclose revenues which occur in case of permanent asset sale for value higher than its bookkeeping value, then unrealized profits based on securities sales (in case when evaluation of securities is done by their market values), as well as profits that come out of increase of bookkeeping value of permanent assets as a result of missing the effect of conditions for their value reduction.

Losses occur based on asset sale by price lower than its bookkeeping value, then based on discarding of not written off basic assets, based on damages which can completely or partly be refunded by insurance companies, based on implementation of imparity principle (asset value reduction).

Operating expenditure are:

Acquisition value of sold goods, costs for manufacturing materials, other materials costs, fuel and energy costs, costs of brutto payments and fee payments, production services costs, amortization and reserving costs, nonmaterial costs, taxes and contributions independent to result. All expenditure is acknowledged independent of payment.

Excess revenues and expenditure

Excess revenues and expenditure occur as result of excess events which clearly differ from regular activities and which are not expected to occur often nor regularly.

Basic characteristics of excess revenues and expenditure are:

- ▲ Rarely appear;
- ▲ Event which caused revenue or expenditure is excess, that is it is not result of regular activities;
- ▲ Significance and volume of revenue or expenditure is big in comparison to assets of company.

Financial revenues and expenditure

Financial revenues and expenditure enclose: revenues and expenditure of interests (independent to whether they are due and they are paid or assigned to amount of claim or liability on the day of balancing); exchange rate revenues and expenditure; revenues and expenditure from relations to principle, dependent or other associated legal entities; and other financial revenues and expenditure.

Financial revenues are: Interest revenues, revenues from participation in profit of associated legal entities, revenues from positive exchange rate differences, revenues from gains based on fair value change of property investments and other financial revenues.

Financial expenditure are: Expenditure based on interests, negative exchange rate differences, discards of long term financial placements, losses based on fair value change of property investments, expenditure from relations with associated legal entities and other financial expenditure.

Other revenues and expenditure

Other revenues are: Gains from sales of nonmaterial investments, properties, plant, equipment, biological assets, capital participating, long term securities and material, gains based on property investments, surpluses except for surpluses of services stocks, revenues from liabilities reduction, gains based on sales of permanent assets classified as permanent assets intended to alienation, collected written off claims and other not mentioned revenues.

Other expenditure are: Losses based on write off, discard and sales of nonmaterial investments, properties, plant, equipment, biological assets, losses based on sales of capital participating, long term securities and materials, deficits except for deficits of services stocks, discard of working assets, losses based on sales of permanent assets classified as permanent assets assigned to alienation, losses based on properties investments and other not mentioned expenditure.

Profits and losses

Profits represent increase of economic benefit, and enclose revenues which occur in case of sales of permanent asset for higher value than its bookkeeping value, then unrealized profit based on securities sales (in case when evaluation of securities is done by their market values), as well as the gains which are result of increase of bookkeeping value of permanent asset because of termination of condition effect to reduce its value.

Losses occur based on sales of asset for price lower than its bookkeeping value, then based on discarding not written off basic assets, based on damages which can be completely or partly refunded from insurance companies, based on implementation of imparity principle (reduction of asset value).

Revenues from adjustment of permanent asset value are: Revenues from revalorization of material and nonmaterial assets and revenues based on deleting imparity losses.

Expenditure based on adjustment of permanent asset value are: Expenditure based on revalorization of material and nonmaterial assets and expenditure based on acknowledging of imparity losses.

Value added tax (VAT)

Value added tax (VAT) is regulated by Value added tax law (Official paper BiH broj 09/95) obligation and payment system of VAT has been introduced to whole territory of BiH starting the implementation on 1st January 2006 what has replaced previous taxing system and apply of sales tax on products and services.

Profit tax

Profit tax is calculated in accordance to Profit tax law.

Profit tax represents the amount which is calculated and paid in accordance to entity regulations. Tax obligation is calculated on taxable profit.

Taxable profit is determined in tax Balance sheet by adjusting of profit presented within profit and loss balance sheet which has been made in accordance to International Accounting Standards and regulations that govern accounting for certain expenditure and revenues conforming with valid tax regulations.

4. RAW MATERIALS AND ENERGY

	2016	2015
Cost od materials		51
Energy costs	236	1.047
	236	1.098

5. THE SALARIES OF EMPLOYEES AND OTHER INVIDUALS

	2016	2015
Salaries	7.830	14.967
	7.830	14.967

6. COST OF SERVICES

	2016	2015
Maintenance services	120	120
Rent	1.350	4.863
Other		200
	<u>1.470</u>	<u>5.183</u>

7. OTHER NON-MATERIAL COSTS

	2016	2015
Non productive services	527	10.251
Banking services	220	317
Postal and telecommunication services	1.127	2.120
Taxes, fees and other obligations	1.941	100
	<u>3.815</u>	<u>12.788</u>

8. FINANCE COSTS

	2016	2015
Interests	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>

9. CORRECTION OF ERRORS FROM PREVIOUS YEARS

	2016	2015
Correction of errors from previous years	<u>9.295</u>	<u>-</u>
	<u>9.295</u>	<u>-</u>

10. INTANGIBLE ASSETS

	2016	2015
Intangible assets under development	175.206	175.206
	175.206	175.206

11. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Land	1.250.010	1.250.010
	1.250.010	1.250.010

12. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank accounts - BAM	110	4.398
Cash at hand - BAM	14	
	124	4.398

13. OTHER SHORT-TERM RECEIVABLES

	2016	2015
Receivables - prepaid income tax	986	985
	986	985

14. VAT RECEIVABLES

	2016	2015
VAT - received invoices	5	
Receivables - Incoming/Outgoing VAT	104	9.573
	<u>109</u>	<u>9.573</u>

15. EQUITY

	2016	2015
Members share	1.794.116	1.794.116
Accumulated losses	(378.249)	(357.990)
Loss of the current year	(22.648)	(20.263)
	<u>1.393.219</u>	<u>1.415.863</u>

16. SHORT-TERM FINANCIAL LIABILITIES

	2016	2015
Other short term financial loans	24.923	21.123
	<u>24.923</u>	<u>21.123</u>

17. TRADE AND OTHER PAYABLES

	2016	2015
Accounts payable – domestic	140	-
	<u>140</u>	<u>-</u>

18. LIABILITIES TOWARD EMPLOYEES (SALARIES)

	2016	2015
Liabilities toward employees	8.153	3.186
	8.153	3.186

19. EVENTS AFTER THE DATE OF BALANCE SHEET

There were no events after the date of forming the balance sheet which could influence presented financial reports. Auditor's statement on sequels which could possibly influence made statements in financial reports of the company of audited operating period is not necessary nor can it influence auditor's opinion. Engagement of performing the audit has been agreed upon after the financial reports have already been adopted by management of the company and submitted to competent state institution. Therefore, any kind of data alterations within financial reports caused by possible sequels have to be implemented during the current accounting period in one of the manners regulated by IAS (ISA) No.8.

20. COURT DISPUTES

According to the information provided by Management of the Company as well as data assumed from the signed statement, the Company has no court disputes.

21. RISK EVALUATION

Loan risk

The company is exposed to medium loan risk which comes out mostly from claims of services buyers and other claims. Maximum amount of loan risk is equal to nominal value of those claims.

Interest risk

Interest risk is risk of change of financial instruments value by change of market interest rates. The Company is exposed to medium interest risk because of part of assets of the Company that bring (accrue) the interest.

Currency risk

The Company is exposed to medium currency risk because part of assets of the Company is denominated or related to foreign currency. The Company has liabilities denominated or related to foreign currency.

Tax risk

Federation of Bosnia and Herzegovina and BiH currently have several laws which regulate different taxes introduced by competent authorities. Taxes paid include VAT, profit tax and payments tax, together with

other taxes. Unlike more developed market economies, there is no age-long practice in applying of these taxes because some of them have been applied only since last year, and on the other hand regulations by which implementation of these laws is being conducted are often not clear or are still differently interpreted. Thus, the opinion differences often occur among the state ministries and assessors due to legal interpretation of law decrees which can bring doubts and conflicts of interest. Tax returns are topic of controls and reviews by several authorized tax inspections which are enabled by law to prescribe extremely gruels (wiggling) and default interests.

Interpretation of tax laws by tax authorities relating to transactions and activities of the Company can differ from interpretation of management. That, for companies like this one, can lead up to transactions denial by tax authorities and the Company can be assigned the additional amount of taxes, penalties and interests.

In accordance to Tax department law of Federation of BiH, the limitation period of tax liability is 5 years. That practically means that tax authorities have rights to assign paying of unpaid liabilities within 5 years from the moment of occurring of the liability. These facts can influence tax risk in Federation of BiH and Bosnia and Herzegovina to be more significant than the ones in the countries with more developed tax systems.

22. AUDITING TEAM

1. Nijaz Dervišić dipl.oec.
-