Deloitte.

BOSNALIJEK d.d. SARAJEVO

Financial statements for the year ended 31 December 2013 and Independent Auditors' report

Audit . Tax . Consulting . Financial Advisory.

BOSNALIJEK
Sarajevo
Broj: 4621/14
Datum, 30-05-2014 g

BOSNALIJEK d.d. SARAJEVO

Financial statements for the year ended 31 December 2013 and Independent Auditors' report

Contents

Responsibility for the financial statements

The Management is responsible for ensuring that financial statements are prepared for each financial period in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), which give a true and fair view of the state of affairs and results of Bosnalijek d.o.o. Sarajevo (the "Company") for that period.

After making enquiries, the Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, Management continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The Management must also ensure that the financial statements comply with the Accounting and Auditing Law in the Federation of Bosnia and Herzegovina. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management

BOSNALIJEK, FARMACEUTSKA I HEMIJSKA INDUSTRIJA, DIONIČKO DRUŠTVO
BOSNALIJEK
SARAJEVO
1

Nedim Uzunović, Acting Director

Bosnalijek d.d.

Jukićeva 53
71 000 Sarajevo
Bosna i Hercegovina

30 May 2014

Deloitte.

Deloitte d.o.o.
Jadranska bb
71000 Sarajevo
Bosnia and Herzegovina

Tel: +387 (0)33 277 560
Fax: +387 (0)33 277 561
www.deloitte.com/ba

Independent Auditor's Report

To the Shareholders of Bosnalijek d.d. Sarajevo:

We have audited the accompanying financial statements of Bosnalijek d.d. Sarajevo (the "Company"), set out on pages 4 to 40, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

We are appointed as auditors of the Company in May 2014 and thus did not observe the counting of physical inventories, nor were we able to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2013. Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded inventory balance as of 31 December 2013, and net result and cash flows from operations for the year then ended.

Opinion

In our opinion, except for the potential effects of the fact described in the paragraph "*Basis for qualified opinion*" the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and the results of its performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphases of Matter

Financial statements of the Company for the year ended as of 31 December 2012 were audited by another auditor who expressed an unqualified opinion on those statements on 15 March 2013.

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor

Sabina Softić, partner and licensed auditor

Deloitte
d.o.o.
Jadranska bb
71000 Sarajevo
ID: 4200047380000

Sarajevo, Bosnia and Herzegovina
30 May 2014

Statement of profit and loss and other comprehensive income for the year ended 31 December 2013

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Note	2013	2012 (restated)
Sales	7	99,328	111,987
Selling, administrative and general expenses	8	(90,665)	(95,126)
Other operating income		387	423
Other operating expenses	9	(6,596)	(8,420)
Financial income		77	69
Financial expenses	10	(2,365)	(2,382)
Foreign exchange differences, net		(52)	(42)
Profit before tax		**114**	**6,509**
Income tax expense	11	-	-
NET PROFIT		**114**	**6,509**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**114**	**6,509**
Earnings per share	12	**0.01**	**0.83**

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

Bosnalijek d.d. Sarajevo

Statement of financial position as of 31 December 2013

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Note	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	104,878	92,740	78,142
Intangible assets	14	3,835	1,915	360
Financial assets available-for-sale		88	88	103
Deposits	15	2,099	2,174	2,179
		110,900	**96,917**	**80,784**
Current assets				
Loan receivables		-	-	132
Short-term deposits		63	-	-
Inventories	16	21,582	21,338	20,380
Trade and other receivables	17	54,882	63,510	58,276
Other assets	18	1,264	1,137	755
Prepaid income tax		1,502	1,604	1,708
Cash and cash equivalents	19	10,740	4,241	6,188
		90,033	**91,830**	**87,439**
TOTAL ASSETS		**200,933**	**188,747**	**168,223**
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	20	78,300	78,300	71,743
Treasury shares		(390)	(276)	(142)
Share premium		6,608	6,608	3,914
Reserves		45,708	42,602	38,420
(Accumulated loss) / retained earnings		(3,208)	1,702	1,431
		127,018	**128,936**	**115,366**
Non-current liabilities				
Long-term borrowings	21	15,586	11,270	2,663
Financial lease liabilities	22	1,778	3,846	1,560
Provisions	26	3,452	2,739	1,821
		20,816	**17,855**	**6,044**
Current liabilities				
Financial lease liabilities	22	1,975	2,646	483
Trade and other payables	23	21,105	14,014	12,208
Short-term borrowings	21	24,606	23,911	20,376
Derivatives	24	-	-	8,829
Accrued expenses	25	5,300	1,237	4,825
Provisions	26	113	148	92
		53,099	**41,956**	**46,813**
TOTAL EQUITY AND LIABILITIES		**200,933**	**188,747**	**168,223**

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

Signed on behalf of the Company on 30 May 2014:

Nedim Uzunović
Acting Director

Adnan Hadžić
Acting Executive Director for Finance

Statement of changes in equity
for the year ended 31 December 2013

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Share capital	Treasury shares	Share premium	Statutory reserves	Retained earnings / (accumulated loss)	Total
Balance as at 31 December 2011	**71,743**	**(142)**	**3,914**	**38,420**	**9,435**	**123,370**
Correction of error from previous years (Note 3)	-	-	-	-	(8,004)	(8,004)
Balance as at 1 January 2012 (restated)	**71,743**	**(142)**	**3,914**	**38,420**	**1,431**	**115,366**
Net profit	-	-	-	-	6,509	6,509
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	***6,509***	***6,509***
Effects of expired 'put' option (Note 24)	6,557	-	2,694	-	-	9,251
Treasury shares	-	(134)	-	-	134	-
Transfer to statutory reserves	-	-	-	4,182	(4,182)	-
Declared dividends	-	-	-	-	(2,190)	(2,190)
Balance as at 31 December 2012 (restated)	**78,300**	**(276)**	**6,608**	**42,602**	**1,702**	**128,936**
Net profit	-	-	-	-	114	114
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	***114***	***114***
Treasury shares	-	(114)	-	-	114	-
Transfer to statutory reserves	-	-	-	3,106	(3,106)	-
Declared dividends	-	-	-	-	(2,032)	(2,032)
Balance as at 31 December 2013	**78,300**	**(390)**	**6,608**	**45,708**	**(3,208)**	**127,018**

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

(All amounts are expressed in thousands of KM, unless otherwise stated)

	2013	2012 (restated)
Operating activities		
Profit before taxation	**114**	**6,509**
Adjustments for:		
Depreciation of property, plant and equipment	7,265	6,663
Amortization of intangible assets	530	189
Loss from disposal of property, plant and equipment, net	8	172
Loss from disposal of intangible assets, net	4	-
Increase of impairment losses of trade receivables, other receivables and given loans, net	2,939	3,106
Write-off of obsolete and unused raw materials	146	456
Write-off of work in progress and finished products	684	1,094
Write-off of merchandise goods	7	72
Shortages of finished products, net	2	-
Increase in provisions	678	974
Effect of expired 'put' option	-	422
Interest income recognized in the statement of profit or loss and other comprehensive income	(77)	(69)
Interest expenses recognized in the statement of profit or loss and other comprehensive income	2,365	2,382
Operating cash flows before changes in assets and liabilities:	*14,665*	*21,970*
Increase in inventories	(1,083)	(2,582)
Decrease / (increase) in trade and other receivables	5,501	(8,208)
Decrease / (increase) in other assets	61	(382)
Increase in trade and other payables	14,643	8,444
Cash generated by operations	*33,787*	*19,242*
Interest paid	(2,365)	(2,382)
Net cash from operating activities	**31,422**	**16,860**
Investing activities		
Purchase of property, plant and equipment	(24,376)	(28,010)
Purchase of intangible assets	(2,410)	(1,744)
Proceeds from property, plant and equipment sold	138	180
Proceeds from financial assets available-for-sale sold	-	15
Increase in deposits	12	5
Interest received	77	69
Net cash used in investing activities	**(26,559)**	**(29,485)**
Financing activities		
Dividend paid	(636)	(971)
Repayment of finance lease arrangements	(2,739)	(493)
Proceeds long-term borrowings, net	7,838	8,887
(Repayment of) / proceeds from short-term borrowings	(2,827)	3,255
Net cash from financing activities	**1,636**	**10,678**
Net increase / (decrease) in cash and cash equivalents	**6,499**	**(1,947)**
Cash and cash equivalents at the beginning of the year	**4,241**	**6,188**
Cash and cash equivalents at the end of the year	**10,740**	**4,241**

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

(All amounts are expressed in thousands of KM, unless otherwise stated)

1. GENERAL

Bosnalijek d.d. (the "Company") is a joint-stock company incorporated in the Federation of Bosnia and Herzegovina with the registered address Jukićeva 53, 71 000 Sarajevo. The Company is primarily engaged in the production and wholesale trade of pharmaceuticals, veterinary medicine products, disinfectants and similar products.

As of 31 December 2013, the Company had 655 employees (2012: 654 employees).

Management

Supervisory board

Konstantin Zevlov	Chairman – from 25 June 2013
Vedad Tuzović	Member – from 25 June 2013
Bernandin Alagić	Member – from 25 June 2013
Edin Dizdar	Member – from 25 June 2013
Mirna Sijerčić	Member
Veljko Trivun	Chairman – till 25 June 2013
Mahmoud Muhyadin M. Badi	Member – till 25 June 2013
Mirjana Lasić	Member – till 25 June 2013
Janez Bojc	Member – till 25 June 2013

Management Board

Nedim Uzunović	Acting Director – from 13 June 2013
Nedžad Polić	Director – from 18 October 2012 until 24 May 2013
Edin Arslanagić	Director – till 18 October
Belma Abazović	Executive director for production and development
Hadžić Adnan	Acting Executive director for finance – from 14 November 2013
Šefik Handžić	Executive director for finance – till 13 November 201
Kešo Admir	Acting Executive director for marketing and sales – from 12 July 2013
Bojan Kebe	Executive director for marketing and sales – till 11 July 2013
Nermin Zubčević	Executive director for quality and regulations

Audit committee

Adnan Smajlović	Chairman
Džahid Huseinbegović	Member
Hadis Šuvalija	Member

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 "Disclosures of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Standards and Interpretations effective in current period (continued)

- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The adoption of these standards, amendments and interpretations has not led to any changes in the Company's accounting policies.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted (continued)

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. CORRECTION OF ERRORS FROM PREVIOUS YEARS

Since they were identified significant errors in the accounting records and valuation of assets and liabilities in the financial statements, Management of the Company during year 2014 decided to restate the financial statements for the year 2012, by correcting the identified errors in accordance with IAS 8 "Accounting Policies, changes in Accounting Estimates and errors".

An overview of corrections made per reporting year is given below.

(All amounts are expressed in thousands of KM, unless otherwise stated)

3. CORRECTION OF ERRORS FROM PREVIOUS YEARS

BALANCE SHEET

	1 January 2012 (before correction)	Corrections		1 January 2012 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	86,094	(7,952)	1)	78,142
Intangible assets	360	-		360
Financial assets available-for-sale	103	-		103
Deposits	2,179	-		2,179
	88,736	**(7,952)**		**80,784**
Current assets				
Loan receivables	132	-		132
Inventories	21,533	(1,153)	2)	20,380
Trade and other receivables	58,276	-		58,276
Other assets	755	-		755
Prepaid income tax	1,708	-		1,708
Cash and cash equivalents	6,188	-		6,188
	88,592	**(1,153)**		**87,439**
TOTAL ASSETS	**177,328**	**(9,105)**		**168,223**
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	71,743	-		71,743
Treasury shares	(142)	-		(142)
Share premium	3,914	-		3,914
Statutory reserves	38,420	-		38,420
(Accumulated losses) / Retained earnings	9,435	(8,004)	1) - 3)	1,431
	123,370	**(8,004)**		**115,366**
Long-term liabilities				
Long-term borrowings	2,663	-		2,663
Financial lease liabilities	1,560	-		1,560
Provisions	1,821	-		1,821
	6,044	**-**		**6,044**
Short-term liabilities				
Financial lease liabilities	483	-		483
Trade and other payables	12,208	-		12,208
Short-term borrowings	20,376	-		20,376
Derivatives	8,829	-		8,829
Accrued expenses	5,926	(1,101)	3)	4,825
Provisions	92	-		92
	47,914	**(1,101)**		**46,813**
TOTAL EQUITY AND LIABILITIES	**177,328**	**(9,105**		**168,223**

1) - Derecognition of part of demolished old warehouse ("Paranteralne otopine") – KM (8,348) thousand
- Recognition of appraised value of foundations of demolished old warehouse that were used for construction of new buildings – KM 2,018 thousand;
- Derecognition of dismantling cost of old warehouse capitalized in 2011 – KM (458) thousand;
- Derecognition of invoices from Metalik d.o.o. Sarajevo for works – KM (920) thousand;
- Derecognition of equipment purchased before year 1992, which was never put in use – KM (244) thousand.

2) Derecognition of accumulated 'revaluation' of inventories recognized in previous years

3) - Release of accrued fee for sales agent in Russia - company PETERTON after termination of the contract – KM 821 thousand;
- Correction of income recognized in 2012, which relates to 2011 – KM 280 thousand.

(All amounts are expressed in thousands of KM, unless otherwise stated)

3. CORRECTION OF ERRORS FROM PREVIOUS YEARS (CONTINUED)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2012 (before correction)	Corrections		2012 (restated)
Sales	111,829	158	1)	111,987
Selling, administrative and general expenses	(97,150)	2,024	2)	(95,126)
Other operating income	1,525	(1,102)	3)	423
Other operating expenses	(6,951)	(1,469)	4)	(8,420)
Financial income	69	-		69
Financial expenses	(2,382)	-		(2,382)
Foreign exchange differences, net	(42)	-		(42)
Profit before tax	**6,898**	**(389)**		**6,509**
Income tax expense	-	-		-
NET PROFIT	**6,898**	**(389)**		**6,509**
Other comprehensive income	**-**	**-**		**-**
TOTAL COMPREHENSIVE INCOME	**6,898**	**(389)**		**6,509**

1) Recognition as income of accrued, but unrealized rebates approved to the customers in 2012.

2) - Derecognition of accumulated 'revaluation' of inventories recognized in previous years, which was initially corrected 2012 - KM 1,153 thousand;
- Derecognition of depreciation for demolished old warehouse ("Paranteralne otopine") – KM 667 thousand;
- Derecognition of overestimated bonuses to employees – KM 109 thousand;
- Derecognition of overestimated fees for temporary contracts – KM 67 thousand;
- Correction of calculated depreciation – KM 24 thousand;
- Correction related to invoices from Metalik d.o.o. Sarajevo – KM 4 thousand.

3) - Derecognition of income from release of accrued fee to the sales agent in Russia - company PETERTON upon termination of the contract – KM (822) thousand;
- Correction of income recognized in 2012, which relates to 2011 – KM 280 thousand.

4) - Impairment loss on receivables from customer Medical Group, Kosovo – KM (1,168) thousand;
- Derecognition of dismantling cost of old warehouse capitalized in 2012 – KM (299) thousand;
- Write-off of receivables from employees – KM (2) thousand.

(All amounts are expressed in thousands of KM, unless otherwise stated)

3. CORRECTION OF ERRORS FROM PREVIOUS YEARS (CONTINUED)

BALANCE SHEET

	31 December 2012 (before correction)	Corrections		31 December 2012 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	100,297	(7,557)	1)	92,740
Intangible assets	1,915	-		1,915
Financial assets available-for-sale	88	-		88
Deposits	2,174	-		2,174
	104,474	**(7,557)**		**96,917**
Current assets				
Inventories	21,338	-		21,338
Trade and other receivables	64,522	(1,012)	2)	63,510
Other assets	1,137	-		1,137
Prepaid income tax	1,604	-		1,604
Cash and cash equivalents	4,241	-		4,241
	92,842	**(1,012)**		**91,830**
TOTAL ASSETS	**197,316**	**(8,569)**		**188,747**
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	78,300	-		78,300
Treasury shares	(276)	-		(276)
Share premium	6,608	-		6,608
Statutory reserves	42,602	-		42,602
(Accumulated losses) / Retained earnings	10,095	(8,393)	1) - 4)	1,702
	137,329	**(8,393)**		**128,936**
Long-term liabilities				
Long-term borrowings	11,270	-		11,270
Financial lease liabilities	3,846	-		3,846
Provisions	2,739	-		2,739
	17,855	**-**		**17,855**
Short-term liabilities				
Financial lease liabilities	2,646	-		2,646
Trade and other payables	14,123	(109)	3)	14,014
Short-term borrowings	23,911	-		23,911
Accrued expenses	1,304	(67)	4)	1,237
Provisions	148	-		148
	42,132	**(176)**		**41,956**
TOTAL EQUITY AND LIABILITIES	**197,316**	**(8,569)**		**188,747**

1) - Effects previously presented errors on Property, plant and equipment as of 1 January 2012 – KM (7,952) thousand;
- Derecognition of depreciation for demolished old warehouse ("Paranteralne otopine") – KM 667 thousand;
- Derecognition of dismantling cost of old warehouse capitalized in 2012 – KM (300) thousand;
- Correction of calculated depreciation on buildings – KM 24 thousand;
- Correction of invoices from Metalik d.o.o. Sarajevo – KM 4 thousand;

2) - Impairment loss on receivables from customer Medical Group, Kosovo – KM (1,168) thousand;
- Write-off of receivables from employees – KM (2) thousand;
- Release of accrued, but unrealized rebates approved to the customers in 2012 – KM 158 thousand.

3) Derecognition of overestimated bonuses to employees.

4) Derecognition of overestimated fees for temporary contracts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as published by the Board for International Accounting Standards.

Going concern

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Basis for presentation

The financial statements have been prepared on the historical cost basis, with the exception of the revaluation of certain financial instruments which are measured at revaluation amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except leasing transactions that are within the scope of IAS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date; indicators of fair value are those derived from quoted prices on active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Convertible marks since that are the functional currency of the Company. The Convertible mark (KM) is officially tied to the Euro (EUR 1 = KM 1.95583).

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed further in the note.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at fair value of fee received or fee receivable. Revenue is reduced for estimated return from customers and rebates.

Sales of finished products and merchandise goods are recognised when they are delivered and title has passed. Sales of services are recognized net of sales taxes and discounts when the services have been provided.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of profit or loss and other comprehensive income in the period when they incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of income in the period to which they relate.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in currencies other than Convertible Marks are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the reporting period date. Profits and losses arising on exchange are included in the statement of profit or loss and other comprehensive income for the period when they incur.

Employee benefits

On behalf of its employees, the Company pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Company pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina, on federal and cantonal level.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the statement of profit or loss and other comprehensive income in the period in which the salary expense is incurred.

Retirement severance payments

According to the local legislation and internal rulebook, the Company makes retirement severance payments in the amount of at least four average employee's salary or four average salaries in Federation of Bosnia and Herzegovina in the period preceding the date of retirement, according to the latest data published by the Federal Bureau of Statistics, depending on what is more favourable to the employee. The Company has no other plans related to payments to employees or Management after the date of retirement in Bosnia and Herzegovina.

The Company records the costs of retirement severance payment when they are due.

Agreements on share-based payment

The Company grants shares to employees in accordance with local regulations. The fair value of commitments to employees in relation to the assigned shares that will be settled in cash is recognized as an employee expense with increasing obligations during the period when the employee is unconditionally entitled to the dividend payment. The obligation is reviewed again at the date of the reporting period and the date of execution. Changes in the fair value of liabilities are recognized as an expense in the statement of profit or loss and other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised.

Depreciation is charged from the moment the fixed asset is ready for its intended use. It is calculated in the basis of the estimated useful life of the asset, using the straight-line method as follows:

	The estimated useful lives	Rate
Buildings	7 to 33 years	3% - 14.3%
Property, plant and software	3 to 15 years	6.7% - 33.3%

Gains or losses on the retirement or disposal of property, plant and equipment are included in the statement of profit or loss and other comprehensive income in the period they occur

Impairment

At each reporting period date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. If it is not possible to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash-generating unit which the asset belongs to.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Intangible assets with definite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives and depreciation method are reviewed at the end of each reporting period.

Intangible assets with indefinite useful lives are measured at cost less accumulated impairment losses

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

The calculation of depreciation is used following useful lives:

Capitalised development	5 years
Patents	5 years
Trademarks	5 years
Licenses	5 years

Gains and losses on the disposal of intangible assets are included in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents encompass demand a vista deposits and short-term deposits with a maturity date of up to three months.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS), 'held-to-maturity investments', and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Method of effective interest rate

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial instruments that are "loans and receivables" recognize income based on effective interest rate.

AFS financial assets

Unisted shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of financial assets available for sale denominated in a foreign currency is determined in that foreign currency and translated at the spot rate on the date of the reporting period. Change in fair value attributable to changes in exchange rates, and which result from a change in amortized cost of the asset is recognized in the statement of profit or loss and other comprehensive income, while other changes are recognized in equity.

Loans and receivables

Loans, trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss and other comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognise the financial asset.

b) Financial liabilities and equity instruments issued by the Company

The classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

b) Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Derivative financial instruments include puttable shares measured at fair value with changes in fair value recorded trough profit and loss.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of profit or loss and other comprehensive income. The net gain or loss recognised in the statement of profit or loss and other comprehensive income incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

b) Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Equity and reserves

Share capital

Share capital represents the nominal value of paid-in ordinary shares and is expressed in KM.

Treasury shares

When a company buys its shares, paid amount is deducted from total shareholders' equity as treasury shares until they are cancelled. When these shares are subsequently sold or reissued, any received fee, transaction costs in net, are included in the issued share capital.

Statutory reserves

Reserves are formed allocating at least 10% of the profit, as reported in the annual report, until they reach a minimum amount of 25% of the share capital of the Company.

Earnings per share

The Company publishes basic and diluted earnings per share.

Basic earnings per share is calculated by dividing the profit or loss for the current period intended to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

During the 2012 and 2013 there were no dilution effects.

5. CRITICAL ACCOUNINTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the application of the Company's accounting policies, which are described in Note 4, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNINTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (CONTINUED)

Key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

As described at Note 4 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Court proceedings provisions

The amount recognized as a provision for court proceedings is the best estimate of the consideration required to settle the present obligation at the balance sheet date, when the probability that the settlement will occur is greater than that it will not.

Impairment of trade and other receivables

The Management calculates impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make required payments. The Company's management bases their estimate on the aging of account receivables balance and historical write-off experience when evaluating the adequacy of the impairment loss for doubtful accounts.

Employee benefits

The present value of liabilities for severance payment depends on many factors determined on an actuarial basis using numerous assumptions. Changes in these assumptions could impact the carrying amount of liabilities.

Assumptions used in determining the net amount of expense for severance payment include discount rate. The Company determines the appropriate discount rate at the end of each year (2013: 6.46% and 2012: 6.83%), which represents the interest rate that should be applied when determining the present value of expected future cash payments that are expected to be needed in order to settle liabilities for pensions. In determining the appropriate discount rate, the Company takes into consideration interest rates for long term bank deposits. Other key assumptions for retirement benefits are partly based on existing market conditions.

Revenue recognition

The Company has made provision for financial and other rebates. These provisions are based on the analyses of the contractual obligations, historical trade and management experience. Management is of the opinion that the provision for financial and other rebates is adequate based on the available information

6. SEGMENT INFORMATION

The Company operates in four principal geographical areas:

- Bosnia and Herzegovina
- Ex-Yugoslavia and Albania
- Easter Europe and Russia
- Middle East and Africa

For management purposes, the Company is currently organised into the abovementioned principal geographical areas, and these areas are the basis on which the Company reports its primary segment information.

(All amounts are expressed in thousands of KM, unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUE)

The Company's revenue from external customers and inter-segment revenues, as well as balance sheets by the geographical location which represent the reportable segments are detailed below:

Revenues for the year ended 31 December 2013

	Bosnia and Herzegovina	Ex-Yugoslavia and Albania	East Europe and Russia	Middle East and Africa	Total
Total revenue	38,108	9,672	51,424	124	99,328
	38,108	**9,672**	**51,424**	**124**	**99,328**

Balance sheets as of 31 December 2013

	Bosnia and Herzegovina	Ex-Yugoslavia and Albania	East Europe and Russia	Middle East and Africa	Total
Non-current assets	106,108	1,258	487	-	107,853
Current assets	56,596	7,578	28,906	-	93,080
Total assets	**162,704**	**8,836**	**29,393**	**-**	**200,933**
Total liabilities	**(72,504)**	**(132)**	**(1,269)**	**(10)**	**(73,915)**
Segment net assets	**90,200**	**8,704**	**28,124**	**(10)**	**127,018**

Revenues for the year ended 31 December 2012

	Bosnia and Herzegovina	Ex-Yugoslavia and Albania	East Europe and Russia	Middle East and Africa	Total
Total revenue	46,541	11,342	54,103	-	111,986
	46,541	**11,342**	**54,103**	**-**	**111,986**

Balance sheets as of 31 December 2012

	Bosnia and Herzegovina	Ex-Yugoslavia and Albania	East Europe and Russia	Middle East and Africa	Total
Non-current assets	91,597	1,416	803	-	93,816
Current assets	50,149	10,647	33,790	345	94,931
Total assets	**141,746**	**12,063**	**34,593**	**345**	**188,747**
Total liabilities	**(59,691)**	**(9)**	**(111)**	**-**	**(59,811)**
Segment net assets	**82,055**	**12,054**	**34,482**	**345**	**128,936**

(All amounts are expressed in thousands of KM, unless otherwise stated)

7. SALES

	2013	2012 (restated)
Foreign sales	61,221	65,445
Domestic sales	38,104	46,493
Services rendered	3	49
	99,328	**111,987**

8. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2013	2012 (restated)
Employee expenses	32,761	30,593
Material	18,475	20,469
Marketing	8,393	14,292
Depreciation (notes 13 and 14)	7,795	6,852
Merchandise	7,600	8,361
Professional services	2,584	2,678
Energy	2,370	2,729
Maintenance	1,945	2,043
Rent	1,785	906
Transport	1,531	2,632
Education	1,003	1,016
Travel expenses	843	1,272
Telephone	542	534
Registration and drug control	523	433
Utilities	229	344
Other expenses	3,668	3,135
Change in WIP and finished goods	(1,382)	(3,163)
	90,665	**95,126**

9. OTHER OPERATING EXPENSES

	2013	2012 (restated)
Allowance for bad and doubtful trade receivables, net (Note 17)	2,919	2,832
Write-off of production in progress and finished goods	684	1,094
Donations and sponsorships	326	379
Write-off of raw materials	139	384
Write-off of other receivables	20	67
Loss upon disposal of property, plant and equipment, net	12	172
Write-off of inventories	7	72
Shortages of goods, net	2	-
Write-off of loan receivables	-	271
Other	2,487	3,149
	6,596	**8,420**

(All amounts are expressed in thousands of KM, unless otherwise stated)

10. FINANCIAL EXPENSES

	2013	2012
Interest on loans	2.081	1.587
Interest on obligations under finance leases	87	131
Effect of realization of „put" option (Note 24)	-	422
Other interest expenses	197	242
	2.365	**2.382**

11. INCOME TAX EXPENSE

	2013	2012 (restated)
Profit before tax	**114**	**6,509**
Income tax at the rate of 10%	11	651
Effect of tax non-deductible expenses	174	488
Income tax relief based on the exports	(185)	(1,139)
Income tax expense	-	-
Effective income tax rate (%)	-	-

Since the Company realizes more than 30% of total revenues on the basis of export of goods, in accordance with Corporate Income tax law in the Federation of Bosnia and Herzegovina it is exempt from the payment of the income tax.

In accordance with the regulations of Federation of Bosnia and Herzegovina, the Tax authority may at any time inspect the accounting records and related information of the Company for a period of five years following the year in which the tax liability is recognized, and may impose the additional tax liabilities and penalties. The Company's Management is not familiar with circumstances that may lead to potential significant additional tax liabilities.

12. BASIC EARNINGS PER SHARE

	2013	2012 (restated)
Net profit	114	6,509
Weighted average number of ordinary shares for the purposes of earnings per share calculation	7,830	7,830
Basic earnings per share	**0.01**	**0.83**

(All amounts are expressed in thousands of KM, unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Assets in progress	Advances	Total
COST					
At 31 December 2011 (restated)	**74,644**	**68,871**	**4,580**	**4,831**	**152,926**
Additions	-	-	22,782	10,170	32,952
Disposals	4	(1,674)	(299)	-	(1,969)
Transfers	271	4,623	(4,894)	-	-
Realised advances	-	-	-	(11,339)	(11,339)
At 31 December 2012 (restated)	**74,919**	**71,820**	**22,170**	**3,662**	**172,570**
Additions	-	-	21,670	2,706	24,376
Disposals	-	(1,243)	-	-	(1,243)
Adjustment	-	-	(43)	-	(43)
Transfers	2,061	5,063	(7,124)	-	-
Realised advances	-	-	-	(4,784)	(4,784)
At 31 December 2013	**76,980**	**75,640**	**36,672**	**1,584**	**190,876**
ACCUMULATED DEPRECIATION					
At 31 December 2011 (restated)	**33,089**	**41,695**	**-**	**-**	**74,784**
Charge for the year (Note 8)	2,517	4,146	-	-	6,663
Disposals	-	(1,617)	-	-	(1,617)
At 31 December 2012 (restated)	**35,606**	**44,224**	**-**	**-**	**79,830**
Charge for the year (Note 8)	2,521	4,744	-	-	7,265
Disposals	-	(1,097)	-	-	(1,097)
At 31 December 2013	**38,127**	**47,871**	**-**	**-**	**85,998**
NET BOOK VALUE					
At 31 December 2013	**38,853**	**27,769**	**36,672**	**1,584**	**104,878**
At 31 December 2012 (restated)	**39,313**	**27,596**	**22,169**	**3,662**	**92,740**

There are assets held under finance leases with a net book value of KM 9,068 thousand (2012: KM 3,696 thousand) that are included in machinery and equipment (Note 22).

The Company has pledged land, buildings, machinery and equipment with a carrying amount of approximately KM 50,927 thousand (2012: KM 32,350 thousand) to secure loans (Note 21).

(All amounts are expressed in thousands of KM, unless otherwise stated)

14. INTANGIBLE ASSETS

	Licences	Software	Drug registration	Investements in progress	Total
COST					
At 31 December 2011 (restated)	**6,574**	**3,022**	**(299)**	**513**	**9,810**
Additions	-	-	-	1,744	1,744
Transfers	644	842	584	(2,070)	-
At 31 December 2012 (restated)	**7,218**	**3,864**	**285**	**187**	**11,554**
Additions	-	-	1,600	810	2,410
Disposals	-	-	-	(4)	(4)
Adjustments	-	44	-	-	44
Transfers	-	399	179	(578)	-
At 31 December 2013	**7,218**	**4,307**	**2,064**	**415**	**14,004**
ACCUMULATED AMORTIZATION					
At 31 December 2011 (restated)	**6,495**	**2,961**	**(6)**	**-**	**9,450**
Charge for the year (Note 8)	96	73	20	-	189
At 31 December 2012 (restated)	**6,591**	**3,034**	**14**	**-**	**9,639**
Charge for the year (Note 8)	154	235	141	-	530
At 31 December 2013	**6,745**	**3,269**	**155**	**-**	**10,169**
NET BOOK VALUE					
At 31 December 2013	**473**	**1,038**	**1,909**	**415**	**3,835**
At 31 December 2012 (restated)	**627**	**830**	**271**	**187**	**1,915**

15. LONG – TERM DEPOSITS

	31 December 2013	31 December 2012
Sparkasse Bank d.d. Sarajevo *(general deposit; interest rate 3.8% p.a.; matures on 31 January 2014)*	1,640	1,640
Intesa SanPaolo Banka d.d. BiH *(specific deposit – given as a security for the repayment of loans that bank approved to employees; interest rate 0.5% p.a.; matures on 31 December 2030)*	600	600
Less: fair value adjustment	(288)	(244)
	312	***356***
Other deposits	147	178
	2,099	**2,174**

(All amounts are expressed in thousands of KM, unless otherwise stated)

16. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	8.882	8.458
Finished goods	9.737	9.283
Merchandise	1.940	2.425
Work-in-progress	1.023	1.172
	21.582	**21.338**

17. TRADE AND OTHER RECEIVABLES

	31 December 2013	31 December 2012 (restated)
Trade receivables:		
Trade receivables, abroad	28,945	39,183
Trade receivables, domestic	23,738	21,645
Bad and doubtful trade receivables	11,348	9,406
Less: allowance for impairment of receivables	(11,348)	(9,406)
	52,683	***60,828***
Other receivables:		
VAT receivables	2,017	2,577
Receivables from state	116	100
Receivables from employees	6	-
Other	60	5
	2,199	***2,682***
	54,882	**63,510**

The average credit period on sales of goods is 209 days (2012: 193 days). No interest is charged for delays in payment. The Company has created an impairment provision for the full value of receivables older than 360.

As at 31 December 2013, out of the total balance of trade receivables the amount of KM 12,289 thousand (2012: KM 0) relates to CJSC Imperia-Pharma, Russia the largest buyer.

Management of the Company believes that no additional impairment allowance should be made.

Movement in the allowance for impairment of trade and other receivables were as follows:

	2013	2012 (restated)
Balance at the beginning of the year	**9.406**	**6.578**
Impairment losses recognized on trade receivables (Note 9)	2.945	3.034
Amounts recovered during the year (Note 9)	(26)	(202)
Amounts written off as uncollectable	(977)	(4)
Balance at the end of the year	**11.348**	**9.406**

(All amounts are expressed in thousands of KM, unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of overdue unimpaired trade receivables was as follows:

	31 December 2013	31 December 2012
15 – 30 days	3.948	5.502
31 – 90 days	4.805	2.580
91 - 180 days	1.221	1.018
181 – 360 days	2.970	1.704
Over 360 days	-	-
	12.944	**10.804**

18. OTHER ASSETS

	31 December 2013	31 December 2012
Prepaid expenses	724	857
Advances given	540	280
	1.264	**1.137**

19. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash at bank accounts, foreign currencies	5.437	3.414
Cash at bank accounts, KM	5.272	744
Cash at hand	31	83
	10.740	**4.241**

20. SHARE CAPITAL

	31 December 2013	31 December 2012
7,829,987 common shares with nominal value of KM 10	78,300	78,300
	78,300	**78,300**
Less: Treasury shares	(390)	(276)
	77,910	**78,024**

The ownership structure as of 31 December 2013 and 2012 can be summarized as follows;

	% share	31 December 2013	% share	31 December 2013
Haden S.A, Luksemburg	29.95	2,345	16.58	1,298
Federation of Bosnia and Herzegovina	19.26	1,508	19.26	1,508
The Economic and Social Development Fund, Libija	8.78	687	8.78	687
Others	42.01	3,290	55.38	4,337
	100.00	**7,830**	**100.00**	**7,830**

(All amounts are expressed in thousands of KM, unless otherwise stated)

21. BORROWINGS

	31 December 2013	31 December 2012
Long-term borrowings:		
Intesa SanPaolo banka d.d. BiH *(KM 11,700,000; interest rate 6M EURIBOR + 4.80% p.a.; matures on 1 December 2018)*	10,202	5,098
UniCredit Bank d.d. Mostar *(KM 11,700,000; interest rate 6M EURIBOR + 4.80% p.a.; matures on 1 December 2018)*	10,166	5,154
Sparkasse Bank d.d. Sarajevo *(KM 2,000,000; interest rate 6M EURIBOR + 4.00% p.a.; matures on 31 January 2014)*	120	767
Sparkasse Bank d.d. Sarajevo *(KM 1,000,000; interest rate 6M EURIBOR + 4.50% p.a.; matures on 31 January 2014)*	69	874
Bosna Bank International d.d. Sarajevo *(KM 3,000,000, interest rate 6.19% p.a.; matures on 31 October 2014)*	1,073	1,899
	21,630	*13,792*
Less: Current portion of long-term loans	(6,044)	(2,522)
	15,586	***11,270***
Short-term borrowings:		
UniCredit Bank d.d. Mostar *(22 revolving loans in the amounts of KM 500,000; interest rates 5.40% p.a.; matures on 16 April 2014)*	11,025	14,092
Intesa SanPaolo banka d.d BiH *(10 revolving loans in the amounts of KM 500,000 – KM 750,000; interest rates 5.4% p.a.; matures on 4 July 2014)*	7,036	7,297
Sparkasse Bank d.d. Sarajevo, *(revolving loan in the amount of KM 500,000; interest rate 5.20% p.a.; matures on 31 January 2014)*	501	-
Add: Current portion of long-term loans	6,044	2,522
	24,606	***2,.911***
	40,192	**35,181**

	31 December 2013	31 December 2012
Amounts are due for settlement as follows:		
- Within one year	6,044	2,522
- In the second year	4,679	2,637
- In the third to fifth years inclusive	10,907	8,633
- After five years	-	-
	21,630	***13,792***

(All amounts are expressed in thousands of KM, unless otherwise stated)

22. FINANCE LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Financial lease liabilities:				
Up to one year	2,149	2,949	1,975	2,646
In the second to fifth years inclusive	1,833	4,095	1,778	3,846
	3,982	7,044	3,753	6,492
Less: future finance charges	(229)	(552)	-	-
Present value of finance lease liability	**3,753**	**6,492**	**3,753**	**6,492**
Less: amount due within 12 months	(1,975)	(2,646)	(1,975)	(2,646)
Amount due for settlement after 12 months	**1,778**	**3,846**	**1,778**	**3,846**

The Company has 14 leasing arrangement for machines: automatic line for filling, closing and labelling of non sterile liquid forms and vehicles with a net book value of KM 3,753 thousand (2012: KM 7,044 thousand). The average term of finance leases entered into is 5 years. The average effective interest rate contracted approximates 6.31% (2012: 7.72%). Interest rates are fixed as of the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in EUR. The fair value of the Company's finance lease liabilities approximates their carrying amount. The Company's finance lease liabilities are secured by the lessor's charge over the leased assets.

23. TRADE AND OTHER PAYABLES

	31 December 2013	**31 December 2012 (restated)**
Trade payables:		
Trade payables – foreign	10,890	8,185
Trade payables – domestic	4,602	2,143
	15,492	***10,328***
Other payables:		
Employee payables	2,764	2,437
Payables to shareholders	2,614	1,218
Other	235	31
	5,613	***3,686***
	21,105	**14,014**

The average credit period towards suppliers is 94 days (2012: 61 days). No interest is charged on the trade payables. The Company has given no collateral for timely repayment of liabilities.

(All amounts are expressed in thousands of KM, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013	31 December 2012
Balance at the beginning of the year	**-**	**8,829**
Transfer to equity	-	(8,829)
Balance at the end of the year	**-**	**-**

International Finance Corporation (IFC) has the right to either sell all shares or a part of shares consisting of 655,729 shares at any time during the period of option execution per price at the execution date in accordance with the agreement. The period of option execution was until 15 March 2012 and the execution price was based on the ownership share multiplied by previous year's net sales. After the option execution, the Company has reclassified the shares to equity, at fair value.

25. ACCRUED EXPENSES

	31 December 2013	31 December 2012 (restated)
Invoices not yet received	3,044	914
Other	2,256	323
	5,300	**1,237**

26. PROVISIONS

	Short - term		Long - term	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Repurchase of employee shares	113	148	2,237	1,653
Retirement severance payments	-	-	689	718
Court proceedings	-	-	526	368
	113	**148**	**3,452**	**2,739**

Movement in provisions can be presented as follows:

	Employee share repurchase	Retirement severance payments	Court proceedings	Total
Balance at 1 January 2011	**1,114**	**499**	**300**	**1,913**
Additional provision recognised	687	219	68	974
Balance at 31 December 2012	**1,801**	**718**	**368**	**2,887**
Additional provision recognised	549	-	158	707
Reductions resulting from re-measurement or settlement without cost	-	(29)	-	(29)
Balance at 31 December 2013	**2,350**	**689**	**526**	**3,565**

(All amounts are expressed in thousands of KM, unless otherwise stated)

26. PROVISIONS (CONTINUED)

Share based payments

As at 28 June 2008 the Shareholders' Assembly made decision to increase the share capital by issuing 233,731 shares to employees from the profits. At grant date the fair value of shares amounted to KM 6,250 thousands at fair value of KM 26.74. Own shares were issued to all employees employed permanently at the date of decision.

The Company is obliged to repurchase the employee shares if the following conditions are met: employees must remain employed for 6 years after the issue of shares and be employed at retirement date. Employees that meet these conditions can sell these shares per weighted average price in previous six months only to the Company. The same method of price calculation for repurchase is used for those employees that retire before the 6-year period.

Employees that terminate employments due to reorganization or restructuring before the 6-year period expires must sell shares only to the Company before the mentioned period expires. Employees that terminate employment due to breach of work obligations lose the right on shares and have to return them.

During 2013, the Company recognized expense in the amount of KM 643 thousand (2012: KM 727 thousand) and corresponding liability arising from share-based payments. This represents the part of the shares fair value accumulated to employees until 31 December 2013. The Company estimates that 95% (2012: 85%) of employees that participate in mentioned payment will fulfill all conditions.

27. COMMITMENTS

At 31 December 2013, the Company's rental commitments amount to KM 948 thousand (31 December 2012: KM 905 thousand)

At 31 December 2013, the Company had commitments toward Ans Drive d.o.o. Sarajevo for the reconstruction and building of the new Administrative and quality control building in the amount of KM 3,463 thousand as well as KM 3,219 thousand for building of production plant of liquid and semisolid drug forms.

28. RELATED PARTY TRANSACTIONS

The remuneration of directors and Supervisory Board members during the year was as follows:

	31 December 2013	**31 December 2012**
Gross salaries	1.068	1.126
Bonuses	-	758
Other benefits	1.509	1.039
	2.577	**2.923**

(All amounts are expressed in thousands of KM, unless otherwise stated)

29. FINANCIAL INSTRUMENTS

29.1 Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The general Company's strategy did not change in comparison to 2012. The financial structure of the Company consists of borrowings and financial lease liabilities.

29.1.1 Gearing (solvency) ratio

The Management reviews the capital structure on a monthly basis. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	31 December 2013	31 December 2012
Borrowings and financial lease	43,945	41,673
Cash and cash equivalents	(10,740)	(4,241)
Net debt	***33,205***	***37,432***
Equity	127,018	128,936
Debt to equity ratio	**0.3**	**0.3**

29.2 Categories of financial instruments

	31 December 2013	31 December 2012 (restated)
Financial assets		
Loans and receivables:		
- Cash and cash equivalents	10,740	4,241
- Deposits given	2,162	2,174
- Trade and other receivables	52,749	60,833
Financial assets available-for-sale	88	88
	65,739	**67,336**
Financial liabilities		
At amortized cost:		
- Borrowings	40,192	35,181
- Financial lease liabilities	3,753	6,492
- Trade and other payables	21,105	14,014
	65,050	**55,687**

29.3 Financial risk management objectives

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk

(All amounts are expressed in thousands of KM, unless otherwise stated)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

29.5 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Obaveze	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
EUR	26,330	35,535	8,830	8,003
USD	11	4	441	184
GBP	2	4	9	1
RUB	12	1,145	-	-
CHF	6	1	19	-

29.5.1 Foreign currency sensitivity analysis

Since the Convertible Mark (KM) is tied to the Euro, the Company is not exposed to the risk of changes in exchange rates. The Company is mainly exposed to foreign currency risk related to USD, GBP, RUB i CHF. The following table details the Company's sensitivity to a 10% increase and decrease in KM against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where KM strengthens 10% against the relevant currency. For a 10% weakening of KM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	USD		GBP		RUB		CHF	
	2013	2012	2013	2012	2013	2012	2013	2012
Profit or loss	43,044	17,988	749	367	1,168	114,505	1,328	111

29.6 Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in Note 29.8, Liquidity risk management section.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Interest rate risk management (continued)

29.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the reporting period date. The analysis is prepared assuming the amount of financial instruments outstanding at the reporting period date was outstanding for the whole year. Increase or decrease of 50 basis point (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2013 would decrease / increase by KM 210 thousand (2012: KM 198 thousand), based on exposure to interest rate risk. This can mostly be attributed to the Company's exposure to the variable rate debt instruments.

29.7 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management annually.

Trade receivables, net, consist of a large number of customers, spread across diverse industries and geographical areas. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

As of 31 December 2013 trade receivables in the amount of KM 17,968 thousand (2012: KM 20,414 thousand) are secured by blank bills.

29.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

29.8.1 Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted cash flows of financial assets including interest on these assets that will be earned, except for the assets for which the Company expects that will occur in cash flow of next period.

(All amounts are expressed in thousands of KM, unless otherwise stated)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.8 Liquidity risk management (continued)

29.8.1 Liquidity and interest risk tables (continued)

Maturity for non-derivative financial assets

	Weighted average effective interest rate	Less than 1 month	*1 - 2 months*	*2 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*Total*
31 December 2013								
Non-interest bearing	-	21,840	20,864	6,098	13,315	1,582	88	63,787
Fixed interest rate instruments	3.3%	-	1,645	-	1	1	312	1,959
		21,840	**22,509**	**6,098**	**13,316**	**1,583**	**400**	**65,746**
31 December 2012								
Non-interest bearing	-	13,526	19,318	12,571	17,443	2,394	88	65,340
Fixed interest rate instruments	3.2%	-	10	5	17	32	2,001	2,066
		13,526	**19,328**	**12,576**	**17,460**	**2,426**	**2,089**	**67,406**

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Less than 1 month	*1 - 2 months*	*2 - 3 months*	*3 - 6 months*	*6 - 12 months*	*1 - 5 years*	*Total*
31 December 2013								
Non-interest bearing	-	-	1	1	2	4	14	22
Variable interest rate instruments	6.12%	-	1,664	655	1,968	3,764	17,428	25,479
Fixed interest rate instruments	5.39%	-	673	7,500	9,000	1,500	-	18,673
		-	**2,338**	**8,156**	**10,970**	**5,268**	**17,442**	**44,174**
31 December 2012								
Non-interest bearing	-	-	1	1	2	3	21	28
Variable interest rate instruments	6.18%	-	1,226	625	1,843	3,697	12,865	20,256
Fixed interest rate instruments	4.95%	-	15,639	5,750	-	-	-	21,389
		-	**16,866**	**6,376**	**1,845**	**3,700**	**12,886**	**41,673**

(All amounts are expressed in thousands of KM, unless otherwise stated)

30. FAIR VALUE MEASUREMENT

30.1 Fair value of financial assets and liabilities of the Company measured at fair value on a reccuring basis, from period to period

Some financial position of the Company's assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets (in particular, the valuation techniques and inputs used) are determined.

Financial assets	**Fair value** 31 December 2013	**Fair value** 31 December 2012	**Fair value hierarchy**	**Valuation techniques and inputs used**
Non-derivative Financial assets available-for-sale	Capital instruments not quoted on the stock exchange in Bosnia and Herzegovina: • MF Invest d.o.o. Sarajevo – KM 1 thousand Capital instruments not quoted on the stock exchange in other countries: • Macedonia – KM 82 thousand • Croatia – KM 5 thousand	Capital instruments not quoted on the stock exchange in Bosnia and Herzegovina: • MF Invest d.o.o. Sarajevo – KM 1 thousand Capital instruments not quoted on the stock exchange in other countries: • Macedonia– KM 82 thousand • Croatia – KM 5 thousand	Level 2	Discounted cash flow: Valuation is performed by discounting future cash flows, where the yield takes the last available rate on the same or similar equity securities.

30.2 Fair value of financial assets and liabilities of the Company that are not measured based on fair value on a recurring basis, from period to period (but the disclosure of their fair value is required)

Except information presented in the following table, the Management believes that the carrying amounts of financial assets and liabilities recognized in the financial statements approximately correspond their fair values

	31 December 2013		**31 December 2012**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities				
Financial liabilities held at amortised cost:				
- borrowings	40,192	38,951	35,181	34,144
- financial lease liabilities	3,753	3,669	6,492	6,313

	Fair value hierarchy as of 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Financial liabilities held at amortised cost:				
- borrowings	-	38,951	-	38,951
- financial lease liabilities	-	3,669	-	3,669
Total	**-**	**42,620**	**-**	**42,620**

30. FAIR VALUE MEASUREMENT (CONTINUED)

30.2 Fair value of financial assets and liabilities of the Company that are not measured based on fair value on a recurring basis, from period to period (but the disclosure of their fair value is required) (continued)

The fair value of financial liabilities included in the above category for Level 2 was determined according to generally accepted models of assessment based on an analysis of discounted cash flows, with the discount rate as the most important input data, which reflects the credit risk of counterparties.

31. SUBSEQUENT EVENTS

After the reporting date there were no events that would require adjustment of amounts presented in the financial statements, or disclosure.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 30 May 2014.

Nedim Uzunović
Acting Director

Adnan Hadžić
Acting Chief Financial Officer