



**ADITON d.o.o. Banja Luka**  
**Auditing and Tax Counselling Firm**

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL  
STATEMENTS OF CITIZENS' ASSOCIATION  
"ANTI-CORRUPTION COMBAT – BOSNIA AND  
HERZEGOVINA"  
AND  
ASSOCIATION FOR THE FIGHT AGAINST CORRUPTION  
"TRANSPARENCY INTERNATIONAL" IN BOSNIA AND  
HERZEGOVINA  
FOR YEAR 2015**

Banja Luka, May 2016

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■ No. of Court Reg. Folio 1-12461-00 ■ MBR 1954601 ■ ID No. with the RS Tax Administration 4401613680003  
■ ID No. with the Indirect Taxation Administration 401613680003  
**Subscribed and paid-in initial capital KM 5,000 ■ Transfer account with "NLB Razvojna banka" B. Luka**  
**5620990001398361**

## INDEPENDENT AUDITOR'S OPINION

**Attn.**  
**CITIZENS' ASSOCIATION**  
**"ANTI-CORRUPTION COMBAT – BOSNIA AND HERZEGOVINA"**  
**AND**  
**ASSOCIATION FOR THE FIGHT AGAINST CORRUPTION**  
**"TRANSPARENCY INTERNATIONAL" IN BOSNIA AND HERZEGOVINA**  
**BANJA LUKA**

### Introduction

We have audited the consolidated financial statements of the Citizens' Association "Anti-Corruption Combat – Bosnia and Herzegovina" Banja Luka and the Association for the Fight against Corruption "Transparency International" in Bosnia and Herzegovina Banja Luka, which comprise the Balance Sheet as at 31 December 2015, the related Income Statement, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, as well as a summary of significant accounting policies and notes to the consolidated financial statements.

### Management's responsibility for the financial statements

The responsibility for the preparation and fair presentation of the financial statements, including their adequate and timely disclosure, rests with the Association's management. This includes the setting up and maintenance of appropriate accounting records in accordance with applicable laws governing the area of accounting, setting up and functioning of internal control relevant to the preparation of consolidated financial statements, selection and application of appropriate accounting policies, as well as timely assessment of assets and capital, as required by the principles contained in the International Accounting Standards and International Financial Reporting Standards.

Management's responsibility also includes compliance with applicable legal regulations, including the laws governing the area of accounting, tax laws and other laws relevant to the financial operations of the Association.

The management is also responsible for complying with internal decisions taken in accordance with the Association's regulations, which includes ensuring full integrity of assets.

### **Auditor's responsibility**

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform the best possible audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Unqualified opinion***

In our opinion, the consolidated financial statements presented by the Association's management were prepared in compliance with the relevant International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and give a true and fair view of the net assets and financial position as at 31 December 2015 as well as the results of operations for the business year then ended.

No. 194/15 – 21-3/16  
Banja Luka, 14 May 2016

Authorised auditor:  
Duško Daničić, MSc. Econ.

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## CONSOLIDATED BALANCE SHEET

(Statement of Financial Position)

as at 31/12/2015

-in Convertible Marks-

Account No.	ITEM	AOP Code	Current year amounts		
			Gross	Allowance	Nett (4-5)
1	2	3	4	5	6
	<b>ASSETS</b>				
	<b>A. NON-CURRENT ASSETS (002 + 008 + 015 + 021 + 030)</b>	<b>001</b>	101,077	51,195	49,882
<b>01</b>	<b>I - INTANGIBLE ASSETS (003 through 007)</b>	<b>002</b>	0	0	0
010, part 019	1. Research and development	003	0	0	0
011, part 019	2. Concessions, patents, licences and similar rights	004	0	0	0
012, part 019	3. Goodwill	005	0	0	0
014, part 019	4. Other intangible assets	006	0	0	0
015, 016, part 019	5. Advances and intangible assets under preparation	007	0	0	0
<b>02</b>	<b>II - PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES (009 through 014)</b>	<b>008</b>	101,077	51,195	49,882
020, part 029	1. Land	009	0	0	0
021, part 029	2. Buildings	010	0	0	0
022, part 029	3. Plant and equipment	011	101,077	51,195	49,882
023, part 029	4. Investment properties	012	0	0	0
024, part 029	5. Investment in not one's own property, plant and equipment	013	0	0	0
027, 028, part 029	6. Advances and property, plant, equipment and investment properties under preparation	014	0	0	0
<b>03</b>	<b>III - BIOLOGICAL ASSETS AND CULTURAL ASSETS (016 through 020)</b>	<b>015</b>	0	0	0
030, part 039	1. Forests	016	0	0	0

031, part 039	2. Plantations	017	0	0	0
032, part 039	3. Livestock	018	0	0	0
033, part 039	4. Cultural assets	019	0	0	0
037, 038, part 039	5. Advances and biological assets and cultural assets under preparation	020	0	0	0
<b>04</b>	<b>IV - LONG-TERM FINANCIAL INVESTMENTS (022 through 029)</b>	<b>021</b>	0	0	0
040, part 049	1. Investment in affiliated companies	022	0	0	0
041, part 049	2. Investments in associated companies	023	0	0	0
042, part 049	3. Long-term loans through associated companies	024	0	0	0
043, part 049	4. Long-term loans – domestic	025	0	0	0
044, part 049	5. Long-term loans – foreign	026	0	0	0
045, part 049	6. Available for sale financial assets	027	0	0	0
046, part 049	7. Long-term securities	028	0	0	0
048, part 049	8. Other long-term investments	029	0	0	0
<b>050</b>	<b>V - DEFERRED TAX ASSETS</b>	<b>030</b>	0	0	0
	<b>B. CURRENT ASSETS (032 + 039 + 061)</b>	<b>031</b>	467,374	0	467,374
<b>10 through 15</b>	<b>I - INVENTORIES, NON-CURRENT ASSETS AVAILABLE FOR SALE AND ASSETS OF OPERATIONS BREAK (033 through 038)</b>	<b>032</b>	9,660	0	9,660
100 through 109	1. Materials on stock	033	0	0	0
110 through 119	2. Work in progress, semi-finished products and services in progress	034	0	0	0
120 through 129	3. Finished products	035	0	0	0
130 through 139	4. Goods on stock	036	0	0	0
140 through 149	5. Non-current assets available for sale and assets of operations break	037	0	0	0
150 through 159	6. Prepayments	038	9,660	0	9,660
	<b>II - SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (040 + 047 + 056 + 059 + 060)</b>	<b>039</b>	457,714	0	457,714
20, 21, 22	1. Short-term receivables (041 through 046)	040	7,198	0	7,198
200, part 209	a) Trade receivables – associated entities	041	0	0	0

201, 202, 203, part 209	b) Domestic trade receivables	042	0	0	0
204, part 209	c) Foreign trade receivables	043	0	0	0
208, part 209	d) Bad debts	044	0	0	0
210 through 219	e) Receivables from specific business operations	045	0	0	0
220 through 229	f) Other short-term receivables	046	7,198	0	7,198
23	2. Short-term financial investments (048 through 055)	047	0	0	0
230, part 239	a) Short-term loans through associated entities	048	0	0	0
231, part 239	b) Short-term domestic loans	049	0	0	0
232, part 239	c) Short-term foreign loans	050	0	0	0
233, 234, part 239	d) Current portions of long-term loan due within one year	051	0	0	0
235, part 239	e) Financial assets at fair value through profit or loss held for trading	052	0	0	0
236, part 239	f) Financial assets at fair value through profit or loss	053	0	0	0
237	g) Shares buyback for future sale and stakes buyback of short-term financial investments	054	0	0	0
238, part 239	h) Other short-term financial investments	055	0	0	0
24	3. Cash and cash equivalents (057 + 058)	056	447,589	0	447,589
240	a) Cash equivalents - securities	057	0	0	0
241 through 249	b) Cash	058	447,589	0	447,589
270 through 279	4. Value-added tax	059	0	0	0
280 through 289, except 288	5. Prepayments and accrued income	060	2,927	0	2,927
<b>288</b>	<b>III - DEFERRED TAX ASSETS</b>	<b>061</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>C. OPERATING FUNDS (001 + 031)</b>	<b>062</b>	<b>568,451</b>	<b>51,195</b>	<b>517,256</b>
<b>29</b>	<b>D. LOSSES OVER CAPITAL</b>	<b>063</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>E. OPERATING ASSETS (062 + 063)</b>	<b>064</b>	<b>568,451</b>	<b>51,195</b>	<b>517,256</b>
<b>880 through 888</b>	<b>F. OFF-BALANCE SHEET ASSETS</b>	<b>065</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>G. TOTAL ASSETS (064 + 065)</b>	<b>066</b>	<b>568,451</b>	<b>51,195</b>	<b>517,256</b>

Account no.	ITEM	AOP Code	Current year amounts
1	2	3	4
	<b>EQUITY AND LIABILITIES</b>		
	<b>A. EQUITY (102 - 109 ± 110 + 111 + 115 + 116 - 117 + 118 - 123)</b>	<b>101</b>	0
<b>30</b>	<b>I - SHARE CAPITAL (103 do 108)</b>	<b>102</b>	0
300	1. Share capital – ordinary shares	103	0
302	2. Stakes in limited liability companies	104	0
303	3. Cooperative stakes	105	0
304	4. Stakes	106	0
305	5. Capital owned by state	107	0
306	6. Other initial capital	108	0
<b>31</b>	<b>II - SUBSCRIBED CAPITAL UNPAID</b>	<b>109</b>	0
<b>320, 321</b>	<b>III - ISSUING PREMIUMS AND ISSUING LOSS</b>	<b>110</b>	0
<b>part 32</b>	<b>IV - RESERVES (112 through 114 )</b>	<b>111</b>	0
322	1. Legal reserves	112	0
323	2. Statutory reserves	113	0
329	3. Other reserves	114	0
<b>330, 331, 334</b>	<b>V - REVALUATION RESERVES</b>	<b>115</b>	0
<b>332</b>	<b>VI - UNREALISED GAINS FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE</b>	<b>116</b>	0
<b>333</b>	<b>VII - UNREALISED LOSSES FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE</b>	<b>117</b>	0
<b>34</b>	<b>VIII - RETAINED EARNINGS (119 through 122)</b>	<b>118</b>	0
340	1. Prior years retained earnings	119	0
341	2. Current year retained earnings	120	0
342	3. Unallocated surplus of income over expenditure	121	0
343	4. Net income of entrepreneurs	122	0
<b>35</b>	<b>IX - LOSS UP TO THE AMOUNT OF CAPITAL (124 + 125)</b>	<b>123</b>	0



350	1. Previous years loss	124	0
351	2. Current year loss	125	0
<b>40</b>	<b>B. LONG-TERM PROVISIONS (127 do 134)</b>	<b>126</b>	<b>0</b>
400	1. Provisions for costs incurring during the warranty period	127	0
401	2. Provisions for evaluations of mineral resources costs	128	0
402	3. Provisions for retained deposits and caution money	129	0
403	4. Provisions for cost of restructuring	130	0
404	5. Provisions for employee salaries and other benefits	131	0
407	6. Deferred tax liabilities	132	0
408	7. Deferred income and grants received	133	0
409	8. Other long-term provisions	134	0
	<b>C. LIABILITIES (136 + 144)</b>	<b>135</b>	<b>517,256</b>
<b>41</b>	<b>I - LONG-TERM LIABILITIES (137 through 143)</b>	<b>136</b>	<b>0</b>
410	1. Liabilities that can be converted into capital	137	0
411	2. Liabilities to associated entities	138	0
412	3. Liabilities for issued long-term securities	139	0
413, 414	4. Long-term loans	140	0
415, 416	5. Long-term liabilities from financial leasing	141	0
417	6. Long-term liabilities at fair value through profit and loss	142	0
419	7. Other long-term liabilities	143	0
<b>42 through 49</b>	<b>II - SHORT-TERM LIABILITIES (145 + 150 + 156 + 157 + 158 + 159 + 160 + 161 + 162 + 163)</b>	<b>144</b>	<b>517,256</b>
42	1. Short-term financial liabilities (146 through 149)	145	0
420 through 423	a) Short-term loans and short-term liabilities for issued securities	146	0
424, 425	b) Current portion of long-term liabilities due up to one year	147	0
426	c) Short-term liabilities at fair value through profit and loss	148	0

429	d) Other short-term financial liabilities	149	0
43	2. Liabilities from operations (151 through 155)	150	8,409
430	a) Received advances, deposits and caution money	151	100
431	b) Trade payables – associated entities	152	0
432, 433, 434	c) Domestic trade payables	153	8,309
435	d) Foreign trade payables	154	0
439	e) Other liabilities from operations	155	0
440 through 449	3. Liabilities from specific operations	156	0
450 through 458	4. Liabilities for salaries and fringe benefits	157	179
460 through 469	5. Other liabilities	158	129
470 through 479	6. Value-added tax	159	0
48, except 481	7. Liabilities for other taxes, contributions and duties	160	2,172
481	8. Profit tax liabilities	161	0
49, except 495	9. Accruals and deferred income	162	506,367
495	10. Deferred tax liabilities	163	0
	<b>D. OPERATING EQUITY AND LIABILITIES (101 + 126 + 135)</b>	<b>164</b>	<b>517,256</b>
<b>890 through 898</b>	<b>E. OFF-BALANCE SHEET EQUITY AND LIABILITIES</b>	<b>165</b>	<b>0</b>
	<b>F. TOTAL EQUITY AND LIABILITIES (164 + 165)</b>	<b>166</b>	<b>517,256</b>

Licensed person:  
Jadranka Volak SR-1276/16

Person authorised to represent:  
Srđan Blagovčanin

**CONSOLIDATED INCOME STATEMENT**  
(Statement of Comprehensive Income in the period)  
from 1 January to 31 December 2015

-in Convertible Marks-

Account no.	ITEM	AOP Code	Current year amount
1	2	3	4
	<b>A. OPERATING INCOME AND EXPENSES</b>		<b>869,454</b>
	<b>I - OPERATING INCOME (202 + 206 + 210 + 211 - 212 + 213 - 214 + 215)</b>	<b>201</b>	<b>869,454</b>
60	1. Income from sales of merchandise goods (203 do 205)	202	0
600	a) Income from sale of merchandise goods to associated legal entities	203	0
601, 602, 603	b) Income from sale of merchandise goods on domestic market	204	0
604	c) Income from sale of merchandise goods on foreign market	205	0
61	2. Income from sale of products (207 do 209)	206	0
610	a) Income from sale of products to associated legal entities	207	0
611, 612, 613	b) Income from sale of products on domestic market	208	0
614	c) Income from sale of products on foreign market	209	0
62	3. Income from employment (activation) or consumption of goods, products and services	210	0
630	4. Increase in value of products in stock	211	0
631	5. Decrease in value of products in stock	212	0
640, 641	6. Increase of the value of investment properties and biological assets that are not subject to depreciation	213	0
642, 643	7. Decrease of the value of investment properties and biological assets that are not subject to depreciation	214	0
650 do 659	8. Other operating income	215	869,454
	<b>II - OPERATING EXPENSES (217 + 218 + 219 + 222 + 223 + 226 + 227 + 228)</b>	<b>216</b>	<b>867,210</b>
500 do 502	1. Cost of goods sold	217	0
510 do 513	2. Material costs	218	19,164
52	3. Employee expenses and benefits (220 + 221)	219	382,375
520 do 523	a) Gross salaries and gross fringe benefits	220	301,122
524 do 529	b) Other employee expenses	221	81,253
530 do 539	4. Services expenses	222	150,362
54	5. Depreciation and provisions expenses (224 + 225)	223	13,093
540	a) Depreciation expenses	224	13,093
541	b) Provisions expenses	225	0

55, osim 555 i 556	6. immaterial expenses (excluding taxes and contributions)	226	297,765
555	7. Tax expenses	227	289
556	8. Contributions expenses	228	4,162
	<b>B. OPERATING PROFIT (201 - 216)</b>	<b>229</b>	<b>2,793</b>
	<b>C. OPERATING LOSS (216 - 201)</b>	<b>230</b>	<b>549</b>
	<b>D. FINANCE INCOME AND EXPENSES</b>		<b>0</b>
<b>66</b>	<b>I - FINANCE INCOME (232 through 237)</b>	<b>231</b>	<b>680</b>
660	1. Finance income from associated legal entities	232	0
661	2. Interest income	233	85
662	3. Foreign exchange gains	234	595
663	4. Incomes from currency clause	235	0
664	5. Income from joint venture investments	236	0
669	6. Other finance income	237	0
<b>56</b>	<b>II - FINANCE EXPENSES (239 through 243)</b>	<b>238</b>	<b>985</b>
560	1. Finance expenses from relations with associated legal entities	239	0
561	2. Interests expense	240	1
562	3. Foreign exchange losses	241	984
563	4. Currency clause expenses	242	0
569	5. Other finance expenses	243	0
	<b>E. PROFIT FROM REGULAR OPERATION (229 + 231 - 238) or (231 - 238 - 230)</b>	<b>244</b>	<b>2,204</b>
	<b>F. LOSSES FROM REGULAR OPERATION (230 + 238 - 231) or (238 - 229 - 231)</b>	<b>245</b>	<b>265</b>
	<b>G. OTHER INCOME AND EXPENSES</b>		<b>0</b>
<b>67</b>	<b>I - OTHER INCOME (247 through 256)</b>	<b>246</b>	<b>568</b>
670	1. Income from sale of intangible assets, property, plant and equipment	247	0
671	2. Income from sale of investment property	248	0
672	3. Income from sale of biological assets	249	0
673	4. Income from sale of discontinued operations assets	250	0
674	5. Income from sale of stakes in capital and long-term securities	251	0
675	6. Income from sale of materials	252	0
676	7. Surpluses, excluding surpluses of products in stock	253	0
677	8. Collected written-off receivables	254	0
678	9. Incomes from contractually agreed risk protection which cannot be included in the revaluation reserves	255	0
679	10. Income from reduction of liabilities, termination of unused long-term provisions and other incomes	256	568
<b>57</b>	<b>II - OTHER EXPENSES (258 through 267)</b>	<b>257</b>	<b>2,507</b>
570	1. Losses arising from liquidation and write-off of fixed assets and intangible assets	258	0
571	2. Losses arising from sale and write off of investment property	259	0
572	3. Losses arising from sale and write off of biological assets	260	0

573	4. Losses arising from sale and write off of discontinued operations assets	261	0
574	5. Losses from sale of stakes in capital and long-term securities	262	0
575	6. Losses from sale of materials	263	0
576	7. Deficits, excluding deficits of products in stock	264	0
577	8. Losses from risk protection which cannot be included in the revaluation reserves	265	0
578	9. Losses from revaluation and write-offs	266	0
579	10. Losses from write-off of material and goods and other losses	267	2,507
	<b>H. GAIN FROM OTHER INCOMES AND EXPENSES (246 - 257)</b>	<b>268</b>	265
	<b>I. LOSS FROM OTHER INCOMES AND EXPENSES (257 - 246)</b>	<b>269</b>	2,204
	<b>J. INCOME AND LOSSES FROM REVALUATION OF PROPERTY VALUE</b>		0
<b>68</b>	<b>I - INCOME FROM REVALUATION OF PROPERTY VALUE (271 through 279)</b>	<b>270</b>	0
680	1. Income from revaluation of intangible assets	271	0
681	2. Income from revaluation of property, plant and equipment	272	0
682	3. Income from revaluation of investment property which is subject to depreciation	273	0
683	4. Income from revaluation of biological assets which are subject to depreciation	274	0
684	5. Income from revaluation of long-term financial investments and financial assets available for sale	275	0
685	6. Income from revaluation of materials and goods	276	0
686	7. Income from revaluation of short-term financial investments	277	0
687	8. Income from revaluation of capital value (negative Goodwill)	278	0
689	9. Income from revaluation of other property value	279	0
<b>58</b>	<b>II - LOSSES FROM REVALUATION OF PROPERTY VALUE (281 through 289)</b>	<b>280</b>	0
580	1. Impairment of intangible assets	281	0
581	2. Impairment of property, plant and equipment	282	0
582	3. Impairment of investment property which is subject to depreciation	283	0
583	4. Impairment of biological assets which are subject to depreciation	284	0
584	5. Impairment of long-term financial investments and financial assets available for sale	285	0
585	6. Impairment of materials and goods	286	0
586	7. Impairment of short-term financial investments	287	0
588	8. Impairment of receivables through the indirect write-off method	288	0
589	9. Impairment of other property value	289	0

	<b>K. GAIN FROM THE REVALUATION OF PROPERTY VALUE (270 - 280)</b>	<b>290</b>	0
	<b>L. LOSS FROM THE REVALUATION OF PROPERTY VALUE (280 - 270)</b>	<b>291</b>	0
<b>690, 691</b>	<b>M. INCOMES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR</b>	<b>292</b>	0
<b>590, 591</b>	<b>N. LOSSES FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS YEAR</b>	<b>293</b>	0
	<b>O. INCOME AND LOSS BEFORE TAXES</b>		0
	1. Income before taxes (244 + 268 + 290 + 292 - 293 - 245 - 269 - 291)	294	0
	2. Loss before taxes (245 + 269 + 291 + 293 - 292 - 244 - 268 - 290)	295	0
	<b>P. CURRENT AND DEFERRED INCOME TAX</b>		0
721	1. Tax expenses of reporting period	296	0
722	2. Deferred tax expenses of reporting period	297	0
723	3. Deferred tax incomes of reporting period	298	0
	<b>Q. NET INCOME AND NET LOSS</b>		0
	1. Net income of current year (294 - 295 - 296 - 297 + 298)	299	0
	2. Net loss of current year (295 - 294 + 296 + 297 - 298)	300	0
	<b>TOTAL INCOMES (201 + 231 + 246 + 270 + 292)</b>	<b>301</b>	870,702
	<b>TOTAL EXPENSES (216 + 238 + 257 + 280 + 293)</b>	<b>302</b>	870,702
<b>724</b>	<b>R. INTERIM DIVIDENDS AND OTHER FORMS OF NET INCOME DISTRIBUTION DURING REPORTING PERIOD</b>	<b>303</b>	0
	Share of net income/loss which belongs to majority owners	304	0
	Share of net income/loss which belongs to minority owners	305	0
	Basic earnings per share	306	0
	Diluted earnings per share	307	0
	Average number of employees based on the working hour	308	11
	Average number of employees according to month ending balance	309	11

Licensed person:

Jadranka Volak SR-1276/16

Person authorised to represent:

Srđan Blagovčanin

**CONSOLIDATED STATEMENT OF OTHER GAINS AND  
LOSSES OF THE PERIOD**

for period from 1 January to 31 December 2015

- in Convertible Marks

Account no.	ITEM	AOP Code	Amount
			Current year
1	2	3	4
	<b>A. NET INCOME OR NET LOSS (299 or 300)</b>	<b>400</b>	<b>0</b>
	<b>I - GAINS DETERMINED DIRECTLY IN CAPITAL (EQUITY) (402 through 407)</b>	<b>401</b>	<b>0</b>
	1. Gains from decreasing revaluation reserves for fixed assets, except securities available for sale	402	
	2. Gains from changes in fair value of securities available for sale	403	
	3. Gains arising from translation of financial statements in foreign operations	404	
	4. Actuarial gains from defined-benefit plans	405	
	5. Effective share of gains arising from cash-flow risk protection	406	
	6. Other gains determined directly in capital (equity)	407	
	<b>II - LOSSES DETERMINED DIRECTLY IN CAPITAL (EQUITY) (409 through 413)</b>	<b>408</b>	<b>0</b>
	1. Losses from changes in fair value of securities available for sale	409	
	2. Losses arising from translation of financial statements in foreign operations	410	
	3. Actuarial losses from defined-benefit plans	411	
	4. Effective share of losses arising from cash-flow risk protection	412	
	5. Other losses determined directly in capital (equity)	413	
	<b>B. OTHER GAINS AND LOSSES OF THE PERIOD (401 - 408) or (408 - 401)</b>	<b>414</b>	<b>0</b>
	<b>C. TAX ON THE OTHER GAINS AND LOSSES OF THE PERIOD</b>	<b>415</b>	
	<b>D. NET RESULT FROM THE OTHER GAINS AND LOSSES OF THE PERIOD (414 ± 415)</b>	<b>416</b>	<b>0</b>
	<b>E. TOTAL NET INCOME (RESULT)</b>		
	<b>I - TOTAL NET INCOME OF THE PERIOD (400 ± 416)</b>	<b>417</b>	<b>0</b>
	<b>II - TOTAL NET LOSS OF THE PERIOD (400 ± 416)</b>	<b>418</b>	<b>0</b>

Licensed person:  
Jadranka Volak SR-1276/16

Person authorised to represent:  
Srđan Blagovčanin

## CONSOLIDATED CASH FLOW STATEMENT

(Statement of Cash Flow)

for the period covering 1 January to 31 December 2015

Item 2	AOP Code 3	Amount
		Current year 4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>I - CASH PROCEEDS FROM OPERATING ACTIVITIES (502 through 504)</b>	<b>501</b>	<b>1,025,030</b>
1. Proceeds from sale and advances (prepayments)	502	
2. Proceeds from premiums, subventions, grants, etc.	503	
3. Other proceeds from operating activities	504	1,025,030
<b>II - CASH OUTFLOWS FROM OPERATING ACTIVITIES (506 through 510)</b>	<b>505</b>	<b>871,827</b>
1. Payments to suppliers and given advances (prepayments)	506	485,039
2. Payments for employee wages, salaries, and other employee benefits	507	382,198
3. Payment of interests	508	1
4. Payment of income taxes	509	
5. Other payments of operating activities	510	4,589
<b>III - NET INFLOW OF CASH FROM OPERATING ACTIVITIES (501 - 505)</b>	<b>511</b>	<b>153,203</b>
<b>IV - NET OUTFLOW OF CASH FROM OPERATING ACTIVITIES (505 - 501)</b>	<b>512</b>	<b>0</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>I - PROCEEDS FROM INVESTING ACTIVITIES (514 through 519)</b>	<b>513</b>	<b>85</b>
1. Proceeds from short-term financial investment	514	
2. Proceeds from sale of shares and capital stakes	515	
3. Proceeds from sale of intangible assets, real-estates, plant, equipment, investment property and biological assets	516	
4. Proceeds from interests	517	85
5. Proceeds from dividends and participation in profit	518	
6. Proceeds from other long-term financial investments	519	
<b>II - CASH OUTFLOW FROM INVESTING ACTIVITIES (521 through 524)</b>	<b>520</b>	<b>11,657</b>
1. Outflows from short-term financial investments	521	
2. Outflows arising from purchase of shares and participation in capital	522	
3. Outflows from purchase of intangible assets, real-estates, plant, equipment, investment property and biological assets	523	11,657
4. Outflow arising from other long-term financial investments	524	
<b>III - NET CASH INFLOW FROM INVESTING ACTIVITIES (513 - 520)</b>	<b>525</b>	<b>0</b>
<b>IV - NET CASH OUTFLOW FROM INVESTING ACTIVITIES (520 - 513)</b>	<b>526</b>	<b>11,572</b>



<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>I - CASH INFLOW FROM FINANCING ACTIVITIES (528 through 531)</b>	527	<b>332</b>
1. Inflow from increase in share capital	528	
2. Inflow arising from long-term financial liabilities	529	
3. Inflow arising from short-term financial liabilities	530	
4. Inflow from other long-term and short-term financial liabilities	531	332
<b>II - CASH OUTFLOW FROM FINANCING ACTIVITIES (533 through 538)</b>	532	<b>983</b>
1. Outflow from redemption of own shares and capital stakes	533	
2. Outflow from long-term financial liabilities	534	
3. Outflow from short-term financial liabilities	535	
4. Net outflow arising from finance lease	536	
5. Outflow arising from dividends and participation in profit	537	
6. Outflows from other long-term and short-term liabilities	538	983
<b>III - NET INFLOW OF CASH FROM FINANCING ACTIVITIES (527 - 532)</b>	539	<b>0</b>
<b>IV - NET OUTFLOW OF CASH FROM FINANCING ACTIVITIES (532 - 527)</b>	540	<b>651</b>
<b>D. TOTAL CASH INFLOW (501 + 513 + 527)</b>	541	<b>1,025,447</b>
<b>E. TOTAL CASH OUTFLOW (505 + 520 + 532)</b>	542	<b>884,467</b>
<b>F. NET CASH INFLOW (541 - 542)</b>	543	<b>140,980</b>
<b>G. NET CASH OUTFLOW (542 - 541)</b>	544	<b>0</b>
<b>H. CASH AT THE BEGINNING OF REPORTING PERIOD</b>	545	<b>306,346</b>
<b>I. FOREIGN EXCHANGE GAINS FROM TRANSLATION OF CASH</b>	546	<b>263</b>
<b>J. FOREIGN EXCHANGE LOSSES FROM TRANSLATION OF CASH</b>	547	
<b>K. CASH AT THE END OF REPORTING PERIOD (545 + 543 - 544 + 546 - 547)</b>	548	<b>447,589</b>

Licensed person:

Jadranka Volak SR-1276/16

Person authorised to represent:

Srđan Blagovčanin

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For period ending on 31 December 2015

Amounts in KM

TYPE OF CHANGE IN EQUITY	SHARE IN SHAREHOLDERS' EQUITY THAT BELONGS TO OWNERS OF PARENT COMPANY							MINORITY INTEREST	TOTAL EQUITY
	AOP Code	Shareholders' equity and stakes in limited liability companies	Revaluation reserve (MRS 16, MRS 21 and MRS 38)	Unrealized gains/losses arising from financial assets available for sale	Other reserves (issuance premium, legal and statutory reserves, cash flow protection)	Retained earnings / uncovered loss	TOTAL		
1	2	3	4	5	6	7	8	9	10
1. Value on day 1 January 2014	901	0	0	0	0	0	0	0	0
2. Effects of the changes in accounting policies	902								
3. Effects of the corrections of material errors	903								
New value on day 1/1/2014 (901 ± 902 ± 903)	904	0	0	0	0	0	0	0	0
4. Effects of the revaluation of the material and immaterial assets	905								
5. Unrealized gains/losses arising from financial assets available for sale	906								
6. Foreign exchange differences from the translation of the financial statements in other foreign currency	907								
7. Net income/ loss of the reporting period as reported in income statement	908								
8. Net income/losses of the period recognised directly in equity	909								
9. Declared dividends and other distributions of the net income and covering the loss	910								
10. New issuance of the shareholders equity and other increases in capital or decrease in capital	911								

11. Value on day 31/12/2014 (904 ± 905 ± 906 ± 907± 908 ± 909-910 + 911)	912	0	0	0	0	0	0	0	0
12. Effects of the changes in accounting policies	913								
13. Effects of errors corrections	914								
14. New value on day 31/12/ 2014 i.e. 1/1/2015 (912 ±913 ±914)	915								
15. Effects of the revaluation of the material and immaterial assets	916								
16. Unrealised gains/losses arising from financial assets available for sale	917								
17. Foreign exchange differences from the translation of the financial statements in other foreign currency	918								
18. Net income/ loss of the reporting period as reported in income statement	919								
19. Net income/losses of the period recognized directly in equity	920								
20. Declared dividends and other distributions of the net income and covering the loss	921								
21. New issuance of the shareholders equity and other increases in capital	922								
Value on day 31/12/ 2015 (915 ± 916 ± 917 ± 918± 919 ± 920 - 921 + 922)		0	0	0	0	0	0	0	0

Licensed person:

Jadranka Volak SR-1276/16

Person authorised to represent:

Srđan Blagovčanin

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS OF CITIZENS'  
ASSOCIATION "ANTI-CORRUPTION COMBAT – BOSNIA AND HERZEGOVINA"  
AND ASSOCIATION FOR THE FIGHT AGAINST CORRUPTION  
"TRANSPARENCY INTERNATIONAL" IN BOSNIA AND HERZEGOVINA FOR YEAR 2015**

## **1. LEGAL AND OTHER BASES**

Regulations governing accounting and auditing provide that consolidated financial statements are to be prepared when the parent legal person gains control over a subsidiary legal person or more subsidiary legal persons. As in this case there is no ownership-based dependence relationship, but a relationship that arises from joint representation and management as well as identical non-profit statutory objectives, it was decided that consolidated financial statements were to be prepared and presented in order to obtain information on the joint operations of both associations.

The terms and conditions for conducting this audit as well as the responsibilities of the auditor and the Association's management are set out in the Audit Contract concluded on 31 December 2015 between the association for the fight against corruption "Transparency International" in Bosnia and Herzegovina Banja Luka and the Auditing and Tax Counselling Firm "Aditon" doo Banja Luka.

As required by the International Standards of Auditing, before commencing the audit activities the auditor had to familiarise himself with the basic financial indicators that are material to the overall activities in the year for which the financial statements that are the subject of the present audit were produced, as well as with any changes in the Association's organisation, management, funding and main objectives. Also, the auditor will familiarise himself with the realisation of revenues and expenditures, which were approved by the project donors and persons entrusted with the implementation of the projects (project managers), if such checks have not already been made as part of the audits of each of the associations whose balance sheets are consolidated.

Audit activities include assessment of information about the Association's financial operation contained in the financial statement forms that were delivered to us electronically.

Observing the provisions of the applicable audit regulations, generally accepted rules and the Audit Contract, the audit is to be conducted in accordance with the International Standards of Auditing, which require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Given the nature of the both Associations' line of work as well as other limitations, there is a certain unavoidable risk that a material error may remain undetected. However, we are of the opinion that the use of standardised sampling and inspection methods and analytical procedures has reduced this risk to a reasonable and allowable level.

The preparation of consolidated financial statements, including their adequate disclosure is the responsibility of the Associations' management. This includes establishing and maintaining proper accounting records, establishing and maintaining internal controls,

selecting and applying appropriate accounting procedures, and ensuring full protection of property of the Associations and donors. Also, the management is responsible for complying with the principles and rules of consolidation.

Our work also entailed establishment of appropriate cooperation with the hired professional accountant, which we believe we did in a professional way.

## **2. ASSOCIATIONS' BACKGROUND INFORMATION**

Association "Anti-corruption Combat – Bosnia and Herzegovina" Banja Luka was registered as a non-governmental organisation in the register of citizens' associations with the Basic Court in Banja Luka on 28 March 2001 under registration number Rg-23/01, while the Association for the Fight against Corruption "Transparency International" in Bosnia and Herzegovina Banja Luka was registered in the register maintained by the Ministry of Justice of Bosnia and Herzegovina by virtue of the decision no. UP08-07-1-616/11 of 25 May 2011.

The register of the Ministry of Justice of BiH also contains an entry on the Association's logo. The logo is in the form of a blue-bordered circle, with two large blue stylised letters "T" and "I" in the middle.

Both associations have the same statutory objectives:

- curbing corruption, supporting the development of good governance, accountability and transparency of public institutions, common democratic values and fair competition;
- organisation of seminars, roundtables and other forms of public debate and professional training;
- initiating the collection of data on experiences in combating corruption;
- commitment to the preparation of draft legislation and other documents;
- dissemination of information on the Association's activities through print, digital and other media;
- processing of data on corruption;
- collection and public dissemination of data on corruption;
- commitment to providing free legal assistance to citizens in their fight against corruption;
- commitment to conducting public opinion surveys;
- exchange of experiences with similar institutions and organisations at home and abroad and various professional and advisory activities.

The seat of both associations is in Banja Luka, 2 Gajeva Str.

The Association for the Fight against Corruption “Transparency International” in Bosnia and Herzegovina has an office in Sarajevo, at address 4 Mehmed Bega Kapetanovića Ljubušaka 4, 71000 Sarajevo.

Until 24 October 2015 the responsible person for both associations was:

- Mr Emir Đikić, chair of the board of directors / president of SB

Since 24 October 2015 both associations have been represented in legal transactions by:

- Mr Srđan Blagovčanin, president of SB

Bookkeeping records are maintained, as per appropriate contract, by the professional bookkeeping agency “Libra”, owned by professional accountant Ms Jadranka Volak B.Sc.Econ. with a certified accountant licence. This person is considered responsible for proper maintenance and updating of the required transaction records.

The associations conduct their financial transactions in domestic currency (Convertible Marks) and foreign currency through main business accounts held at “Nova banka” AD Banja Luka No. 555-007-00006307-57 and Unicredit bank DD Mostar No. 338-350-22574104-75.

In addition to these accounts, both associations have sub-accounts to track the inflow and outflow of funds in individual projects. This ensures that the cash flows for each project/donor is tracked and controlled independently of other funds used or received by the Association.

The Association “Anti-corruption Combat – Bosnia and Herzegovina” is registered with the Tax Administration with tax identification number 4401564530009.

The Association for the Fight against Corruption “Transparency International” in Bosnia and Herzegovina is registered with the Tax Administration with tax identification number 4403650790008.

### **3. CONNECTION BETWEEN THE PARTIES GETTING CONSOLIDATED**

The citizens’ association “Anti-corruption Combat – Bosnia and Herzegovina”, which was founded in 2001, was the initiator of the establishment and registration of the Association with the Ministry of Justice of Bosnia and Herzegovina under the new name – Association for the Fight against Corruption “Transparency International” in Bosnia and Herzegovina

By getting registered with the Ministry of Justice of Bosnia and Herzegovina, the Association became subject to the Law on Associations and Foundations of Bosnia and Herzegovina (“Official Gazette of BiH”, Nos. 32/01, 42/03, 63/08 and 76/11) and conditions have been met for the Association to perform its activities freely throughout Bosnia and Herzegovina.

The objectives of the two associations are identical. Therefore it was decided that as of 2015, the Association for the Fight against Corruption “Transparency International” in

Bosnia and Herzegovina would gradually take over the tasks that had previously been performed by the Citizens' Association registered with the competent court in Banja Luka, as well as that TI BiH would continue to apply for donor funds and assume the implementation of projects in which the association has an interest and which are in line with its main statutory objectives, while the Association registered with the Basic Court in Banja Luka would no longer pursue new projects, but only complete the ongoing projects it implements.

In 2015 the employees who had an employment contract concluded with the Citizens' Association "Anti-corruption Combat – Bosnia and Herzegovina" concluded a new employment contract with the Association registered with the Ministry of Justice of BiH. The managements of both associations are composed of the same persons.

This connection between the association served as a basis for preparing the consolidated financial statements and the audit thereof.

#### **4. DOCUMENTATION AND ACCOUNTING**

The original bookkeeping documentation about financial transactions that are the subject of this audit is kept in the Association's headquarters, while the copies of bookkeeping and financial documents are forwarded to the hired bookkeeping agency.

The maintenance of accounting records is entrusted to a professional agency owned by a licensed accountant. The accounting is done through automated data processing by means of appropriate computer software. The recording of financial transactions is done in accordance with the prescribed chart of accounts.

#### **5. ACCOUNTING POLICIES**

##### **5.1. Basis for and principles of consolidation**

For consolidation purposes principles that are applied to the consolidation of a group of companies were respected.

Consolidation of items contained in financial statement forms is made in accordance with the principles which provide that the preparation of consolidated balance sheets is done with the elimination of mutual receivables and liabilities, while other balance items are added up and expressed in amounts which contain information pertaining to both associations. Estimates of balance sheet items were not made because assets items that would require such estimates were not encountered in the balance sheets of either association.

Consolidation is not done on the basis of property rights because in this particular case it does not involve commercial companies but organisations that have decided that one of them will continue the activities that are in line with the joint statutory objectives, while the other is withdrawing from these activities, and during a certain period they have acted or will act jointly.

## **5.2. Basis for Recognition of Transactions**

The associations have used the common/same principles for recognising and weighing main assets, receivables and liabilities items.

Below are the rules that were applied to both individual as well as consolidated balance sheets.

### **Intangible Assets and Equipment**

Intangible assets and equipment are presented by primary procedure, i.e. by historical value, which is the purchase value as stated in the supplier's invoice, plus any related procurement costs and minus accumulated depreciation and accumulated losses.

### **Amortisation**

The amortisation of equipment and other property whose value decreases with the passage of time due to wear and tear is calculated according to the linear method over the estimated useful life and according to the depreciation rates provided for in the Law on Income Tax.

### **Receivables**

Receivables are recognised at their nominal value. On balance day, the collectability of receivables is assessed. The assessment of receivables is done indirectly through appreciation, for the amount of receivables for which there is a possibility of collection at some future time, and directly if inability to collect is certain and documented.

### **Cash and cash equivalent**

Cash and cash equivalents are stated at nominal value expressed in Convertible Marks, based on the actual state determined by the inventory.

### **Liabilities**

Liabilities are reported at face value amount arising from proper business transaction, contract, regulations governing tax liability, etc. and in the amount of expected payments on that basis.

A liability is a short-term liability if it is payable within one year, or a long-term liability if it is payable within more than one year from the date of creation, i.e. from the balance day.

### **Income**

Income is recognised at fair value. This is related to the increase in assets or decrease in liabilities. When agreed so in the agreement with the donors, income is recognised in the amount of approved costs, in relation to the implementation of the projects carried out by the Association. As the Association is not engaged in commercial activity, nor does it



charge membership contributions, income is related to the approved and realised budget, in accordance with the agreement concluded with the donor(s).

Interests are recognised as income in proportion to the length of use of funds by the debtor, in accordance with the contract or the law.

## Expenses

An expense is recognised immediately in the accounting period when the expenditure does not yield future economic benefits, or when the obligation arose, and there are no conditions for it to be recognised as an asset item. This applies to the received material resources, services, as well as personal income and other personal expenses. All expenses related to the accounting period are included in the financial statements.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are accompanied by notes describing specific items of the balance sheet and income statement.

### CONSOLIDATED BALANCE SHEET

(ABBREVIATED TEMPLATE)

as at 31 December 2015

in KM

ITEM 1.	Note no. 2.	Amount in current year		
		Gross 3.	Allowance 4.	Nett 5.
<b>A. ASSETS</b>		<b>568,451</b>	<b>51,195</b>	<b>517,256</b>
I NON-CURRENT ASSETS		101,077	51,195	49,882
Property, plant and equipment	1	101,077	51,195	49,882
Biological assets				
Goodwill				
Other intangible assets (research and development, patents, licences, advances, etc.)				
Investment in affiliated legal entities				
Long-term investments				
Deferred tax assets				
II CURRENT ASSETS				
Inventories				
Prepayments	2	9,660	0	9,660
Receivables from sales				
Other receivables	3	7,198	0	7,198
Short-term financial investments				
Cash and cash equivalents	4	447,589	0	447,589
Prepayments and accrued income				
<b>B SOURCES OF ASSETS</b>				<b>517,256</b>
I. SHAREHOLDERS' EQUITY THAT BELONGS TO OWNERS OF PARENT COMPANY				0
Share capital				
Subscribed capital unpaid				

Other capital (issuing premiums)			
Reserves (total)			
Gain (total)			
Loss (total)			
II. MINORITY INTERESTS			
TOTAL LIABILITIES	5		517,256
III. LONG-TERM PROVISIONS AND LIABILITIES			0
Long-term provisions			
Long-term loans and long-term leasing			
Deferred tax liabilities			
Other long-term liabilities			
IV. SHORT-TERM LIABILITIES			
Short-term loans and other short-term fin. liabilities			
Trade payables			8,409
Liabilities for salaries			179
Liabilities for VAT			0
Liabilities for other taxes and contributions			2,172
Accruals and deferred income			506,367
Deferred tax liabilities			0
Other short-term liabilities			129

**CONSOLIDATED INCOME STATEMENT**  
(ABBREVIATED TEMPLATE)  
for year 2015

in KM

I T E M	Note no.	Current year 2015
1	2	3
<b>OPERATING INCOME</b>	6	<b>869,454</b>
Income from sales		
Other operating income		869,454
Activation effects and changes in the value of inventories		
<b>OPERATING EXPENSES</b>	7	<b>867,210</b>
Cost of goods sold		
Material costs		19,164
Employee expenses and benefits		382,375
Service expenses		150,362
Depreciation expenses		13,093
Immaterial expenses		297,765
Tax and contribution expenses		4,451
Other operating expenses		
<b>OPERATING PROFIT</b>		<b>2,244</b>
<b>OPERATING LOSS</b>		
Financial income	8	680
Financial expenses	8a	985

REGULAR ACTIVITY INCOME		
REGULAR ACTIVITY LOSS		
Other income	9	568
Other expenses	9a	2,507
Income from revaluation of assets		
Losses from revaluation of assets		
Income from changes in accounting policies and corrections of the initial error		
Losses from changes in accounting policies and corrections of the initial error		
<b>PROFIT BEFORE TAX</b>		<b>0</b>
<b>LOSS BEFORE TAX</b>		<b>0</b>
Income tax		
<b>NETT INCOME</b>	10	<b>0</b>
<b>LOSS</b>		<b>0</b>

### **Note 1 – Non-current assets**

The non-current assets in the present value of KM 49,882 as at 31 December 2015 included one passenger car, office furniture, computer and telecommunication equipment.

In 2015 the Association invested KM 11,658 in purchasing equipment (furniture and computer equipment) and these are purchases that were accepted by the donor.

The procurements were recorded on the basis of suppliers' invoices at the moment of putting the procured items into use.

Depreciation was calculated on the amount of the purchase value of the equipment and inventory, in accordance with the rates of the Nomenclature of Depreciating Assets.

Cost of the small inventory was presented as expenditure in the year of purchase, which is in line with the policy of presenting small inventory expenditures in 100 per cent amount at the moment of putting this item into use.

### **Note 2 – Prepayments**

The 'prepayments' item in the amount of KM 9,660 refers to pre-paid expenses and subscriptions to professional journals.

### **Note 3 – Short-term receivables**

The 'accounts receivable' item in the amount of KM 7,198 refers mostly to debit balances of taxes that were paid for copyright works from which recognised expenses

were not deducted, as determined by comparing wage tax cards and income tax returns that the Association submitted to the local unit of the RS Tax Administration.

These receivables are as follows:

DESCRIPTION	AMOUNT
	31/12/2015
Receivables from employees	33
Receivables for contributions to personal income	1,202
Receivables for taxes	5,882
Other receivables	81
<b>TOTAL</b>	<b>7,198</b>

#### **Note 4 – Cash and cash equivalents**

Cash consists of:

DESCRIPTION	AMOUNT
	31/12/2015
Cash assets at banks / KM	424,012
Cash assets at banks – foreign currency account	14,545
Cash in hand	9,032
<b>TOTAL</b>	<b>447,589</b>

#### **Note 5 – Short-term liabilities**

Short-term liabilities are summarised as follows:

DESCRIPTION	AMOUNT
	31/12/2015
Suppliers in the country	8,309
Suppliers abroad	0
Liabilities for wages and salaries	136
Liabilities to physical persons	87
Liabilities for water management fee	0

Liabilities for contributions	1,182
Liabilities for taxes	990
Accruals and deferred income	506,367
Other liabilities	185
<b>TOTAL</b>	<b>517,256</b>

Liabilities to suppliers in the total amount of KM 8,309 include payables for delivered electricity, water, heating, telephone, internet and other related services based on invoices received in December, as well as liabilities to other suppliers for goods and services delivered in relation to the headquarters in Banja Luka and the branch office in Sarajevo, as well as liabilities to contributors participating in the implementation of projects.

After deduction from approved funds of realised and recognised expenses and depreciation relating to non-current assets, in line with the adopted budgets and the timeframe for implementation of the activity programme, the most important item under the sources of funding is donor funds for implementation of projects in the next year; thus, the item 'prepayments' is formed as a liability to funders of individual projects (Open Society Fund, Association Centres for Civic Initiatives (CCI), Foreign and Commonwealth Office, SIDA, European Commission, etc.). The total balance on account no. 493 – Received (Unused) Donations is KM 506,367.

#### **Note 6 – Operating income**

Donor funds used in individual projects account for virtually the only source of TI's income.

It should be noted that the incomes in 2015 are also related to the implementation of the parts of projects that had not been completed in the previous year, and a portion of income was recognised for projects that continue to be implemented in the current year (2016).

#### **Note 7 – Operating expenses**

Operating expenses are:

DESCRIPTION	AMOUNT
	2015
Expenses for other material and fuel	19,164

Expenses for gross wages and salaries	382,375
Services expenses	150,362
Depreciation expenses	13,093
Immaterial expenses	297,765
Tax and contribution expenses	4,451
<b>TOTAL:</b>	<b>867,210</b>

Material expenses include the recognised expenses for office supplies, hygiene products and other operating supplies used in the office's daily activities as well as the fuel expenses for the passenger car. These expenses are recorded on the basis of individual invoices issued by suppliers for the delivered products.

Energy expenses consist of the expenses recorded on the basis of electricity bills issued by the Power Supply Company, district heating bills issued by the City Heating Plant as well as bills for natural gas. As has been mentioned earlier in relation to these expenses, given that they are associated with the owners of the offices rented by the Association, the bills for these expenses are not addressed to TI but to physical persons.

Wages, income benefits and other personal incomes are calculated in accordance with employment contracts and the applicable regulations governing tax and contribution liabilities. Operating costs were charged based on these liabilities.

Service expenses refer to telecommunication costs, transport costs, costs of renting business offices, as well as costs of maintenance and repair of the Association's equipment and other property.

Depreciation expenses were calculated on the purchase value of the fixed assets, in accordance with the depreciation rates set out in the Nomenclature of Depreciating Assets.

Costs of the promotion of TI's overall work as well as costs of the public campaign in the media (such as daily papers and periodicals, etc.) make up a sizeable group of expenses in the audited year. These are followed by author's fees, and promotion and public campaign expenses. Other significant costs include rent, business trip allowances (boarding and travel costs), payment operation costs, administrative and court fees, etc.

Each payment of author's fee is accompanied with a contract concluded between TI and the author, regardless of whether the author is employed in the office or is an external contractor.

Tax and contribution expenses include fees for water use, fees payable for registration of vehicles, contributions for volunteer's pay, contribution for employment and vocational rehabilitation of disabled persons, and other taxes.

#### **Note 8 and 8 a – Financial income and Financial expenses**

Financial income includes income from foreign exchange gains and is presented in the amount of KM 680.

Financial expenses comprise foreign exchange losses and interest expenses (KM 985).

#### **Note 9 and 9 a – Other income and Other expenses**

Other income totalling KM 568 consists of incomes arising from rebates and write-offs for taxes and other liabilities as well as other unmentioned incomes.

Other expenses in the total amount of KM 2,505 comprise costs of lawsuits as well as items that, due to their nature, could not be classified as operating and financial expenses.

#### **Note 10 – Operating results – surplus of income over expenditure/expenditure over income**

The non-profit nature of the Association's work means that the income is recognised only in the amount of expenditures that the donor or funder envisaged in the approved budget for the given calendar year or a particular part thereof. The received funds are justified per individual projects, and annual incomes are recognised only in the amount of the approved expenditures, with predefined tolerance. This allows for equalisation of incomes and expenditures, and thus the surplus of income over expenditure is not presented.

## **7. CONTINGENT ASSETS AND LIABILITIES**

As at 31 December 2015 the Association has initiated 36 lawsuits, whose overview with estimated values and costs is given in the table below:

No.	Litigations	Initiated by	Date of initiation	Current status	Estimated value
1	Suit against Ministry of Finance of RS	Citizen's Association "Anti-corruption Combat BiH"	26/10/2010 – Suit 1 12/10/2012 – Suit 2	Suit 2 was dismissed, so we lodged a request for extraordinary review of the judgement – the proceedings are currently pending	KM 400 fees for suits and judgements KM 1,500 lawyer's fee
2	Suit against the High Judicial and Prosecutorial Council of BiH	Citizen's Association "Anti-corruption Combat BiH"	18/10/2010	The case is pending before the European Court for Human Rights	KM 500 fees for suits and judgements KM 1,900 lawyer's fee
3	Suit against Cantonal Prosecutor's Office in Sarajevo	Citizen's Association "Anti-corruption Combat BiH"	26/12/2011	The case is pending before the Supreme Court of FBiH as per action for retrial	KM 200 court fees KM 480 lawyer's fee
4	Suit against Administrative Inspectorate of FBiH	Citizen's Association "Anti-corruption Combat BiH"	11/07/2011	The case is pending before the Supreme Court of FBiH as per action for retrial	KM 200 court fees KM 480 lawyer's fee
5	Suit against Cantonal Prosecutor's Office in Tuzla	Citizen's Association "Anti-corruption Combat BiH"	31/03/2011 – Suit 1 30/01/2013 – Suit 2 08/10/2014 – Suit 3	All three lawsuits were dismissed by the Cantonal Court, and accepted following a request for extraordinary review of the judgement before the Supreme Court of FBiH; proceedings as per request for extraordinary review of	KM 600 fees KM 720 lawyer's fee



				the judgement are currently pending before the Supreme Court of FBiH	
6	Suit against the Ministry of the Interior of the West Herzegovina Canton	Citizen's Association "Anti-corruption Combat BiH"	05/12/2012	Suit dismissed, proceedings are currently pending before the Supreme Court of FBiH as per request for extraordinary review of the judgement	KM 200 fees KM 240 lawyer's fee
7	Suit against Cantonal Prosecutor's Office in Tuzla	Citizen's Association "Anti-corruption Combat BiH"	18/10/2012	Suit dismissed, proceedings are currently pending before the Supreme Court of FBiH as per request for extraordinary review of the judgement	KM 200 fees KM 240 lawyer's fee
8	Suit against the Ministry of Education, Science, Culture and Sports of WHC ZHK OGP	Citizen's Association "Anti-corruption Combat BiH"	03/09/2014	Pending	KM 200.00
9	Suit against the Ministry of Spatial Planning of the Sarajevo Canton OGP	Citizen's Association "Anti-corruption Combat BiH"	24/06/2014	Pending	KM 200.00
10	Suit against the Ministry of Housing Policy of the Sarajevo Canton OGP	Citizen's Association "Anti-corruption Combat BiH"	13/08/2014	Pending	KM 200.00
11	Suit against the Ministry for Labour, Social Policy, Displaced Persons and Refugees of the Sarajevo Canton OGP	Citizen's Association „Anti-corruption Combat BiH“	24/06/2014	Pending	KM 200.00
12	Suit against the Banking Agency of RS	Citizens' Association Fight against Corruption	21/04/2015	Suit won	KM 200 court fees

13	Suit against the Banking Agency of RS	Citizen's Association "Anti-corruption Combat BiH"	15/04/2015	Suit won	KM 200 court fees
14	Suit against the Ministry of Education and Culture of RS OGP	Citizen's Association "Anti-corruption Combat BiH"	10/07/2014 – Suit 1 15/09/2015 – Suit 2	We won the dispute in first instance, the Ministry ignored the court ruling, we sued them again, the case is currently pending	KM 1,077.50
15	Suit against the Ministry of the Interior of RS OGP	Citizen's Association "Anti-corruption Combat BiH"	16/07/2014	The court dismissed the suit, we lodged a request for extraordinary review of the judgement with the Supreme Court of RS – the proceedings are currently pending	KM 1,077.50
16	Suit against the Banking Agency of RS	Citizen's Association "Anti-corruption Combat BiH"	14/10/2015	Pending	KM 200.00
17	Suit against the Ministry of the Interior of the Canton Sarajevo	Citizen's Association "Anti-corruption Combat BiH"	25/11/2014	Pending	KM 200.00
18	Suit against the Municipality of Ilidža OGP	Citizen's Association "Anti-corruption Combat BiH"	19/06/2014	Pending	KM 200.00
19	Suit against the Municipality of Novi Grad Sarajevo	Citizen's Association "Anti-corruption Combat BiH"	13/11/2014	Pending	KM 200.00
20	Suit against the Municipality of Brod OGP	Citizen's Association "Anti-corruption Combat BiH"	04/09/2014	Suit dismissed, proceedings as per request for extraordinary review of	KM 400 court fees KM 877.50

				judgement is currently pending before the Supreme Court of RS	lawyer's fee
21	Suit against the Municipality of Milići OGP	Citizen's Association "Anti-corruption Combat BiH"	19/06/2014	Pending	KM 200.00
22	Suit against the Municipality of Prnjavor OGP	Citizen's Association "Anti-corruption Combat BiH"	30/06/2014	Appeal proceedings are currently pending as per the defendant's appeal, the defendant has to pay to us	KM 1,077.5
23	Suit against the Parliament of BiH	Citizen's Association "Anti-corruption Combat BiH"	15/07/2013 – Suit 1 26/11/2014 – Suit 2	Suit 2 was dismissed, so we lodged a request for extraordinary review of the judgement – the proceedings are currently pending	KM 300 court fees KM 750 lawyer's fee
24	Suit against the Republic Inspection Administration of RS (Labour Inspection)	Citizen's Association "Anti-corruption Combat BiH"	16/04/2014	Suit accepted – appeal proceedings are currently pending as per the defendant's appeal – the defendant has to pay to us	KM 1,077.50
25	Suit against the Republic Inspection Administration	Citizen's Association "Anti-corruption Combat BiH"	16/04/2014	Suit accepted – appeal proceedings are currently pending as per the defendant's appeal – the defendant has to pay to us	KM 1,077.50
26	Suit against RUGIP OGP	Citizen's Association "Anti-corruption Combat BiH"	11/09/2014	Suit accepted – appeal proceedings are currently pending as per the defendant's appeal – the	KM 1,077.50

				defendant has to pay to us	
27	Suit against the Prosecutor's Office of BiH	Citizen's Association "Anti-corruption Combat BiH"	20/10/2014	Suit was dismissed, proceedings as per request for extraordinary review of the judgement are currently pending	KM 400.00
28	Suit against the Ministry of Industry of RS	Citizens' Association Fight against Corruption	24/06/2015	Suit was dismissed, proceedings as per request for extraordinary review of the judgement are currently pending	KM 200 court fees
29	Suit against the Ministry of Administration and Local Self-governance of RS	Citizens' Association Fight against Corruption	19/05/2015	Pending	KM 200 court fees
30	Suit on behalf of Cenić-Topić	Citizen's Association "Anti-corruption Combat BiH"	16/04/2014	Pending, we paid KM 500 for taxes and KM 712 lawyer's fees for drawing up the suit	There will be more costs in these proceedings, the exact value remains unclear
31	Suit against the Prosecutor's Office of BiH	Citizen's Association "Anti-corruption Combat BiH"	16/01/2015	Pending	KM 400 court fees
32	Suit on behalf of "Oštra nula" PP	Citizen's Association "Anti-corruption Combat BiH"	09/04/2014	Pending, civil matter, we paid KM 200 for suit fee and KM 234 lawyer's fees for drawing up the suit	There will be more costs in these proceedings, the exact value remains unclear
33	Suit against the Municipality of Stolac	Citizen's Association	02/02/2015	Pending	KM 200.00

		"Anti-corruption Combat BiH"			
34	TI - Suit against RUGIP, 16/01/2014	Citizen's Association "Anti-corruption Combat BiH"	16/01/2014	Pending	KM 877.50
35	Suit against the Ministry of Health of RS	Citizen's Association "Anti-corruption Combat BiH"	23/02/2015	The court accepted the suit, the defendant has to pay the court fees costs to us	KM 200 court fees
36	Suit brought jointly by BUKA, TI BiH and Helsinki Citizens' Assembly BL	Citizen's Association "Anti-corruption Combat BiH"	16/04/2014	Pending, lawyer's fees KM 819	There will be more costs in these proceedings, the exact value remains unclear

\*OGP – Open Government Partnership

## 8. TAX RISKS

The tax system of the Republic of Srpska and Bosnia and Herzegovina is governed by the principle that indirect taxes (customs, excise, VAT and road tax) are charged at the country-wide level, whereas all other taxes (profit tax, income tax, property taxes, fees and charges) and social security contributions are levied at the entity level. Big problem for taxpayers is the frequent changes to the laws and implementing regulations that govern taxes, in contrast to most developed market economies with stable tax systems.

When it comes to practical application of the tax laws, there are often differences of opinion between the various competent authorities regarding the legal interpretation of specific provisions. This can give rise to uncertainty. In some cases, different inspection authorities claim legal authority over the same tax issue (e.g. foreign trade, customs and currency control).

The interpretation of tax legislation by tax authorities as applied to the transactions and activities of a Company may differ from that by the management. As a result of different interpretation and application of the law by the government and by the inspection authorities, transactions may be challenged by tax authorities and the Company may be imposed additional taxes, penalties and interests.

In accordance with the Law on Tax Procedure of the Republic of Srpska and the Law on Indirect Taxation of BiH, the tax liability limitation period is 5 years. This means that the tax authorities are entitled to order the payment of outstanding liabilities within 5 years from the time of the transaction. All this results in tax risks being significantly higher in the Republic of Srpska and Bosnia and Herzegovina than in countries with more stable and developed tax systems.