

Company for Audit and Tax Consulting

ADITON Ltd.

BANJA LUKA

INDEPENDENT AUDITOR REPORT

**ON FINANCIAL STATEMENTS
FOR YEAR 2012**

SARANTIS Ltd., Banja Luka

Banja Luka, February, 2013

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TO OWNERS AND MANAGEMENT
SARANTIS Ltd., Banja Luka

INDEPENDENT AUDITOR REPORT

Introduction

We have audited submitted financial statements of "SARANTIS Ltd.", Banja Luka (hereinafter the "Company") which comprise the Balance Sheet on the day of December 31th 2012, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of Republic of Srpska, as well as for the internal controls relevant to the preparation of financial statements that do not contain misleading financial information, whether due to fraud or error.

Auditor's responsibility

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

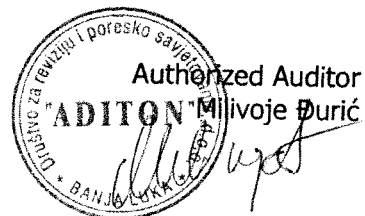
An audit involves performing procedures to obtain audit evidence about the amounts and informations disclosed in financial statements. Selected procedures are based on auditor's judgement, including risk assessment of material errors contained in financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of financial statements, in order to design best possible audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of used accounting policies and significant estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Unmodified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the „SARANTIS Ltd.“ on the day December 31st 2012, and the results of its operations and cash flow for the year ending on that date, in accordance with the International Accounting Standards.

Protocol Number: 73/12-7 /13
Banja Luka, February 18th 2013



Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

Balance Sheet
(Statement of Financial Position)
date 31.12.2012.

| 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 | | | | | | |
| A. FIXED ASSETS (002+008+015+021+030) | | | | | | |
| I INTANGIBLE ASSETS (003 through 007) | | | | | | |
| 01 | 001 | | 168.414 | 21.358 | 147.056 | 0 |
| 010 | 002 | | 39.795 | 1.258 | 38.537 | 0 |
| 011 | 003 | | | | 0 | 0 |
| 012 | 004 | | | | 0 | 0 |
| 014 | 005 | | | | 0 | 0 |
| 015 and 016 | 006 | | 14.369 | 1.258 | 13.111 | 0 |
| | 007 | | 25.426 | | 25.426 | |
| II REAL ESTATES, PLANT, EQUIPMENT AND INVESTMENT | | | | | | |
| 02 | 008 | | 128.619 | 20.100 | 108.519 | 0 |
| 020 | 009 | | | | 0 | |
| 021 | 010 | | | | 0 | |
| 022 | 011 | | 128.619 | 20.100 | 108.519 | |
| 023 | 012 | | | | 0 | |
| 027 and 028 | 013 | | | | 0 | |
| 029 | 014 | | | | 0 | |
| 03 | 015 | | 0 | 0 | 0 | 0 |
| III BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE | | | | | | |

Company for Audit and Tax Consulting „ADITON Ltd.”

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | | | | | | | |
|---------------|---|-----|---------|---|---------|--|--|---------|---------|
| 030 | (016 through 020) | | | | | | | | |
| 031 | 1. Forest | 016 | | | | | | | 0 |
| 032 | 2. Growing crops | 017 | | | | | | | 0 |
| 033 | 3. Live stock | 018 | | | | | | | 0 |
| | 4. Agricultural produce | 019 | | | | | | | 0 |
| 038 and 039 | 5. Advances (prepayments) and biological assets and agricultural produce in preparation process | 020 | | | | | | | 0 |
| 04 | IV LONG TERM FINANCIAL INVESTMENTS (022 through 029) | | | | | | | | |
| 040, part 049 | 1. Shares in related legal entities | 021 | 0 | | | | | | 0 |
| 041, part 049 | 2. Shares in other legal entities | 022 | | | | | | | 0 |
| 042, part 049 | 3. Long-term loans to related legal entities | 023 | | | | | | | 0 |
| 043, part 049 | 4. Domestic long-term loans | 024 | | | | | | | 0 |
| 044, part 049 | 5. Long-term loans abroad | 025 | | | | | | | 0 |
| 045, part 049 | 6. Financial assets available for sale | 026 | | | | | | | 0 |
| 046, part 049 | 7. Financial assets held to maturity | 027 | | | | | | | 0 |
| 048, part 049 | 8. Other long-term financial investments (placements) | 028 | | | | | | | 0 |
| 050 | V POSTPONED TAX FUNDS | 029 | | | | | | | 0 |
| | B. CURRENT ASSETS (032+039+060) | 030 | | | | | | | 0 |
| 10 to 15 | I INVENTORIES, FIXED ASSETS AND ASSETS OF DISCONTINUED OPERATIONS AVAILABLE FOR SALE (033 through 038) | 031 | 906.937 | 0 | 906.937 | | | 906.937 | 696.275 |
| 100 to 109 | 1. Inventory of materials | 032 | 171.016 | 0 | 171.016 | | | 171.016 | 0 |
| 110 to 112 | 2. Inventories of work in progress, goods, unfinished products and services | 033 | | | | | | | 0 |
| 120 | 3. Inventory of finished products | 034 | | | | | | | 0 |
| 130 to 139 | 4. Inventory of merchandise goods | 035 | | | | | | | 0 |
| 140 to 149 | 5. Fixed assets and assets of discontinued operations available for sale | 036 | 171.016 | | 171.016 | | | 171.016 | 0 |
| 150 to 159 | 6. Advances paid (prepayments) | 037 | | | | | | | 0 |
| | II SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (040+046+055+058+059) | 038 | | | | | | | 0 |
| | | 039 | 735.921 | 0 | 735.921 | | | 735.921 | 696.275 |

Company for Audit and Tax Consulting „ADITON Ltd.”

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | | | | |
|------------------------|---|-----|-----------|--------|-----------|---------|
| 20, 21, 22 | 1. Short-term receivables (041 through 045) | 040 | 603.926 | 0 | 603.926 | 34 |
| 200, part 209 | a) Customers – related legal entities | 041 | | | 0 | |
| 201, part 209 | b) Domestic costumers | 042 | 598.093 | | 598.093 | |
| 202, part 209 | v) Foreign costumers | 043 | | | 0 | |
| 210 to 219 | g) Receivables from specific products | 044 | | | 0 | |
| 220 to 229 | d) Other short-term receivables | 045 | 5.833 | | 5.833 | 34 |
| 23 | 2. Short-term financial investments (047 through 054) | 046 | 0 | 0 | 0 | 0 |
| 230, part 239 | a) Short-term loans to related legal entities | 047 | | | 0 | |
| 231, part 239 | b) Domestic short-term loans | 048 | | | 0 | |
| 232, part 239 | v) Short-term loans abroad | 049 | | | 0 | |
| 233 and 234 | g) Share of long-term financial placements which mature in one year | 050 | | | 0 | |
| 235, part 239 | d) Financial assets at fair value through profit and loss available for trading | 051 | | | 0 | |
| 236, part 239 | d) Financial assets recognized at fair value through profit and loss | 052 | | | 0 | |
| 237 | e) Shares bought back indented for sale or cancellation | 053 | | | 0 | |
| 238, part 239 | z) Other short-term investments | 054 | | | 0 | |
| 24 | 3. Cash equivalents and cash (056+057) | 055 | 131.995 | 0 | 131.995 | 696.241 |
| 240 | a) Cash equivalents - securities | 056 | | | 0 | |
| 241 to 249 | b) Cash | 057 | | | 0 | |
| 270 to 279 | 4. Value added tax | 058 | 131.995 | | 131.995 | 696.241 |
| 280 to 289, except 288 | 5. Prepaid expenses and accrued income | 059 | | | 0 | |
| 288 | III DEFERRED TAX ASSETS | 060 | | | 0 | |
| 29 | C. LOSS OVER THE CAPITAL | 061 | | | 0 | |
| 880 to 888 | D. OPERATING ASSETS (001+031+061) | 062 | 1.075.351 | 21.358 | 1.053.993 | 696.275 |
| | E. OFF BALANCE SHEET ASSETS | 063 | | | 0 | |
| | F. TOTAL ASSETS (062+063) | 064 | 1.075.351 | 21.358 | 1.053.993 | 696.275 |

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| Group and part of group of accounts | Item | ADP | Current Year Amounts | Previous Year (Opening Balance) |
|-------------------------------------|---|-----|----------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| | EQUITY AND LIABILITIES | | | |
| | A. CAPITAL (102-109+110+111+114+115-116+117-122) | | | |
| 30 | I SHARE CAPITAL (103 through 108) | 101 | 608.991 | 696.275 |
| 300 | 1. Share capital | 102 | 700.000 | 700.000 |
| 302 | 2. Shares in limited liability company | 103 | | |
| 303 | 3. Shares in cooperatives | 104 | | |
| 304 | 4. Other shares | 105 | 700.000 | 700.000 |
| 305 | 5. State-owned capital | 106 | | |
| 306 | 6. Other capital | 107 | | |
| 31 | II SUBSCRIBED CAPITAL UNPAID | 108 | | |
| 320 | III ISSUANCE PREMIUM | 109 | | |
| part 32 | IV RESERVES (112+113) | 110 | | |
| 321 | 1. Legal reserves | 111 | 0 | 0 |
| 322 | 2. Statutory reserves | 112 | | |
| 330, 331 and 334 | V REVALUATION RESERVES | 113 | | |
| 332 | VI UNREALISED GAINS FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE | 114 | | |
| 333 | VII UNREALISED LOSSES FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE | 115 | | |
| 34 | VIII RETAINED EARNINGS (118 through 121) | 116 | | |
| 340 | 1. Profit from previous years | 117 | 0 | 0 |
| 341 | 2. Profit for the financial year | 118 | | |
| 342 | 3. Unallocated surplus of income over expenditure | 119 | | |
| 343 | 4. Net income of entrepreneurs | 120 | | |
| 35 | IX. LOSS UP TO THE AMOUNT OF CAPITAL (123+124) | 121 | | |
| | | 122 | 91.009 | 3.725 |

Company for Audit and Tax Consulting „ADITON Ltd.”

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | | |
|-------------|--|-----|---------|-------|
| 350 | 1. Loss of previous year | 123 | | |
| 351 | 2. Loss of current year | 124 | 3.725 | |
| 40 | B. LONG-TERM PROVISIONS (126 through 131) | 125 | 87.284 | 3.725 |
| 400 | 1. For expenses in warranty period | 126 | 0 | 0 |
| 401 | 2. For restoration of natural resources | 127 | | |
| 402 | 3. For kept down payments and deposits | 128 | | |
| 403 | 4. For costs of reorganization | 129 | | |
| 404 | 5. For employees wages and benefits | 130 | | |
| 405 | 6. Other long-term provisions | 131 | | |
| | C. LIABILITIES (133+142) | 132 | 445.002 | 0 |
| 41, except | I LONG-TERM LIABILITIES (134 through 141) | 133 | | |
| 418 | 1. Liabilities convertible in capital | 134 | 0 | 0 |
| 410 | 2. Liabilities toward related legal entities | 135 | | |
| 411 | 3. Long-term securities payable | 136 | | |
| 412 | 4. Long-term debt (borrowings) | 137 | | |
| 413 and 414 | 5. Long-term liabilities from financial leasing | 138 | | |
| 415 and 416 | 6. Long-term liabilities at fair value through profit and loss | 139 | | |
| 417 | 7. Deferred tax liabilities | 140 | | |
| 418 | 8. Other long-term liabilities | 141 | | |
| 42 to 48 | II SHORT-TERM LIABILITIES | 142 | | |
| 42 | (143+148+153+154+155+156+157+158+159+160) | 143 | 445.002 | 0 |
| 420 to 423 | 1. Short-term financial liabilities (144 through 147) | 144 | 0 | 0 |
| | a) Short-term borrowings and liabilities from short-term securities | | | |
| 424 and 425 | b) Share in long-term financial liabilities which mature in one year | 145 | | |
| 426 | v) Short-term liabilities at fair value through profit and loss | 146 | | |
| 429 | g) Other short-term financial liabilities | 147 | | |
| 43 | 2. Operating liabilities (149 through 152) | 148 | | |
| 430 | a) Prepayments, deposits and bills received | 149 | 386.443 | 0 |

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | | |
|-------------|---|-----|------------------|----------------|
| 431 | b) Suppliers-related legal entities | 150 | | |
| 432 and 433 | v) Other suppliers | 151 | 332.916 | |
| 439 | g) Other operating liabilities | 152 | 53.527 | |
| 440 to 449 | 3. Liabilities from specific operations | 153 | | |
| 450 to 458 | 4. Wages (salaries) and salaries (salaries compensations) payable | 154 | | |
| 460 to 469 | 5. Other liabilities | 155 | | |
| 470 to 479 | 6. Value added tax | 156 | 5.609 | |
| 48 except | 7. Other taxes, contributions and other fees payable | 157 | 1.264 | |
| 481 | 8. Profit tax liabilities | 158 | | |
| 49, except | 9. Accrued expenses and deferred income | 159 | | |
| 495 | 10. Deferred tax liabilities | 160 | 51.686 | |
| 495 | D. OPERATING EQUITY AND LIABILITIES (101+125+132) | 161 | 1.053.993 | |
| 890 to 898 | E. OFF BALANCE SHEET EQUITY AND LIABILITIES | 162 | | 696.275 |
| | F. TOTAL EQUITY AND LIABILITIES (161+162) | 163 | 1.053.993 | 696.275 |

In Banja Luka

Date, 14.02.2013.

Authorized Person: Svjetlana Ijatović

Director: Vaso Knežević

Income Statement
(Statement of Comprehensive Income)
from 01.01. to 31.12.2012

- in BAM -

| Group and part of group of accounts | Item | AOP | Amount | |
|--|--|-----|------------------|---------------|
| | | | Current Year | Previous Year |
| 1 | 2 | 3 | 4 | 5 |
| | A. OPERATING INCOME AND EXPENSES | | | |
| | I OPERATING INCOME | | | |
| | (202+206+210+211-212+213-214+215) | 201 | 1.721.594 | 0 |
| 60 | 1. Income from sales of merchandise goods (203 through 205) | 202 | 1.718.242 | 0 |
| 600 | a) Income from sale of merchandise goods to related legal entities | 203 | | |
| 601 | b) Income from sale of merchandise goods on domestic market | 204 | 1.710.312 | |
| 602 | v) Income from sale of merchandise goods on foreign market | 205 | 7.930 | |
| 61 | 2. Income from sale of products (207 through 209) | 206 | 0 | 0 |
| 610 | a) Income from sale of products and services to related legal entities | 207 | | |
| 611 | b) Income from sale of products and services on domestic market | 208 | | |
| 612 | v) Income from sale of products and services on foreign market | 209 | | |
| 62 | 3. Income from employment (activation) or consumption of goods, products and services | 210 | 3.352 | |
| 630 | 4. Increase in value of products in stock | 211 | | |
| 631 | 5. Decrease in value of products in stock | 212 | | |
| 640 and 641 | 6. Increase of the value of investment properties and biological assets that are not subject to depreciation | 213 | | |
| 642 and 643 | 7. Decrease of the value of investment properties and biological assets that are not subject to depreciation | 214 | | |
| 650 to 659 | 8. Other operating income | 215 | | |
| | II OPERATING EXPENSES | | | |
| | (217+218+219+222+223+226+227+228) | 216 | 1.681.355 | 3.725 |
| 500 to 502 | 1. Merchandise goods sold at cost | 217 | 1.169.086 | |
| 510 to 513 | 2. Materials expenses | 218 | 62.142 | |
| 52 | 3. Wages, salaries and other employee benefits expenses (220+221) | 219 | 274.323 | 0 |
| 520 and 521 | a) Gross wages and gross salaries | 220 | 253.779 | |
| 522 and 529 | b) Other employee expenses | 221 | 20.544 | |
| 530 to 539 | 4. Services expense | 222 | 75.806 | 3.694 |
| 54 | 5. Depreciation and provisions | 223 | 21.358 | 0 |

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | | |
|-----------------------|---|-----|---------------|--------------|
| | expenses (224+225) | | | |
| 540 | a) Depreciation | 224 | 21.358 | |
| 541 to 549 | b) Provisions expenses | 225 | | |
| 55 except 555 and 556 | 6. Immaterial expense (excluding taxes and contribution) | 226 | 70.292 | 31 |
| 555 | 7. Tax expense | 227 | 8.134 | |
| 556 | 8. Contribution expense | 228 | 214 | |
| | B. OPERATING INCOME (201-216) | 229 | 40.239 | 0 |
| | C. OPERATING LOSS (216-201) | 230 | 0 | 3.725 |
| | D. FINANCE INCOME AND EXPENSES | | | |
| 66 | I FINANCE INCOME (232 through 237) | 231 | 832 | 0 |
| 660 | 1. Finance income from related legal entities | 232 | | |
| 661 | 2. Interest income | 233 | 825 | |
| 662 | 3. Foreign exchange gains | 234 | | |
| 663 | 4. Incomes from currency clause | 235 | | |
| 664 | 5. Income from joint venture investments | 236 | | |
| 669 | 6. Other finance income | 237 | 7 | |
| 56 | II FINANCE EXPENSES (239 through 243) | 238 | 7 | 0 |
| 560 | 1. Finance expenses from relations with related legal entities | 239 | | |
| 561 | 2. Interests expense | 240 | | |
| 562 | 3. Foreign exchange losses | 241 | | |
| 563 | 4. Currency clause expenses | 242 | | |
| 564 | 5. Other finance expense | 243 | 7 | |
| | E. OPERATING INCOME (229+231-238) or (230+231-238) | 244 | 41.064 | 0 |
| | F. OPERATING LOSS (-229-231+238) or (230-231+238) | 245 | 0 | 3.725 |
| | G. OTHER INCOME AND EXPENSES | | | |
| 67 | I OTHER INCOME (247 through 256) | 246 | 2.569 | 0 |
| 670 | 1. Income from sale of intangible investments, real-estates, plant and equipment | 247 | | |
| 671 | 2. Income from sale of investment property | 248 | | |
| 672 | 3. Income from sale of biological assets | 249 | | |
| 673 | 4. Income from sale of discontinued operations assets | 250 | | |
| 674 | 5. Income from sale of stakes in capital and long-term securities | 251 | | |
| 675 | 6. Income from sale of materials | 252 | | |
| 676 | 7. Surpluses, excluding surpluses of products in stock | 253 | | |
| 677 | 8. Collected written-off receivables | 254 | | |
| 678 | 9. Incomes from contractually agreed risk protection which cannot be included in the revaluation reserves | 255 | | |
| 679 | 10. Income from reduction of liabilities, | 256 | 2.569 | |

| | | | | |
|-----|--|-----|----------------|----------|
| | termination of unused long-term provisions and other incomes | | | |
| 57 | II OTHER EXPENSES (258 through 267) | 257 | 130.917 | 0 |
| 570 | 1. Losses arising from liquidation and write-off of fixed assets and intangible assets | 258 | | |
| 571 | 2. Losses arising from sale and write off of investment property | 259 | | |
| 572 | 3. Losses arising from sale and write off of biological assets | 260 | | |
| 573 | 4. Losses arising from sale and write off of discontinued operations assets | 261 | | |
| 574 | 5. Losses from sale of stakes in capital and long-term securities | 262 | | |
| 575 | 6. Losses from sale of materials | 263 | | |
| 576 | 7. Deficits, excluding deficits of products in stock | 264 | | |
| 577 | 8. Losses from risk protection | 265 | | |
| 578 | 9. Losses from revaluation and write-offs | 266 | | |
| 579 | 10. Losses from write-off of material and goods and other losses | 267 | 130.917 | |
| | H. GAIN FROM OTHER INCOMES AND EXPENSES (246-257) | 268 | 0 | 0 |
| | I. LOSS FROM OTHER INCOMES AND EXPENSES (257-246) | 269 | 128.348 | 0 |
| | J. INCOME AND LOSSES FROM REVALUATION OF PROPERTY VALUE | | | |
| 68 | I INCOME FROM REVALUATION OF PROPERTY VALUE (271 through 279) | 270 | 0 | 0 |
| 680 | 1. Income from revaluation of intangible assets | 271 | | |
| 681 | 2. Income from revaluation of real-estates, plant and equipment | 272 | | |
| 682 | 3. Income from revaluation of investment property which is subject to depreciation | 273 | | |
| 683 | 4. Income from revaluation of biological assets which are subject to depreciation | 274 | | |
| 684 | 5. Income from revaluation of long-term financial placements and financial assets available for sale | 275 | | |
| 685 | 6. Income from revaluation of materials and goods | 276 | | |
| 686 | 7. Income from revaluation of short-term financial placements | 277 | | |
| 687 | 8. Income from revaluation of capital value | 278 | | |
| 689 | 9. Income from revaluation of other property value | 279 | | |

| | | | | |
|-------------|--|-----|-----------|-------|
| 58 | II LOSSES FROM REVALUATION OF PROPERTY VALUE (281 through 288) | 280 | 0 | 0 |
| 580 | 1. Impairment of intangible assets | 281 | | |
| 581 | 2. Impairment of real-estates, plant and equipment | 282 | | |
| 582 | 3. Impairment of investment property which is subject to depreciation | 283 | | |
| 583 | 4. Impairment of biological assets which are subject to depreciation | 284 | | |
| 584 | 5. Impairment of long-term financial placements and financial assets available for sale | 285 | | |
| 585 | 6. Impairment of materials and goods | 286 | | |
| 586 | 7. Impairment of short-term financial placements | 287 | | |
| 589 | 9. Impairment of other property value | 288 | | |
| | K. REVALUATION GAIN | 289 | 0 | 0 |
| | L. LOSS FROM THE REVALUATION OF PROPERTY VALUE (280-270) | 290 | 0 | 0 |
| 690 and 691 | M. INCOMES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR | 291 | | |
| 590 and 591 | N. LOSSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR | 292 | | |
| | O. INCOME AND LOSS BEFORE TAXES | | | |
| | 1. Income before taxes (244+268+289+291-245-269-290-292) | 293 | 0 | 0 |
| | 1. Loss before taxes (245+269+290+292-244-268-289-291) | 294 | 87.284 | 3.725 |
| | P. CURRENT AND DEFERRED INCOME TAX | | | |
| 721 | 1. Tax expenses of reporting period | 295 | | |
| part 722 | 2. Deferred tax expenses of reporting period | 296 | | |
| part 722 | 3. Deferred tax incomes of reporting period | 297 | | |
| | Q. NET INCOME AND NET LOSS | | | |
| | 1. Net income of current year (293-294-295-296+297) | 298 | 0 | 0 |
| | 2. Net loss of current year (294-293+295+296-297) | 299 | 87.284 | 3.725 |
| | TOTAL INCOME (201+231+246+270+291) | 300 | 1.724.995 | 0 |
| | TOTAL EXPENSES (216+238+257+280+292) | 301 | 1.812.279 | 3.725 |
| | R. INTERIM DIVIDENDS AND OTHER FORMS OF NET INCOME DISTRIBUTION DURING REPORTING PERIOD | | | |
| 723 | Share of net income/loss which belongs to majority owners | 303 | | |
| | Share of net income/loss which belongs to minority owners | 304 | | |

Independent Auditor Report on Financial Statements of Company „SARANTIS Ltd.“ for year 2012.

| | | | |
|---|-----|----|---|
| Basic earnings per share | 305 | | |
| Diluted earnings per share | 306 | | |
| Average number of employees based on the working hour | 307 | | |
| Average number of employees according to month ending balance | 308 | 13 | 0 |

(Stamp)

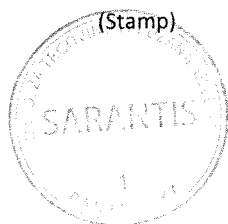
In Banja Luka
Date, 14.02.2013
Authorized Person: Svjetlana Mijatović
Director: Vaso Knežević

Cash Flow Statement
(Statement of cash flows)
from 01.01. to 31.12.2012

-in BAM

| Number | Item | AOP | Amount | |
|--------|---|-----|------------------|---------------|
| | | | Current Year | Previous Year |
| 1 | 2 | 3 | 4 | 5 |
| 1 | A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 2 | I. Cash proceeds from operating activities (502 through 504) | 501 | 1.380.844 | 0 |
| 3 | 1. Proceeds from sale and advances (prepayments) | 502 | 1.371.628 | |
| 4 | 2. Proceeds from premiums, subventions, grants, etc. | 503 | | |
| 5 | 3. Other proceeds from operating activities | 504 | 9.216 | |
| 6 | II. Cash outflows from operating activities (506 through 510) | 505 | 1.777.501 | 3.759 |
| 7 | 1. Payments to suppliers and given advances (prepayments) | 506 | 1.471.199 | |
| 8 | 2. Payments for employee wages, salaries, and other employee benefits | 507 | 255.474 | 3.694 |
| 9 | 3. Payment of interests | 508 | | |
| 10 | 4. Payment of income taxes | 509 | | |
| 11 | 5. Other payments of operating activities | 510 | 50.828 | 65 |
| 12 | III. Net inflow of cash from operating activities (501-505) | 511 | 0 | 0 |
| 13 | IV. Net outflow of cash from operating activities (505-501) | 512 | 396.657 | 3.759 |
| 14 | B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 15 | I Proceeds from investing activities (514 through 519) | 513 | 825 | 0 |
| 16 | 1. Proceeds from short-term financial investment | 514 | | |
| 17 | 2. Proceeds from sale of shares and capital stakes | 515 | | |
| 18 | 3. Proceeds from sale of intangible assets, real-estates, plant, equipment, investment property and biological assets | 516 | | |
| 19 | 4. Proceeds from interests | 517 | 825 | |
| 20 | 5. Proceeds from dividends and participation in profit | 518 | | |
| 21 | 6. Proceeds from other long-term financial investments | 519 | | |
| 22 | II Cash outflow from investing activities (521 through 524) | 520 | 168.414 | 0 |
| 23 | 1. Outflows from short-term financial investments | 521 | | |
| 24 | 2. Outflows arising from purchase of shares and participation in capital | 522 | | |
| 25 | 3. Outflows from purchase of intangible assets, real-estates, plant, equipment, investment property and biological assets | 523 | 168.414 | |
| 26 | 4. Outflow arising from other long-term financial investments | 524 | | |
| 27 | III. Net cash inflow from investing activities (513-520) | 525 | 0 | 0 |
| 28 | IV. Net cash outflow from investing activities (520-513) | 526 | 167.589 | 0 |

| | | | | |
|----|---|-----|-----------|---------|
| 29 | V. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| 30 | I. Cash inflow from financing activities (528 through 531) | 527 | 0 | 700.000 |
| 31 | 1. Inflow from increase in share capital | 528 | | 700.000 |
| 32 | 2. Inflow arising from long-term financial liabilities | 529 | | |
| 33 | 3. Inflow arising from short-term financial liabilities | 530 | | |
| 34 | 4. Inflow from other long-term and short-term financial liabilities | 531 | | |
| 35 | II. Cash outflow from financing activities (533 through 538) | 532 | 0 | 0 |
| 36 | 1. Outflow from redemption of own shares and capital stakes | 533 | | |
| 37 | 2. Outflow from long-term financial liabilities | 534 | | |
| 38 | 3. Outflow from short-term financial liabilities | 535 | | |
| 39 | 4. Net outflow arising from finance lease | 536 | | |
| 40 | 5. Outflow arising from dividends and participation in profit | 537 | | |
| 41 | 6. Outflows from other long-term and short-term liabilities | 538 | | |
| 42 | III. Net inflow of cash from financing activities (527-532) | 539 | 0 | 700.000 |
| 43 | IV. Net outflow of cash from financing activities (532-527) | 540 | 0 | 0 |
| 44 | G. TOTAL CASH INFLOW (501+513+527) | 541 | 1.381.669 | 700.000 |
| 45 | D. TOTAL CASH OUTFLOW (505+520+532) | 542 | 1.945.915 | 3.759 |
| 46 | Đ. NET CASH INFLOW (541-542) | 543 | 0 | 696.241 |
| 47 | E. NET CASH OUTFLOW (542-541) | 544 | 564.246 | 0 |
| 48 | Ž. CASH AT THE BEGINNING OF REPORTING PERIOD | 545 | 696.241 | |
| 49 | Z. FOREIGN EXCHANGE GAINS FROM TRANSLATION OF CASH | 546 | | |
| 50 | I. FOREIGN EXCHANGE LOSSES FROM TRANSLATION OF CASH | 547 | | |
| 51 | J. CASH AT THE END OF REPORTING PERIOD (545+543-544+546-547) | 548 | 131.995 | 696.241 |



In Banja Luka
Date, 14.02.2013.
Authorized Person: Svjetlana Mijatović
Director: Vaso Knežević

Statement on Changes in Equity

for period ending 31.12.2012.

| Number | Type of change in equity | Share in shareholders' equity that belongs to owners of parent company | | | | | | Total | Minority Interest | TOTAL EQUITY |
|--------|---|--|--|---------------------|--|---|------------------------------------|-------|-------------------|--------------|
| | | 2 | 3 | 4 | 5 | 6 | 7 | | | |
| | | AOP | Shareholders' equity and stakes in limited liability companies | Revaluation reserve | Unrealized gains/losses arising from financial assets available for sale | Other reserves (issuance premium, legal and statutory reserves, cash flow protection) | Retained earnings / uncovered loss | | | |
| 1 | Value on day 31.12.2010. | 901 | 0 | | | | 0 | | | 0 |
| 2 | Effects of the changes in accounting policies | 902 | | | | | | | | 0 |
| 3 | Effects of the corrections of material errors | 903 | | | | | | | | 0 |
| 4 | New value on day 31.12.2010. (901 ± 902 ± 903) | 904 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| 5 | Effects of the revaluation of the material and immaterial assets | 905 | | | | | | | | 0 |
| 6 | Unrealized gains/losses arising from financial assets available for sale | 906 | | | | | | | | 0 |
| 7 | Foreign exchange differences from the translation of the financial statements in other foreign currency | 907 | | | | | | | | 0 |
| 8 | Net income/ loss of the reporting period as reported in income statement | 908 | | | | | -3.725 | | | -3.725 |
| | | | | | | | | | | -3.725 |

| | | | | | | | | | | | | |
|----|---|-----|---------|---|---|---|---------|--|--|---------|---|---------|
| 9 | Net income/losses of the period recognized directly in equity | 909 | | | | | | | | 0 | | 0 |
| 10 | Declared dividends and other distributions of the net income and covering the loss | 910 | | | | | | | | 0 | | 0 |
| 11 | New Issuance of the shareholders equity and other increases in capital or decrease in capital | 911 | 700.000 | | | | | | | 700.000 | | 700.000 |
| 12 | Value on day 31.12.2011. / 01.01.2012. (904 ± 905 ± 906 ± 907 ± 908 ± 909 - 910 + 911) | 912 | 700.000 | 0 | 0 | 0 | -3.725 | | | 696.275 | 0 | 696.275 |
| 13 | Effects of the changes in accounting policies | 913 | | | | | | | | 0 | | 0 |
| 14 | Effects of errors corrections | 914 | | | | | | | | 0 | | 0 |
| 15 | New value on day 01.01.2012. (912 ± 913 ± 914) | 915 | 700.000 | 0 | 0 | 0 | -3.725 | | | 696.275 | 0 | 696.275 |
| 16 | Effects of the revaluation of the material and immaterial assets | 916 | | | | | | | | 0 | | 0 |
| 17 | Unrealized gains/losses arising from financial assets available for sale | 917 | | | | | | | | 0 | | 0 |
| 18 | Foreign exchange differences from the translation of the financial statements in other foreign currency | 918 | | | | | | | | 0 | | 0 |
| 19 | Net income/ loss of the reporting period as reported in income statement | 919 | | | | | -87.284 | | | -87.284 | | -87.284 |
| 20 | Net income/losses of the period recognized directly in equity | 920 | | | | | | | | 0 | | 0 |
| 21 | Declared dividends and | 921 | | | | | | | | 0 | | 0 |

| | | | | | | | | | | | | |
|----|--|-----|---------|---|---------|---|--|--|--|--|---|---------|
| 22 | other distributions of the net income and covering the loss | | | | | | | | | | 0 | |
| | New issuance of the shareholders equity and other increases in capital | 922 | | | | | | | | | 0 | |
| 23 | Value on day 31.12.2012. | 923 | | | | | | | | | | 608.991 |
| | (915 ± 916 ± 917 ± 918 ± 919 ± 920 - 921 + 922) | | 700.000 | 0 | 0 | 0 | | | | | | 608.991 |
| | | | | | -91.009 | 0 | | | | | 0 | 608.991 |

(Stamp)



In Banja Luka

Date, 14.02.2013

Authorized Person: Svjetlana Mijatović

Director: Vaso Knežević

LEGAL AND OTHER BASIS

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

1.2. The persons responsible for the preparation of financial statements are:

1. Vaso Knežević, the director of the Company
2. Svjetlana Mijatović, certified accountant

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 Jovičić, an accountant employed by the Company.

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. Data processing and business records are performed by the employee of the Company, whereas financial statements are entrusted to MILENIJ Ltd, Banja Luka, a certified agency in accordance with the principles of orderly book keeping.

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
3. Danka Panić, junior auditor

1.8. Duration of the audit of client: January 2013 – February 2013

1.9 Accounting records are based on the following accounting regulations.

- Law on Accounting and Auditing of Republika Srpska (Official Gazette of RS 36/09)
- 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 who perform double-entry book keeping (Official Gazette of RS 79/09)
- Standards Act on the content and form of charts of financial statements for companies, cooperatives, other legal entities and entrepreneurs who perform double-entry book keeping (Official Gazette of RS 84/09)
- Standards Act on the form and content of chart of statement of changes in equity (Official Gazette 84/09).

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

NOTES TO THE REPORT

1. COMPANY BACKGROUND

Sarantis Ltd. is a trade and service company based in Banja Luka at 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

- Vaso Knežević, (NIN - 1503972800037), 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.

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

• Basis for preparation and presentation

The financial statements of the Company for the period 01.01.2012 -31.12.2012 have been prepared in accordance with the accounting regulations of Republika Srpska.

The supplementary financial statements represent the Company's annual financial statements. The financial statements are arranged on the investing cost principle. The financial statements of the Company are presented in the format prescribed by the Standards Act on the application of chart of accounts for companies, cooperatives, other legal entities and entrepreneurs who perform double-entry book keeping (Official Gazette of RS 79/09), the Standards Act on the content and form of charts of financial statements for companies, cooperatives, other legal entities and entrepreneurs who perform double-entry book keeping (Official Gazette of RS 84/09) 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 01.01.2012-31.12.2012 the Company used the direct method for reporting the cash flow.

In preparing these financial statements the Company applied accounting policies explained in Note 3 to the 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 FinanceReporting 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.

However, changes to existing standards and interpretations, as well as the newly adopted standards and interpretations, issued after January 1st 2009, are not disclosed and officially adopted in Republika Srpska.

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 2012 or later:

- IFRS 1 (Revised) "First time application of IFRS" (effective for annual periods beginning on or after July 1st 2009)
- IFRS 3 (revised), "Business Combinations" (effective for annual periods beginning on or after July 1st 2009)
- 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 2 "Action-based Payment"- Group transactions cash payments based on shares (effective for annual periods beginning on or after January 1st 2010),
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1st 2009)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items (effective for annual periods beginning on or after July 1st 2009)
- 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),
- IFRIC 17 "Transfer of non-cash Assets to the owners of the Company "(effective for annual periods beginning on or after July 1st 2009), and
- " IFRIC 18 "Transfer of funds to clients" (effective for annual periods beginning on or after July 1st 2009).
- "Comprehensive Framework for Financial Reporting 2010" which represents the "Framework for the preparation and presentation of financial statements" modification (effective from the date of publication i.e. from September 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"- Great hyperinflation and 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 7 "Financial Instruments: Disclosures" - Transfer of financial assets (effective for annual periods beginning on or after July 1st 2011)
- 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 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 32 "Financial Instruments: Displaying"- Accounting comprehend Rights Issues (effective for annual periods beginning on or after February 1st 2010).
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on May 6th 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are effective for annual periods beginning on or after January 1st 2011)
- 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), and
- "IFRIC 19 Extinguishing Liabilities with Equity Instruments "(effective for annual periods beginning on or after July 1st 2010).

• **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 2011 and as well as balance sheet on the day of December 31st 2011.

• **Continuity of operations**

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

3. ACCOUNTING POLICIES

3.1 ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

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

4. PROPERTY EVALUATION

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

4.2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

4.3. DEPRECIATION

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

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

| Description | Depreciation Rate |
|----------------------------------|-------------------|
| Buildings | 2-10 |
| Plant and equipment | |
| Production and movable equipment | 4-14 |
| Furniture | 10-20 |
| Vehicles | 5-14 |
| Computers | 4-10 |
| Other equipment | 2-20 |

4.4. EQUITY INVESTMENTS

The equity investments are : equity investments in subsidiaries and equity investments in other equities.

Equity investments in entities whose balance sheets are included in the consolidated balance sheet are valued at a book value (paragraph 2 of IAS 39 – Financial instruments: recognition and measurement). If the subsidiary legal entity has headquarters in another country, the balance of that legal entity is in the currency of that country. For the purpose of consolidating, this balance will be converted into national currency as follows: the balance sheet at average exchange rate on the balance date, and income statement position on the average rate in the middle of the period that includes the income statement. Thus, the share of equity of parent company in subsidiary company in other country will be presented at the average exchange rate at balance sheet date. In order to avoid the difference between the amount of equity and the amount of equity stake in the consolidated balance sheet, equity interest in subsidiary in another country should be valued at the average exchange rate of currency in that country on the balance date.

Equity investments in entities whose balance sheets are not included in the consolidated balance sheet are valued as follows:

- if they are given in national currency, at book value.
- if they are in stocks that are listed on the stock exchange, at the stock price on the balance date. The positive effect is recorded in favor of revaluation reserve, and negative effect is charged on the previously realized revaluation reserve , and if there is no revaluation reserve on the expenditure of impairment.
- if they are denominated in foreign currencies, they are calculated at average exchange rate on the balance date. Foreign exchange gains are recorded in favor of financial income, and foreign exchange losses are charged to financial expenditures.

4.5. OTHER LONG TERM FINANCIAL PLACEMENTS

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

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

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

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

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

4.6. THE SUPPLIES AND GIVEN ADVANCES

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

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

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

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

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

4.7. FUNDS CLASSIFIED AS ASSETS HELD FOR SALE

The assets classified as held for sale include: fixed assets held for sale and assets of discontinued operations held for sale.

Fixed assets available for sale are acquired properties, plant and equipment for sale and are they are valued according to the purchase price.

Funding operations that are suspended are intangible assets, property, plant and equipment part of companies whose business is suspended. These assets are valued at current (carrying) values.

If the initial value of these assets does not corresponds the market price subtracted by the cost of sales an assessment is performed by the fair value. Positive effects are the revenue from revaluation and negative effects are assessed on the basis of depreciation. (paragraph 18.19 and 23 of IFRS 5 - Fixed assets held for sale and discounted operations).

4.8. TRADE AND OTHER RECEIVABLES SALE

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

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

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

4.9. SHORT-TERM INVESTMENTS

The short-term investments include: short-term loans and investments in related legal entities, short-term loans in the country, short-term loans in abroad, part of long-term loans

and securities which mature to a year, financial assets at fair value through income statement held for trading, financial assets at fair value through income statement and its own repurchased shares held for sale and repurchased its own shares held for sale or cancellation, as well as other short-term financial investments.

Short-term loans and securities denominated in foreign currencies are valued at the 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. Securities included in the list of stock exchanges quotes are valued at the stock price balance sheet date. Positive effects of price changes of securities are recorded in favor of financial income, and negative are charged to financial expenditures

Short-term investments from the debtor in bankruptcy and investments that are not paid for 365 days from the maturity date are indirectly written-off at the burden of other expenses.

4.10. CASH AND CASH EQUIVALENTS

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

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

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

4.11. PREPAYMENTS AND ACCRUED INCOME

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

4.12. DEFERRED TAX ASSETS

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

4.13. EXCESS CAPITAL LOSS

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

5. EVALUATION OF LIABILITIES

5.1. CAPITAL

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

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

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

5.2. LONG TERM PROVISIONS

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

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

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

5.3. LONG TERM LIABILITIES

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

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

5.4. SHORT TERM LIABILITIES

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

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

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

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

5.6. LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

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

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

5.7 CURRENT LIABILITIES FOR INCOME TAX

Current liabilities for income tax include unpaid income tax.

5.8. ACCRUED COSTS AND DEFERRED REVENUES

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

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

5.9. DEFERRED TAX LIABILITIES

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

6. AVERAGE EXCHANGE RATE OF CURRENCY AND REVALUATION RATIO

Average exchange ratio of foreign currencies is:

| | 31.12.2012 | 31.12.2011 | Indeks |
|-------|------------|------------|--------|
| 1 EUR | 1,95583 | 1,95583 | 100 |

7. REVENUE AND EXPENDITURES

7.1 BUSINESS REVENUE AND EXPENDITURES

7.1.1. Business revenue include:

- Revenue from sales of goods affiliated to corporate entities in the country and abroad,
- Revenue from income sale affiliated to corporate entities in the country and abroad,
- Revenue from activation and consumption effects are recognized at cost price,
- Revenue from activation and consumption of goods is recognized at purchase price and revenue from growth and increment are recognized at the market price,
- Changes in the value of investment properties

- Change in value of biological assets
- Income from premiums, subsidies, grants, reimbursements, donations, revenue from the Treasury and other designated sources or other similar incomes,
- Income from rents, dues, royalties, revenues from designated sources of financing and other operating income.

Business revenue is adjusted in case of increase and depreciation of inventory of work-in-progress and finished products. 7.1.2 Business expenditures include: costs of other material, fuel and energy costs, costs of gross salaries and wages, costs of production services, depreciation and reservation costs, intangible costs, taxes and contribution independent of the results. All expenditures are recognized regardless of the payment.

7.2. FINANCIAL REVENUE AND EXPENDITURES

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

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

7.3. OTHER REVENUE AND EXPENDITURES

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

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

7.4. GAINS AND LOSSES DETERMINED DIRECTLY IN RESULTS

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

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

7.5. INCOME TAX

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

NOTES TO FINANCIAL STATEMENTS

1. GOODWILL AND INTANGIBLE ASSETS

| | IN BAM | | |
|---------------------------------------|-------------------------|----------------------------------|---------------|
| | Other intangible assets | Intangible assets in preparation | Total |
| Buying value: | | | |
| Balance at the beginning of the year | | | |
| New assets | 14.369 | 25.426 | 39.795 |
| Balance at the end of the year | 14.369 | 25.426 | 39.795 |
| Accumulated value adjustments: | | | |
| Balance at the beginning of the year | | | |
| Depreciation | 1.258 | | 1.258 |
| Balance at the end of the year | 1.258 | | 1.258 |
| Net present value: | | | |
| 31.12.2012 | 13.111 | 25.426 | 38.537 |
| Net present value: | | | |
| 31.12.2011 | | | |

Intangible assets of the Company were in the amount of 13,111 BAM and in relation to the accounting software.

Intangible assets in preparation were in amount of 25,426 BAM and in relation to the information system upgrade which was not completed during 2012 business year.

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

2. PROPERTY, PLANT AND EQUIPMENT

| | IN BAM | |
|--------------------------------------|---------------------|----------------|
| | Plant and equipment | Total |
| Buying value: | | |
| Balance at the beginning of the year | | |
| New purchases | 128.620 | 128.620 |
| Balance at the end of the year | 128.620 | 128.620 |

Accumulated value adjustments:

| | | |
|--------------------------------------|---------------|---------------|
| Balance at the beginning of the year | | |
| Depreciation | 20.100 | 20.100 |
| Balance at the end of the year | 20.100 | 20.100 |

Net present value:

| | | |
|------------|----------------|----------------|
| 31.12.2012 | 108.520 | 108.520 |
|------------|----------------|----------------|

Net present value:

31.12.2011

The Company`s fixed assets, aside previously recorded Intangible assets, comprises of equipment for performing registered activities. The total value of Company`s equipment is 108.520 BAM. All the equipment is purchased during 2012, since that is the year the Company started its business activities. The equipment structure is the following:

| | |
|--------------------|-------------|
| Vehicles | 115.612 BAM |
| Computer equipment | 6.785 BAM |
| Office equipment | 4.859 BAM |
| Office furniture | 1.362 BAM |
| TOTAL | 128.620 BAM |
| CORRECTIONS TOTAL | 20.100 BAM |
| NET VALUE | 108.520 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. December 2012 | 31. December 2011 |
|--|----------------------|----------------------|
| 1. Goods | 171.016 | |
| I Inventory, net | 171.016 | |
| 1. Gross Advances | | |
| 2. Adjusted values of the Advances | | |
| II Advances - total | | |
| III INVENTORY AND ADVANCES (I+II) | 171.016 | |

The Company's inventory consists solely of stocks of goods which is towards the end of 2012 recorded in the amount of 171,016 BAM. Goods are recorded on purchase price, in accordance with IAS 2 - Inventories

4. RECEIVABLES FROM SALE AND OTHER RECEIVABLES

| | IN BAM | | |
|--|--------------------------|------------------------------|----------------|
| | Customers in the country | Other short term receivables | Total |
| Gross balance at the beginning of the year | | 33 | 33 |
| Gross balance at the end of the year | 598.093 | 5.833 | 603.926 |
| Correction of value at the beginning of the year | | | |
| Correction of value at the end of the year | | | |
| NET VALUE | | | |
| 31.12.2012 | 598.093 | 5.833 | 603.926 |
| 31.12.2011 | | 33 | 33 |

Age structure of receivables

| Age structure in days | IN BAM | | |
|------------------------------|----------------|-------------|---------------|
| | Up to one year | Over a year | Total |
| Receivables from sale, gross | 598093 | | 598093 |
| Correction of value | | | |
| Receivables form sale, net | 598093 | | 598093 |
| Other receivables, gross | 5833 | | 5833 |
| Correction of value | | | |
| Other receivables, net | 5833 | | 5833 |

Short term receivables were in the amount of 603.926 BAM of which the most important part is related to receivables from buyers in the amount of 598.093 BAM. Other short term receivables are related to receivables from insurance companies in the amount of 4.833 BAM and other receivables in the amount of 1.000 BAM.

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

| | |
|----------------------------|--------|
| DELHAIZE BH Ltd. | 61.508 |
| MERCATOR BH Ltd., Sarajevo | 49.970 |

| | |
|-----------------------------|----------------|
| FIS Ltd., Vitez | 43.839 |
| SKAFA Ltd., Sarajevo | 42.425 |
| M-BL Ltd., | 33.704 |
| GADZO - COMERC Ltd., Ilidza | 28.774 |
| C.D.E.B. Trade company Ltd. | 27.889 |
| EURO BETA Ltd. | 25.000 |
| BMD KOMERC Ltd. | 15.810 |
| MAXI Ltd. | 15.185 |
| dm drogerie markt Ltd. | 13.467 |
| MURSA Ltd. | 11.383 |
| NEGRO CROWN Ltd. | 10.154 |
| BARTULA Ltd., Sokolac | 10.126 |
| OTHER BUYERS | 208.053 |
| TOTAL | 598.093 |

All the above mentioned receivables are not older than 365 days, hence the Company did not perform uncollectible accounts accounting. The Company had sent to all its customers open items statements there was no significant discrepancy amounts.

5. CASH AND CASH EQUIVALENT

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Business accounts – domestic currency | 131.989 | 696.241 |
| 2. Register - domestic currency | 5 | |
| Cash and cash equivalents - total (1 – 2) | 131.995 | 696.241 |

Cash and cash equivalent consist of giro account money deposited in banks in the amount of 131.989 BAM and main register funds in the amount of 5 BAM.

6. CAPITAL

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Shares of limited liability company | 700.000 | 700.000 |
| I. Fixed capital | 700.000 | 700.000 |
| 1. Loss of previous years | (3.725) | |
| 2. Loss of current year | (87.284) | (3.725) |
| II. Loss (1 to 2) | (91.009) | (3.725) |
| CAPITAL (I to IV-V) | 608.991 | 696.275 |

Given that the Company is organized as a limited liability company, the share capital of the Company comprised of the Sarantis Ltd Belgrade initial share in the amount of 700,000 BAM. Due to the reported losses amounting to a total of 91,009 BAM, the share capital is reduced compared to the amount of original capital. On the day December 31st 2012 the total capital of the Company was in the amount of 608,991 BAM.

7. LIABILITIES TOWARDS SUPPLIERS, CURRENT LIABILITIES ON THE TAX

| IN BAM | | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Suppliers – related legal entities | 332.916 | |
| 2. Suppliers in the country | 53.527 | |
| I Operating liabilities - total (1 – 2) | 386.443 | |
| II Liabilities for tax on added value | 5.608 | |
| 1. Liabilities for taxes, customs and other charges on purchase or expenditures | 1.265 | |
| III Liabilities for other taxes, fees and other charges without current liabilities on income tax | 1.265 | |
| Liabilities to suppliers and other liabilities - total (I – III) | 393.316 | |

Liabilities from the Company`s operations are significant and in the amount of 393.316 BAM, of which the most part relates to the subsidiary Sarantis Ltd. Belgrade in the amount of 332.916 BAM. Liabilities to other suppliers were in the amount of 53.527 BAM i.e. the liabilities to:

| | |
|------------------------------|---------------|
| NORA PLAST Ltd. | 38.379 |
| PETROL BH OIL Ltd., SARAJEVO | 4442 |
| BRAĆA PAVLOVIĆ Ltd. | 2200 |
| C.D.E.B.Trade Company Ltd. | 1661 |
| dm drogerie markt Ltd. | 1170 |
| Other suppliers | 5674 |
| TOTAL | 53.527 |

8. ACCRUED COSTS AND DEFERRED REVENUES

| IN BAM | | |
|---|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Expenditure period calculated in advance | 18.759 | |

| | |
|---|---------------|
| 2. Other accrued costs and deferred revenue | 32.928 |
| Accrued costs and deferred revenues- total (1-2) | 51.686 |

9. OPERATING REVENUES

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Sales revenues in domestic market | 1.710.312 | |
| 2. Sales revenues in foreign market | 7.930 | |
| I Sales revenues - total (1 – 2) | 1.718.242 | |
| Sales revenues - total | 1.718.242 | |
| 1. Income from own use of products and merchandise | 3.352 | |
| III Income from own use of products - total | 3.352 | |
| OPERATING REVENUES - TOTAL (I – III) | 1.721.594 | |

Sales revenues are consist of revenues acquired from wholesale and retail trade of goods. Revenue is realistically recorded at the time of sale, either in cash or by issuing a wholesale account. Sales revenues make the most revenue in the Company's total operating revenues and account for 99.80%.

10. OPERATING EXPENDITURES

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Purchasing price of sold goods | 1.169.086 | |
| I Purchasing price of sold goods - total | 1.169.086 | |
| 1. Other (overhead) costs of material | 16.512 | |
| 2. Fuel and energy costs | 45.630 | |
| II Material costs - total (1 – 2) | 62.142 | |
| 1. Costs of gross salaries | 253.779 | |
| 2. Costs of other gross personal expenditures | 20.544 | |
| III Costs of gross salaries, fees and other personal expenditures (1 – 2) | 274.323 | |
| IV Depreciation costs | 21.358 | |

| | | |
|--|------------------|--------------|
| 1. Transport costs | 14.282 | |
| 2. Maintenance costs | 6.469 | |
| 3. Lease costs | 34.252 | |
| 4. Marketing costs | 11.435 | |
| 5. Costs of other services | 9.368 | 3.694 |
| V Costs of production services - total (1 – 95) | 75.807 | 3.694 |
| 1. Cost of non-productive services | 29.092 | |
| 2. Representation costs | 13.736 | |
| 3. Insurance costs | 21.196 | |
| 4. Costs of payment schedule | 2.275 | |
| 5. Fee costs | 557 | |
| 6. Tax costs | 8.134 | |
| 7. Contributions costs | 214 | |
| 8. Other intangible costs | 3.436 | 31 |
| VI Intangible costs - total (1 – 8) | 78.640 | 31 |
| Other operating expenditures - total (V – VI) | 154.447 | 3.725 |
| Operating expenditures - TOTAL (I – VII) | 1.681.355 | 3.725 |

Of the total operating expenditures in the amount of 1.681.355 BAM most of it is related to the purchasing values of the sold goods, which is in accordance with the primary business of the Company. These expenditures make 69,53 % monetarily 1.169.086 BAM. Among the other big expenditures we state the gross salaries expenditures in the amount of 274.323 BAM which in total financial revenue make 16,31 % intangible costs in the amount of 78.640 BAM with a share of 4.60%, etc.

11. FINANCIAL REVENUE

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Interest revenue | 825 | |
| 2. Other financial revenue | 7 | |
| Financial revenue - total (1 – 2) | 832 | |

12. FINANCIAL EXPENDITURE

| | IN BAM | |
|--------------------------------------|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Other financial expenditure | 7 | |
| Financial expenditure - total | 7 | |

13. OTHER REVENUE

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Revenue from reduction of liabilities, elimination of unused long term reservation and other unmentioned income | 2.570 | |
| I Other revenue - total | 2.570 | |
| OTHER REVENUE - TOTAL | 2.570 | |

14. OTHER EXPENDITURE

| | IN BAM | |
|--|----------------------|----------------------|
| | 31. December 2012 | 31. December 2011 |
| 1. Expenditures of material, goods and other inventories | 130.917 | |
| I Other expenditure- total | 130.917 | |
| OTHER EXPENDITURE - TOTAL (I – III) | 130.917 | |

Other expenditure constitute a significant item of expenditure. Within this group of expenditures the costs of abatement, outage, breakage of goods, then subsequently approved rebates, bonuses and other exceptional expenditures are recorded.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

According to a management statement, the Company has no contingent assets or contingent liabilities.

16. EVENTS AFTER THE BALANCE DATE

At the date of accounting 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.

17. 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 intrests. 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 Reublika Srska and Bosnia and Herzegovina, and is significantly higher than in countries with a stable and developed tax system.