

OMIF "Future Fund" Banja Luka
Financial Statements
For the Year ended 31 December 2019
and
Independent Auditor's Report

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This is an English translation of Independent Auditor's Report and Financial Statements originally issued in the Serbian language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of OMIF "Future Fund" Banja Luka

Opinion

We have audited the accompanying financial statements of OMIF "Future Fund" Banja Luka (hereinafter the "Fund"), which comprise the balance sheet as of 31 December 2019 and the income statement, statement of changes in net assets, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2019 its financial performance and cash flows for the year then ended, in accordance with the accounting regulations prevailing in the Republic of Srpska and in accordance with the accounting policies disclosed in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Law on Accounting and Auditing of the Republic of Srpska. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), including those ethical standards relevant to our audit of financial statements in the Republic of Srpska, and we have fulfilled our other ethical responsibilities in accordance with these standards and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Audit procedures applied
2. Investments of the Fund - Financial assets available for sale - Notes 3.4,13. to the financial statements	
The aforementioned key audit matter is chosen due to the fact that financial assets available for sale constitute the most significant part of the Fund's net assets and it includes significant estimates of the Fund's management relating to the measurement of the fair value of financial assets.	We have assessed the design and tested the effectiveness of relevant controls relating to daily monitoring of reconciliation of the Fund's net assets' value with the depository. We have confirmed ownership of investments based on the certificate issued by the Central Registry of Securities JSC, Banja Luka. We have verified the measurement of investments for securities having an active market by examining the last trading prices, while for other investments for which there is no active market we have verified the estimation methods used and key assumptions of the Fund's management for the purpose of determining whether the estimation methods used and key assumptions are reasonable and in line with our expectations.
Based on the procedures performed, we have not identified significant findings in relation to the existence of the investments and estimate of the Fund's management in relation to the fair value measurement of the financial assets available for sale.	



INDEPENDENT AUDITOR'S REPORT

To the shareholders of OMIF "Future Fund" Banja Luka (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations prevailing in the Republic of Srpska, and for such internal controls as management determines are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of OMIF "Future Fund" Banja Luka (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Velemir Janjic.

Banja Luka, 2 March 2020



Certified Auditor
Velemir Janjic

INCOME STATEMENT
For the Year Ended 31 December 2019
(In BAM)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
INCOME			
Operating income			
Dividends	3.1, 5	2,479,203	2,925,033
Interest income	3.1, 6	247,116	224,456
Income from amortisation of premium (discount) arising from securities with fixed maturity	3.1, 6	137,059	90,868
Other operating income	3.3, 10	175,140	1,727,640
		3,038,518	4,967,997
Gains			
Gains from the sale of securities	3.6, 7	1,066,805	2,863,392
Gains from foreign exchange gains/losses	7	39,621	2,010
		1,106,426	2,865,402
EXPENSES			
Operating expenses			
Management fee to the Management company	3.2, 8	2,704,159	2,751,051
Other operating expenses	3.3, 9	5,331	4,955
		2,709,490	2,756,006
Losses			
Losses on the sale of securities	3.6, 7	(592,666)	(182,225)
Realised loss arising from foreign exchange gains/losses	7	(317)	(9,196)
Other realised losses	7	(4,165)	(16,593)
		(597,148)	(208,014)
PROFIT/(LOSS)		838,306	4,869,379
Unrealised gains arising from foreign exchange gains/losses from monetary positions, except from securities			
		10,849	3,896
Unrealised losses arising from foreign exchange gains/losses from monetary positions, except from securities			
		(8,699)	(4,050)
Total unrealised gains/(losses)	18	2,150	(154)
Increase/(decrease) in net assets from the Fund's operations		840,456	4,869,225
Basic earnings per share	19	0.1411	0.7282

The accompanying notes on the following pages are an integral part of these financial statements

Signed on behalf of the Fund by the management of the Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka:

Nenad Tomovic, Goran Klincov
 Executive Directors of the Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka

Darija Cupic,
 Head of Accounting of the Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka

BALANCE SHEET
As of 31 December 2019
(In BAM)

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
ASSETS			
Cash and cash equivalents	3.8, 11	4,690,876	3,914,196
Fund's investments			
Financial assets available for sale	3.4, 12	53,836,886	52,587,665
Deposits and placements	13	14,518,860	19,975,990
		<u>68,355,746</u>	<u>72,563,655</u>
Accounts receivable			
Receivables from sale of securities	3.4 15	-	44
Interest receivable	16	38,488	47,679
Dividends receivable	14	481,196	737,723
Other receivables		19	-
Receivables from the Managing Company		3,376	2,863
		<u>523,079</u>	<u>788,309</u>
Total assets		<u>73,569,701</u>	<u>77,266,160</u>
LIABILITIES			
Liabilities arising from investments in securities		-	2,295
Liabilities arising from the repurchase of shares		5,324	-
Liabilities to the Managing Company	17	217,196	219,776
Total liabilities		<u>222,520</u>	<u>222,071</u>
NET ASSETS		<u>73,347,180</u>	<u>77,044,089</u>
EQUITY			
Basic capital	18	65,449,594	74,233,781
Revaluation reserves	18	1,146,533	(3,100,289)
Retained earnings		6,751,053	5,910,597
Total equity		<u>73,347,180</u>	<u>77,044,089</u>
Number of issued shares	19	5,955,462	6,687,069
Net asset per share		<u>12.3160</u>	<u>11.5214</u>

The accompanying notes on the following pages are an integral part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2019
(In BAM)

	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Increase (decrease) in net assets from operating activities		
Realised gain (loss) from investments	838,306	4,869,379
Total unrealised losses (losses from investments)	2,150	(154)
Revaluation reserves from financial investments available for sale	4,246,822	(3,560,898)
Decrease on the basis of withdrawal of stakes/shares	<u>(8,784,187)</u>	<u>(8,636,553)</u>
Total increase (decrease) in the Fund’s net assets	<u>(3,696,909)</u>	<u>(7,328,226)</u>
Net assets		
Beginning of the year	77,044,089	84,372,315
End of the year	73,347,180	77,044,089
Number of stakes/shares of the Fund for the year		
Number of stakes/shares at the beginning of the year	6,687,069	7,448,639
Withdrawn stakes/shares during the year	731,607	761,570
Number of stakes/shares at the end of the year	5,955,462	6,687,069

The accompanying notes on the following pages are an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2019
(In BAM)

	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities I - Cash receipts from operating activities	53,821,701	44,781,963
Proceeds from the sale of investments	6,464,301	11,755,599
Proceeds from dividends	2,735,761	3,026,519
Proceeds from interests	262,238	242,267
Other receipts from operating activities	44,359,401	29,757,578
II - Cash outflows from operating activities	(44,511,256)	(35,426,793)
Outflows from investments into securities	(4,289,303)	(6,686,578)
Outflows for management fee	(2,706,932)	(2,789,236)
Outflows from other investments	(25,578,525)	(3,298,514)
Outflows from costs of the sale and purchase of securities	(2,300,309)	-
Outflows for other expenses from operating activities	(9,636,187)	(22,652,465)
Net cash from/(used in) operating activities	9,310,445	9,355,170
Cash flows from financing activities	(8,532,688)	(8,636,553)
Net cash used in repayment of debts	(8,532,688)	(8,636,553)
Total cash inflows	53,821,701	44,781,963
Total cash outflows	(53,043,944)	(44,063,346)
Net cash inflow/(outflow)	777,757	718,617
Cash at the beginning of the accounting period	3,914,196	3,195,456
Foreign exchange gains on translation of cash	6,545	369
Foreign exchange losses on translation of cash	(7,622)	(246)
Cash at the end of the accounting period	4,690,876	3,914,196

The accompanying notes on the following pages are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***1. CORPORATE INFORMATION**

Pursuant to the Decision No. 01-UP-51-169-6/17 issued by the Republic of Srpska Securities Commission, a partial transformation of the CMIF in Transformation “Zepter Fund” a.d. Banja Luka was approved. Moreover, according to the aforesaid Decision, the Company for Managing Investment Funds “Kristal Invest” a.d. Banja Luka was approved an appropriation of a portion of the assets for the purpose of incorporating the Open-End Mixed Investment Fund “Future Fund” and the Open-End Mixed Investment Fund “Maksimus Fund” in accordance with the Decision on Partial Transformation of the CMIF in transformation “Zepter Fund” a.d. Banja Luka (revised text) No.141-CK3MIΦ/17 dated 3 May 2017, as well as a decrease in the basic capital of the CMIF in transformation “Zepter Fund” a.d. Banja Luka by appropriating the assets for the incorporation of open-end investment funds and the amount of accompanying losses related to the appropriated assets.

On 24 September 2017, the Central Registry of Securities registered a portion of securities - a stake in the open-end investment fund, the first issuance - incorporation of the open-end investment fund “Future Fund” Banja Luka. The stakes are registered with the Republic of Srpska Securities Commission under ref. no. JP-M-6. After the registration of the first issuance, fund's stakes are labelled FTRP-U-A, and have been traded at the Banja Luka Stock Market JSC since 3 October 2017.

The establishment and operation of the Fund is governed by the Law on Investment Funds (Official Gazette of the Republic of Srpska number 92/06; 82/15). The main activity of the Fund is collecting cash by public offering of its unlimitedly transferable stakes and investment of these funds while respecting the principles of safety, profitability, liquidity and risk dispersion.

The Company for managing investment funds “Kristal Invest” a.d. Banja Luka acts in legal transactions with third parties on behalf of the Fund, except in legal transactions with the Company when the Fund is represented by the chairman of the Fund's Supervisory Board. Furthermore, the Company has the right to manage the Fund's assets, in accordance with the Law and the Agreement on the Investment Fund.

As of 31 December 2019, the Fund did not have any employees, because the Company performs all activities for the account and on behalf of the Fund.

Nova Banka a.d. Banja Luka (the “Depository”) performs the depository activities pursuant to the Depository Law, Rulebook and Contract. The head office of the Fund is located at Milana Rakica 1, Banja Luka.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**2.1. Basis of Preparation and Presentation of the Financial Statements**

The financial statements of the Fund are prepared in accordance with the accounting regulations of the Republic of Srpska, as well as the regulations governing the capital market in the Republic of Srpska. The accompanying financial statements are prepared on the basis of historical cost, except for certain financial instruments presented at fair value.

The financial statements of the Fund for the year ended 31 December 2019 are presented in accordance with the Guidelines on the Chart of Account, Contents of the Accounts in the Chart of Accounts and Contents and Form of Financial Statements for Investment Funds (Official Gazette of RS”, no.13/09, 106/15 and 105/17), which include the following financial statements:

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)**

1. Balance Sheet of the Fund - Statement of Financial Position;
2. Income Statement of the Fund - Statement of Comprehensive Income;
3. Statement of Changes in Net Assets of the Fund;
4. Cash Flow Statement - Cash Flow Statement of the Fund;
5. Report on the financial indicators per stake or share of the fund;
6. Report on the structure of the fund's investments;
7. Reports on the structure of the fund's investments per asset classes;
8. The structure of the fund's liabilities by types of instruments;
9. Report on the realised gains (losses) of the fund;
10. Report on the unrealised gains (losses) of the fund; and
11. Report on transactions with related parties.

These financial statements have been expressed in convertible marks (BAM). The convertible mark is the official reporting and functional currency of the Republic of Srpska.

In preparation of these financial statements of the Fund, the Company has adhered to the accounting policies described in notes to the financial statements, which are based on accounting and tax regulations prevailing in the Republic of Srpska.

2.2. Effect and application of the new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")**(a) Regulations, Standards and Interpretations effective in the current period in the Republic of Srpska**

The accompanying unconsolidated financial statements have been prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS, hereinafter together: the "Standards"), which were in effect as of 1 January 2013 and accounting regulations of the Republic of Srpska based on them.

Specifically, based on the provisions of the Law on Accounting and Auditing of the Republic of Srpska (Official Gazette of RS, No. 94/15), all legal entities domiciled in the Republic of Srpska are required to fully apply IAS, i.e., IFRS, and International Financial Reporting Standard for Small and Medium-Sized Entities ("IFRS for SMEs"), International Public Sector Accounting Standards ("IPSAS"), International Valuation Standards ("IVS"), International Standards for the Professional Practice of Internal Auditing, Conceptual Framework for Financial Reporting, the Code of Ethics for Professional Accountants and related instructions, explanations and guidelines issued by the International Accounting Standards Board ("IASB") and all accompanying instructions, explanations and guidelines of the International Federation of Accountants ("IFAC").

In addition, pursuant to the Law on Accounting and Auditing of the Republic of Srpska (Official Gazette of RS, No. 94/15) on 4 October 2017 the Board of Directors of the Association of Accountants and Auditors of the Republic of Srpska ("Association") passed the Decision on determining and publication of the translation of Conceptual Framework for Financial Reporting and basic texts of International Accounting Standards ("IAS"), i.e. International Financial Reporting Standards ("IFRS").

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.2. Effect and application of the new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") (Continued)***(a) Regulations, Standards and Interpretations effective in the current period in the Republic of Srpska (Continued)*

The publication of translations issued by the International Accounting Standards Board ("IASB"), which are an integral part of the Decision, has been performed pursuant to the Agreement on providing information for adoption and publication of International Financial Reporting Standards and of International Financial Reporting Standard for Small and Medium-Sized Entities, no. 1658 BA- AAARS - 2017, concluded between the IFRS Foundation and the Association. In accordance with the above mentioned Decision IAS/IFRS published by 1 January 2013 shall be applicable to the financial statements prepared and presented in the Republic of Srpska as of 31 December 2018.

However, changes in applicable standards and interpretations, as well as the newly adopted standards and interpretations issued after 1 January 2009, have not been published and officially enacted in the Republic of Srpska and, accordingly, have not been applied in preparing these financial statements. Standards and Interpretations effective in the current period that have not yet been officially translated and adopted and standards and interpretations not yet in effect are disclosed below in the notes.

Accordingly, while keeping in mind the potentially material effects that variations in accounting regulations of the Republic of Srpska from IFRS and IAS may have on the reality and objectivity of the financial statements of the Fund, the accompanying financial statements cannot be considered financial statements prepared in full compliance with IFRS and IAS.

The Company's management analyzes changes in existing standards and interpretations, as well as the newly adopted standards and interpretations issued after 1 January 2013, after the establishment of standards and interpretations that are relevant to the Fund, intends to apply them in preparing the financial statements after they have been officially translated and published in the Republic of Srpska.

According to the available information, the Company's management estimates that the application of the IFRS and interpretations effective in the current period, which have not been translated and published in the Republic of Srpska, as well as the standards and interpretations not yet in effect, will not have a significant impact on the Fund's financial statements.

(b) New standards, interpretations and amendments effective as of 31 December 2019 not yet officially translated and adopted in the Republic of Srpska

Until the date of adoption of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, became effective as of 1 January 2019 or prior to that date, and are, as such, applicable to the accompanying financial statements, but have not been translated and published by the Ministry, and, therefore, have not been implemented by the Company:

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.2. Effect and application of the new and amended International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) (Continued)**

(b) *New standards, interpretations and amendments effective as of 31 December 2019 not yet officially translated and adopted in the Republic of Srpska (Continued)*

- 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 IFRS 10 “Consolidated Financial Statements“, IFRS 12 and IAS 27 - Investment Entities (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);
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) as a result of annual standards improvement project “2010-2012 Cycle”, published by the IASB in December 2013, primarily through removing inconsistencies and clarifying text (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) as a result of annual standards improvement project, “2011-2013 Cycle”, published by the IASB in December 2013, primarily through removing inconsistencies and clarifying text (effective for annual periods beginning on or after 1 July 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 various standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as a result of annual standards improvement project, “2012-2014 Cycle”, published by the IASB in September 2014, primarily through removing inconsistencies and clarifying text (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 “Joint Arrangements” - Joint Arrangements: Accounting for Acquisitions of Interests (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements“ - Disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property Plant and Equipment“ i MRS 38 “Intangible Assets“ - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.2. Effect and application of the new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") (Continued)****(b) *New standards, interpretations and amendments effective as of 31 December 2019 not yet officially translated and adopted in the Republic of Srpska (Continued)***

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28) (effective for annual periods beginning on or after 1 January 2016);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 12 "Income Taxes" - Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017);
- Amendment to IAS 7 "Cashflow statements" - Disclosure initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 "Income taxes" as a result of annual standards improvement project "2014-2016 Cycle", published by the IASB in December 2016 (effective for annual periods beginning on or after 1 January 2017);
- 2018 Conceptual Framework for Financial Reporting (issued in March 2018, no date of application is indicated, therefore, effective from the moment of publication);
- Amendments to IAS 40 "Investment Property" relating to transfers of investment property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 "Financial Instruments" relating to general hedge accounting (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.2. Effect and application of the new and amended International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") (Continued)****(b) *New standards, interpretations and amendments effective as of 31 December 2019 not yet officially translated and adopted in the Republic of Srpska (Continued)***

- Amendments to IFRS 4 "Insurance Contracts" regarding the implementation of IFRS 15 "Revenues from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018)
- Amendments to various standards (IFRS 1 and IAS 28) as a result of annual improvements project standards, "2014-2016 Cycle", published by the IASB in December 2016 (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 „Leases" (effective for annual periods starting from or after 1 January 2019);
- IFRIC 23 "Uncertainty over Income Tax Treatments" issued (Effective for annual periods beginning on or after 1 January 2019);
- Annual improvements of IFRS "2015-2017 Cycle" - IFRS 3, IFRS 11, IAS 12 and IAS 23, published by the IASB in December 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 "Financial instruments" - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" relating to long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 "Employee Benefits" relating to plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019);

(c) *New standards, interpretations and amendments not yet in force*

IAS, IFRS and interpretations which are their integral parts, as well as their amendments, were issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, but are not yet effective and have not been officially translated and published by the Ministry. They have not been early adopted by the Company, but the assessment of their potential impact to the financial statements is in progress.

- Amendments to IFRS 3 "Business Combinations" (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8 - Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 due to harmonisation with the new Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform" (effective for annual periods beginning on or after 1 January 2020) and
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.3. Comparative Figures

Comparative figures represent the data included in the audited financial statements as of and for the year ended 31 December 2018 prepared in accordance with the accounting regulations prevailing in the Republic of Srpska.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1. Realised income**

Operating income includes dividend income from domestic and foreign issuers and interest income from securities and deposits, premium (discount) amortisation arising from fixed-maturity securities.

Interest income

Interest income on financial assets is recognised when the inflow of future economic benefits to the Fund is probable and when the amount of income can be reliably measured. Interest income is deferred and recognised using the effective interest rate, which is the rate that exactly discounts (reduces) the estimated future cash flows during the expected life of the financial asset to the net recoverable value of these assets at initial recognition.

Premium (discount) amortisation arising from fixed-maturity securities

Premium (discount) amortisation arising from fixed-maturity securities is recognised under assets by means of applying the effective interest rate method, which represents a rate that accurately discounts the estimated future cash flows during the expected life of financial assets to the net recoverable value of these assets during the initial recognition.

Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between the realised selling price and cost, i.e., book value of securities, and they are recorded in the income statement as net realised gains/(losses) from investment transactions by applying the FIFO method.

Dividend income

Dividend income from issuers is recorded at the time the Fund's right to dividends is established.

The Association of Investment Funds (in the Chamber of Commerce of the Republic of Srpska) addressed the Council for Accounting and Auditing of the Republic of Srpska for an opinion on the accounting treatment of dividends "collected" through the issuer's shares in the business records of investors (the fund).

The Council for Accounting and Auditing of the Republic of Srpska submitted to the Association its Opinion no. 06.15/020 - 2105/6/7 - 1/11 dated 8 February 2012 in which it stated that a dividend in the form of free shares should be recognised as income of the period in the investor's books of account. The opinion of the Council for Accounting and Auditing of the Republic of Srpska is that the fact that the dividends are not "collected" in cash, but in shares, is not crucial for the recognition of dividend income, because it is absolutely undeniable that the investor (the fund) has real inflow of economic benefits from the settlement of dividends receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.2. Realised expenses**

Operating expenses are recognised when incurred. Operating expenses of the Fund are: compensation to the Company arising from the Fund management fees, depository fees, fees to the Registry, fees to and expenses of Supervisory Board members as well as other expenses.

Management fee

Expenses arising from the management fee to the Company for management of funds are recorded in the amount calculated by the Company and confirmed by the Depository bank. The amount of management fee is calculated in accordance with Article 66 of the Law on Investment Funds, in which it is stipulated that the annual amount of management fee cannot exceed 3.5% of the average net value of the fund's assets.

At the end of 2018, the Commission adopted the Rulebook on determining the value of assets of the investment funds and calculation of the net value per stake or per share of the investment fund ("Official Gazette of RS", number 118/18, hereinafter the «Rulebook»). Pursuant to Article 3 paragraph 4, it is defined that upon determination of the base for the calculation of the management fee all types of assets that satisfy the requirements of permissible investments and the criteria of limiting investments prescribed by the Law are taken into consideration as of the date of measurement.

Pursuant to the management contract, the management fee for the management company was calculated at a rate of 3.50% on the base set out in Article 94 of the Law as of 31 December 2019.

3.3. Other income and expenses

Other income and expenses are accounted for on an accrual basis.

Pursuant to Article 95 of the Law on Investment Funds, the costs which can only be paid from the assets of an open investment fund with public offering, which are simultaneously prescribed by the Fund's prospectus, are defined. These costs include the following costs: the fee and costs paid to the Depository bank, commissions and costs associated with the acquisition and sale of the assets, costs of keeping the stake registry, including the costs of issuing confirmations on transactions or a stake portion, if necessary, the costs of paying a profit share, costs of annual audit, preparation, printing and postage costs related to semi-annual and annual reports for shareholders, all prescribed fees paid to the Commission with regard to the issuance of approval to the fund, property and income taxes that the fund needs to pay, costs of publishing an amended prospectus and other stipulated notifications, and other fees that the fund pays in accordance with the Law on Investment Funds or other laws.

The total amount of all expenses which are charged to the open investment fund with public offering, is stated as an indicator of total costs. The indicator of total costs of the fund cannot exceed the weighted average annual net value of the fund. All costs incurred, that exceed the maximum permissible indicator of total costs are payable by the Management Company. The cost indicator as of 31 December 2019 was 3.5% of the average annual net asset value.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.4. Financial assets**

All financial assets are recognised, i.e., derecognised as of the date of the entry into the owner account when the sale and purchase of the financial asset defined by the contracted date of delivery of a financial asset within the timeframes determined according to the conventions on the relevant market and is initially measured at fair value, including transaction costs. Financial assets are classified into the following categories: financial assets "at fair value through profit or loss", financial assets "available for sale", "held to maturity", and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss relate to financial assets that satisfy any one of the following conditions:

- a) is classified as held for trading, or
- b) is indicated after initial recognition by the Fund as at fair value through profit or loss.

The gain or loss from a financial asset classified as at fair value through profit or loss, which occurs as a consequence of the fair value change of the financial asset, is recognised directly into equity, within "Unrealised gains and losses from financial assets at fair value through profit or loss", until the financial asset is derecognised, when an accumulated gain or loss previously recognised in equity will be recognised as gain or loss.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets designated as available for sale and not classified as "loans and receivables", financial assets "held to maturity" or financial assets "at fair value through profit or loss".

The gain or loss from the financial asset classified as "available for sale", which occurs as a consequence of the fair value change of the financial asset, is recognised directly into equity, within "Revaluation reserves from financial assets available for sale", until the financial asset is derecognised, when the accumulated gain or loss, previously recognised in equity, will be recognised as gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial assets (Continued)***Financial assets held to maturity*

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity the Fund intends to hold until maturity, except:

- a) the assets classified after initial recognition as assets at fair value through profit or loss,
- b) the assets classified as available for sale after initial recognition and
- c) the assets satisfying the definition of loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, net of estimated impairment. Interest income is recognised by applying the effective interest rate, except in the case of short-term receivables when the recognition of income would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet 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 changed.

For shares not quoted on the stock exchange as available for sale, a significant or a prolonged decline in fair value of the security below its cost is considered to be an objective evidence of impairment.

For all other financial assets, including redeemable securities classified as available for sale, and receivables from financial loans, objective evidence of impairment may include:

- significant financial difficulties of the counterparty; or
- default or delinquency in interest or principal payments; or
- the possibility that the borrower will come into bankruptcy or financial reorganization.

For certain categories of financial assets, such as trade receivables, assets estimated not to be impaired, are subsequently individually assessed for impairment on collective basis. Objective evidence of portfolio impairment can include the historical experience of the Fund in the collection, default in collecting payments after the period of maturity, as well as the changes in national or local economic conditions which correlate with the default on receivables.

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 original effective interest rate of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.4. Financial assets (Continued)***Measurement of investments in securities - initial recognition*

The Fund's investments consist of investments in shares, investments in bonds and investments in treasury bills and investments in shares of other funds.

In accordance with the Rulebook on determining the value of assets of an investment fund and calculation of net value of assets per stake or per share of an investment fund ("Official Gazette of RS", number 118/18, the "Rulebook"), assets and liabilities of an investment fund are initially recognised at the fair value of transaction, i.e., the cost of acquisition, which includes in the price of an individual asset the transaction costs which are directly associated with acquiring the assets or occurrence of the liability. The exception from these assets and liabilities are assets at fair value through profit or loss.

Measurement of investments in securities - subsequent measurement

Subsequent measurement of assets and liabilities of the Fund shall be made depending on the type of assets and classification carried out, in accordance with the Company's investment policy defined by the prospectus and the Fund's articles of association.

Fair value of equity securities traded in the Republic of Srpska and the Federation of Bosnia and Herzegovina is calculated using the weighted average selling price of transactions on the stock exchange and reported block trades, and is rounded to four decimals. In the absence of prices as of the measurement date, valuation of equity securities shall be made after the last realised price of those securities from trading in the period of 90 days prior to the date of measuring. If in the period of 90 days from the date of valuation there has been no price, fair value of equity securities is determined using the valuation techniques defined by IAS 39 "Financial Instruments: Recognition and Measurement" and other relevant IAS and IFRS.

The fair value of equity securities traded abroad on regulated markets in an EU, OECD or CEFTA member state, fair value is calculated based on the price of the last offering for the purchase realised as of that day on the issuer's domestic stock exchange. In case of trading on regulated markets outside the EU, OECD and CEFTA member states, fair value is calculated based on the weighted average price of that security on a stock exchange realised as of the date of measurement. In the absence of prices as of the measurement date, valuation of equity securities shall be made after the last realised price of those securities from trading in the period of 90 days from the the date of measuring. For equity securities that have not been traded in the period of 90 days from the date of measurement, fair value of equity securities is determined using the valuation techniques defined by IAS 39 "Financial Instruments: Recognition and Measurement" and other relevant IAS and IFRS.

Fair value of equity securities traded in the Republic of Srpska and the Federation of Bosnia and Herzegovina is calculated using the weighted average selling price, and is rounded to four decimals. In the absence of prices as of the measurement date, valuation of equity securities shall be made after the last realised price of those securities from trading in the period of 90 days prior to the date of measuring. If in the period of 90 days from the date of valuation there has been no price, fair value of equity securities is determined using the valuation techniques defined by IAS 39 "Financial Instruments: Recognition and Measurement" and other relevant IAS and IFRS.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.5. Unrealised gains and losses arising from fair value of investments**

Unrealised gains and losses arising from the changes in market value of investments are credited or debited to revaluation reserves (in the balance sheet) for financial investments available for sale, and in case of financial investments held for trading they are credited or debited to equity and included in unrealised gains (losses) arising from financial assets at fair value through profit or loss, with corresponding entries in the account of Allowance for impairment, which in its balance reduces the cost of investment to their fair value.

3.6. Realised gains and losses arising from the sales of securities

Realised gains and losses on sales of securities carried at fair value through profit or loss are calculated as the difference between sales revenues and the cost or book value, while realised gains and losses on the sale of securities available for sale are calculated as the difference between the realised sales value and cost or book value and transaction costs, and are recorded in the income statement as net realised gain/(loss) from transactions with investments.

3.7. Determination of net asset value

The net asset value of the open-end investment fund is the value of the fund's assets (investments increased by current assets) net of liabilities. Net value of assets per share of the fund is the net value of assets of the fund proportionally distributed to each issued share of the fund at the time of calculation of the fund's net asset value.

3.8. Cash and cash equivalents

Cash and cash equivalents include highly liquid assets which are readily convertible to a known amount of cash, with insignificant risk of value changes.

3.9. Taxes and contributions from operations

An open-end investment fund is not a taxpayer according to the Corporate Income Tax Law.

Taxes and contributions not related to operating result

Taxes and contributions that are not related to the operating result include taxes and contributions payable in accordance with the various state and municipal regulations for the purpose of financing various communal and state needs.

3.10. Related parties - legal entities and natural persons

In accordance with the provisions of the Law on Investment Funds ("Official Gazette of RS", number 82/15) related parties include:

- a) legal entities and natural persons that are interconnected by ownership of the capital or management of capital, with 20% or more voting rights or equity or otherwise linked to achieve common business goals, so that business and results of operations of one person can have a significant impact on the operations or the results of operations of another person.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Related parties - legal entities and natural persons (Continued)

- b) related parties are also the following interrelated persons: 1) so that one person, or persons who are considered to be related parties in accordance with this sub-paragraph, participate in the second person, directly or indirectly, 2) so that the same person participates in both persons, or persons considered to be related parties in accordance with this sub-paragraph, 3) in the manner prescribed by the law governing the operations of companies and 4) as members of the Board of Directors and other company bodies where they performed that function or where they are employed and immediate family members of such persons;
- c) immediate family members: 1) spouses, cohabiting persons, 2) descendants and ancestors in the direct line, without limitation, 3) relatives to the third degree in the lateral line, including the in-laws, 4) adopter and adopted children and their descendants and 5) guardian and wards, and wards' descendants.

In addition, the Law stipulates that the related parties of the Fund are: management company, employees and persons in the company's bodies, depository bank, lawyer or a law firm, auditor and tax advisor who are in a contractual relationship based on the provision of services to the Fund, as well as any person who concluded service agreements for the purposes of the Fund in the previous two calendar years.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

4. SIGNIFICANT ACCOUNTING ESTIMATES

Presentation of financial statements requires the management to make best possible estimates and reasonable assumptions, that affect the presented amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. These estimates and assumptions are based on information available at the date of the financial statements and the actual results may differ from these estimates.

Basic assumptions concerning the future events and other important sources of uncertainty in the estimates as of the balance sheet date, which carry the risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are presented in the text below:

Impairment of assets

At the balance sheet date the management of the Fund analyses the value of assets in the financial statements. If there are indications that an asset is impaired, the recoverable amount of the asset is estimated in order to determine the amount of impairment. If the recoverable amount of an asset is estimated to be less than the value reported in the financial statements, the carrying value of assets in the financial statements is reduced to its recoverable amount.

Fair value

Business policy of the Fund is to disclose information on the fair value of assets and liabilities for which published market information exist, and when the fair value is materially different from the carrying value. In the Republic of Srpska, there is no sufficient market experience, stability and liquidity for the purchase and sale of receivables and other financial assets or liabilities, since published market information is not readily available. Accordingly, fair value cannot be reliably determined in the absence of an active market. The Fund’s management carries out risk assessments and, when it is estimated that the value of assets stated in the books may not be realised, it recognises a provision. In the opinion of the Fund’s management, the amounts in these financial statements reflect the value that is, in the circumstances, the most valid and useful for reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

5. DIVIDEND INCOME

	<u>2019</u>	<u>2018</u>
<i>Dividend income:</i>		
(a) in cash - domestic issuers:		
- Telekomunikacije RS a.d. Banja Luka	1,546,292	1,120,139
- Unicredit bank a.d. Banja Luka	51,785	120,184
- Banja Vrucica a.d. Teslic	70,560	142,881
- GP Krajina a.d. Banja Luka	199,854	-
- BH Telecom d.d. Sarajevo	-	130,463
- Others	40,864	734,002
	<u>1,909,355</u>	<u>2,247,669</u>
(b) in cash - foreign issuers:		
- Metalac, Gornji Milanovac	70,171	65,552
- NIS a.d. Novi Sad	43,962	52,502
- Deutsche Borse AG	33,164	30,093
- Telekom Slovenije, Ljubljana	65,184	87,975
- Krka, Novo Mesto	85,060	77,085
- Jugopetrol a.d. Kotor	207,553	130,631
- Alkaloid a.d. Skoplje	23,094	111,739
- Others	41,660	161,123
	<u>569,848</u>	<u>671,676</u>
(c) in shares:		
- BP PLC London	-	2,597
- Остали	-	3,091
	<u>-</u>	<u>5,688</u>
За годину која се завршила 31. децембра	<u><u>2,479,203</u></u>	<u><u>2,925,033</u></u>

6. INTEREST INCOME AND AMORTISATION OF THE PREMIUM (DISCOUNT) ARISING FROM SECURITIES WITH FIXED MATURITIES

	<u>2019</u>	<u>2018</u>
Interest income from bonds	81,235	98,588
Interest income from deposits	165,881	125,868
Discount/premium amortisation arising from fixed-maturity securities	137,059	90,868
For the year ended 31 December	<u><u>384,175</u></u>	<u><u>315,324</u></u>

7. REALISED GAINS AND LOSSES FROM INVESTMENTS

	<u>2019</u>	<u>2018</u>
Realised gains from investments	1,066,805	2,863,392
Realised losses from investments	(592,666)	(182,225)
Net realised gains (losses) arising from foreign exchange differences	39,304	(7,186)
Net realised gains (losses) arising from FX spot transaction	(4,165)	(16,593)
For the year ended 31 December	<u><u>509,278</u></u>	<u><u>2,657,388</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***7. REALISED GAINS AND LOSSES FROM INVESTMENTS (Continued)**

Net realised gains for the year ended 31 December 2019 in the amount of BAM 509,278 are related to the difference between the realised selling price and cost, i.e. the book value of securities sold, gains (losses) arising from foreign exchange differences and losses arising from FX transactions. The most significant portion of net realised gains from investments has been generated from sale of equity securities on a foreign market. The most significant portion of FX gains/losses is related to the conversion of Macedonian Denar, Serbian Dinar and British Pound.

8. MANAGEMENT FEE

Expenses for management fees for the year ended 31 December 2019 amounting to BAM 2,704,159 entirely relate to the fee to the Management Company. The amount of fee is calculated by the Company, and the accuracy is confirmed by Nova Banka a.d. Banja Luka as the Fund's depository.

9. OTHER OPERATING EXPENSES OF THE FUND

Other operating expenses of the Fund for the financial year 2019 in the amount of BAM 5,331 are mainly related to the fees to the Republic of Srpska Securities Commission for monitoring of the Fund.

	<u>2019</u>	<u>2018</u>
Fees to the Republic of Srpska Securities Commission	4,725	4,934
Expenses arising from adjustment of the portfolio with the Depository bank	<u>606</u>	<u>21</u>
Balance as of 31 December	<u>5,331</u>	<u>4,955</u>

10. OTHER OPERATING INCOME OF THE FUND

	<u>2019</u>	<u>2018</u>
Shareholders' exit fee	175,061	1,726,946
Income arising from adjustment of the portfolio with the Depository bank	<u>79</u>	<u>5,551</u>
Balance as of 31 December	<u>175,140</u>	<u>1,732,497</u>

Other operating income of the Fund for the financial year 2019 in the amount of BAM 175,140 is mainly related to income arising from shareholders' exit fee.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

11. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents in local currency - giro account	4,636,326	96,584
Cash and cash equivalents in local currency - custody account	54,550	3,817,612
Cash and cash equivalents in foreign currency - custody account	-	-
Balance as of 31 December	<u>4,690,876</u>	<u>3,914,196</u>

12. FUND INVESTMENTS

Financial assets available for sale

	<u>2019</u>	<u>2018</u>
Investments in securities available for sale	52,443,866	55,623,628
Less: Allowance for impairment of investments in securities available for sale	1,393,020	(3,035,963)
Balance as of 31 December	<u>53,836,885</u>	<u>52,587,665</u>

Major investments in securities available for sale as of 31 December 2019:

	In BAM		
	31 December 2019		
Fair value	% of the total Fund assets	% of ownership in the issuer's equity	
Telekom Srpske a.d. Banja Luka	11,945,858	16.2375	2.6174
Hidroelektrane na Trebisnjici a.d. Trebinje	4,610,393	6.2667	5.3247
Ministry of Finance of RS - RSRS-O-F	3,155,540	4.2892	9.6163
Hidroelektrane na Drini a.d. Visegrad	5,435,545	7.3883	5.0550
Jugopetrol a.d. Podgorica	2,515,932	3.4198	2.5832
Krka d.d. Novo Mesto	3,794,921	5.1583	0.0808
ZTC Banja Vrucica a.d. Teslic	3,571,026	4.8539	10
Metalac a.d. Gornji Milanovac	1,812,817	2.4641	2.7025
Deutsche Boerse AG, Frankfurt	2,338,155	3.1781	0.0049
GP "Krajina a.d. Banja Luka	2,457,467	3.3403	6.5567
Other	12,199,231	22.6596	-
53,836,885			

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

12. INVESTMENTS OF THE FUND (Continued)

Financial assets available for sale (Continued)

Major investments in securities available for sale as of 31 December 2018:

	In BAM		
	31 December 2018		
	Fair value	% of the total Fund assets	% of ownership in the issuer's equity
Telekom Srpske a.d. Banja Luka	13,869,573	17.9504	3.1793
Hidroelektrane na Trebisnjici a.d. Trebinje	5,217,316	6.7524	5.2913
Republic of Srpska - RSRS-O-A	3,527,261	4.5651	9.6163
Hidroelektrane na Drini a.d. Visegrad	3,572,707	4.6239	4.3392
Jugopetrol a.d. Podgorica	2,762,822	3.5757	2.5832
Krka d.d. Novo Mesto	2,048,524	2.6513	0.0553
ZTC Banja Vrucica a.d. Teslic	3,153,040	4.0808	10
Metalac a.d. Gornji Milanovac	1,827,328	2.3650	2.7025
Deutsche Boerse AG, Frankfurt	1,750,905	2.2661	0.0049
Unicredit bank a.d. Banja Luka	1,552,893	2.0098	0.9326
Other	13,305,296	25.3012	-
	52,587,665		

As of 31 December 2019, the Fund had investments into the shares of the issuer, "Telekomunikacije Republike Srpske" a.d. Banja Luka in the amount of 16.29% from the total amount of the Fund's assets. Pursuant to the provisions of Article 101, paragraph 1, point a), it is prescribed that no more than 10% of the net value of assets can be invested in securities or an issuer's money market instruments. Pursuant to the Opinion of the Republic of Srpska Securities Commission with regard to the application of the provisions of the Law on Investment Funds related to permitted investments and investment limitations of open-end investment funds dated 9 June 2016, the concerned investment refers to an investment in securities of the issuers of strategic importance in accordance with the regulations on the privatisation of state equity in enterprises. According to the same opinion, the Commission stipulates that open-end investment funds can limitlessly invest in the securities of issuers, which are comprised of related parties in accordance with the provisions of the Law on Companies and the Law on Investment Funds and deemed issuers of strategic importance pursuant to the regulations on the privatisation of state equity in enterprises.

13. DEPOSITS AND PLACEMENTS

	2019	2018
MF Banka, Banja Luka	-	2,500,000
Raiffeisen bank d.d. Sarajevo	14,518,860	14,475,990
Sparkasse bank a.d. Banja Luka	-	3,000,000
Balance as of 31 December	14,518,860	19,975,990

Term deposits of the Fund with commercial banks in Bosnia and Herzegovina can be cancelled at any time.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

14. DIVIDENDS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Telekom Srpske a.d. Banja Luka	456,739	717,701
Boksit a.d. Milici	24,457	16,300
Others	-	3,722
Balance as of 31 December	<u>481,196</u>	<u>737,723</u>

Receivables from dividends in general relate to uncollected receivables from dividends of securities from the Fund's portfolio, from domestic and foreign market.

15. TRADE RECEIVABLES

	<u>2019</u>	<u>2018</u>
Telekom Srpske a.d. Banja Luka	-	44
Balance as of 31 December	<u>-</u>	<u>44</u>

The total amount of trade receivables relates to unsettled concluded sales as of the balance sheet date.

16. INTEREST RECEIVABLES

	<u>2019</u>	<u>2018</u>
Interest - term deposits	-	2,863
Interest - bonds	38,488	44,816
Balance as of 31 December	<u>38,488</u>	<u>47,679</u>

The total amount of interest receivables as of 31 December 2019 relates to outstanding accrued interest receivable.

17. LIABILITIES FOR INVESTMENTS IN SECURITIES

Liabilities for investments in securities as of 31 December 2019 amount to BAM 217,196, out of which an amount of BAM 217,003 is related to the the Fund's management fee liability and BAM 193 refers to exit fee liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***18. EQUITY***Share capital and share premium*

The initial capital-stakes in the Fund are determined in accordance with the Decision on Partial Transformation of the CMIF in Transformation "Zepter Fund" a.d. Banja Luka (revised text) No. 141-SKZMIF/17, dated 3 May 2017, in the amount of BAM 82,870,334.

The initial capital is allocated to the shareholders so that each shareholder has a number of shares proportionate to the number of shares in the CMIF "Zepter Fund" a.d. Banja Luka on the day of incorporating the open-end investment fund "Future Fund", i.e. 24 September 2017, on the basis of the list of shareholders with the Central Registry of Securities of the Republic of Srpska.

After the expiration of two years upon the incorporation, the Fund receives requests for the purchase and buyback of shares on a daily basis. Stake capital - Fund's stakes as of the balance sheet date amount to BAM 65,449,594. A total number of withdrawn stakes in a period between 1 January and 31 December 2019 amounts to 731,607.

As of 31 December 2019 the number of the Fund's outstanding shares according to the list of shareholders at the Central Securities Registry of the Republic of Srpska amounts to 5,955,462.

Revaluation reserves arising from financial assets available for sale

Revaluation reserves arising from financial assets available for sale as at 31 December 2019 amounted to BAM 1,146,533 and represented the accumulated unrealised gains arising from changes in fair value of financial assets (securities) of the Fund, which are classified as "available-for-sale", and in accordance with IAS 39 "Financial instruments: Recognition and Measurement", pursuant to which the gain or loss which occurs due to changes in the fair value of financial assets available for sale should be recognised directly in equity, or as part of revaluation reserves.

Unrealised gains/losses arising from financial assets measured at fair value through profit and loss

Net unrealised gains/losses arising from foreign exchange differences on monetary assets, except securities amounted to BAM 2,150 in accordance with the Guidelines on the Chart of Accounts, Contents of the Accounts in the Chart of Accounts and Contents and Form of Financial Statements for Investment Funds are recognised in the income statement.

19. EARNINGS/(LOSS) PER SHARE

	<u>2019</u>	<u>2018</u>
Gains/(losses) for the year	840,456	4,869,225
Weighted average number of issued shares	<u>5,955,462</u>	<u>6,687,069</u>
Basic earnings per share for the year	<u>0.1411</u>	<u>0.7282</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

20. RELATED PARTY TRANSACTIONS

INCOME STATEMENT OF THE INVESTMENT FUND	2019	2018
EXPENSES		
a) Expenses for management fees:		
- Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka	2,704,159	2,751,051
b) Commission fee:		
- The Republic of Srpska Securities Commission	4,725	4,955
c) Other	-	-
Total expenses	2,708,884	2,756,006

The following outstanding balances of payables arise from transactions with related parties:

BALANCE SHEET OF THE INVESTMENT FUND PAYABLES	2019	2018
a) Payables to the Company for management fees:		
- Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka	217,003	219,776
b) Payables to the Company for the exit fee:		
- Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka	193	-
Total payables	217,196	219,776

21. LITIGATIONS

As of 31 December 2019 there were neither ongoing litigations against the Fund nor the Fund, represented by the Company for Investment Funds Management "Kristal Invest" a.d. Banja Luka, participated in litigations as a plaintiff against third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS

In its ordinary course of business, OMIF “Future fund“ Banja Luka (hereinafter: the Fund) is exposed to different types of risks. Taking into consideration the nature of the Fund’s business activity, those are mainly market risks (financial instrument price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk), but also a number of other risks related to Fund’s assets and liabilities management. The most significant ones are: environment related risks (political and geographic risks) and other risks (concentration risk, inflation risk, custody risk, reinvestment risk, accounting risk, etc.)

Financial instrument price risk

A financial instrument price risk is a risk of potential changes in market prices, which may result in a change in the value of the financial instruments contained in the Fund’s portfolio. The Fund is exposed to a significant financial instrument price risk given the fact that the Fund has a notable investment in the financial instruments that are traded at the securities markets.

The table below shows the first ten positions by their share in the assets of “Future Fund“ as of 31 December 2019.

No.	Securities code	Issuer	No. of securities owned by the Fund	Total fair value of investment	% interest in net asset value
1.	TLKM-R-A	Telekom Srpske a.d. Banja Luka	12,861,604	11,945,858	16.29%
2.	HEDR-R-A	“Hidroelektrane na Drini“ a.d.	22,340,917	5,435,545	7.41%
3.	HETR-R-A	JP “Hidroelektrane na Trebisnjici“	20,508,864	4,610,393	6.29%
4.	KRKG	Krka d.d. Novo Mesto	26,507	3,794,921	5.17%
5.	BVRU-R-A	ZTC Banja Vrucica a.d.	3,360,017	3,571,027	4.87%
6.	RSRS-O-F	The Republic of Srpska war reparation	5,332,216	3,155,540	4.30%
7.	JGPK	Jugopetrol a.d. Podgorica	120,222	2,515,932	3.43%
8.	KRJN-R-A	GP “Krajina a.d. Banja Luka	740,201	2,457,467	3.35%
9.	DB11	Deutsche Boerse AG. Frankfurt	8,530	2,338,155	3.19%
10.	MTLC	Metalac Gornji Milanovac	55,130	1,812,817	2.47%
				41,637,654	56.77%

The biggest impact on a change in the value of the Fund’s assets has the price of the “TLKM-R-A“ security. A change in the market value of the concerned security by +/- 1% would result in a change of the Fund’s investment value in the amount of approximately BAM +/-119,458. The Fund manages the market (price) risk on the basis of the diversification of its investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Financial instrument price risk (Continued)

The table below shows the first ten positions by their share in the assets of “Future Fund” as of 31 December 2018 (previous period):

No.	Securities code	Issuer	No. of securities owned by the Fund	Total fair value of investment	% interest in net asset value
1.	TLKM-R-A	Телеком Српске а.д. Бања Лука	15,622,407	13,869,573	18.00%
2.	HETR-R-A	„Хидроелектране на Требишњици“	20,380,139	5,217,316	6.77%
3.	RSRS-O-F	Република Српска ратна штета 6	5,332,216	3,527,261	4.58%
4.	HEDR-R-A	„Хидроелектране на Дрини“ а.д.	19,177,173	3,572,707	4.64%
5.	JGPK	Југопетрол а.д. Подгорица	120,222	2,762,822	3.59%
6.	KRKG	Крка д.д. Ново Место	18,121	2,048,524	2.66%
7.	BVRU-R-A	ЗТЦ „Бања Врућица“ а.д.	3,360,017	3,153,040	4.09%
8.	MTLC	Металац Горњи Милановац	55,130	1,827,328	2.37%
9.	DB11	Deutsche Voerse а.г. Франкфурт	8,530	1,750,905	2.27%
10.	NBLB-R-B	Unicredit банка а.д. Бања Лука	1,293	1,552,893	2.02%
				39,282,369	50.99%

The biggest impact on a change in the value of the Fund’s assets has the price of the “TLKM-R-A” security. A change in the market value of the concerned security by +/- 1% would result in a change of the Fund’s investment value in the amount of approximately BAM +/-138,695. The Fund manages the market (price) risk on the basis of the diversification of its investment portfolio.

Foreign exchange risk

A foreign exchange risk is a risk of a loss of the Fund’s asset value due to a change in price of one currency against another. Taking into consideration that the Fund performs a part of its operations in international markets, it is exposed to the foreign exchange risk. The official currency in Bosnia and Herzegovina is a convertible mark (BAM), whereas the value of the Fund’s assets denominated in a foreign currency is translated in BAM by applying the official middle exchange rate prevailing on the balance sheet date. FX differences affect the Fund’s income, but not its cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

The table below shows the Fund’s asset structure by currency as of 31 December 2019:

Assets	BAM	EUR	SEK	USD	HRK	RSD	MKD	Total
Securities available for sale	36,499,347	13,912,403	311,170	-	271,225	2,842,741	-	53,836,885
Deposits with banks	14,518,860	-	-	-	-	-	-	14,518,860
Cash	4,690,876	-	-	-	-	-	-	4,690,876
Receivables	523,079	-	-	-	-	-	-	523,079
Total assets	56,232,162	13,912,403	311,170	-	271,225	2,842,741	-	73,569,701

Asset sources	BAM	EUR	GBP	USD	HRK	RSD	MKD	Total
Equity:	73,347,180	-	-	-	-	-	-	73,347,180
Basic capital	65,449,594	-	-	-	-	-	-	65,449,594
The Fund’s reserves	-	-	-	-	-	-	-	-
Rev. reserves of securities available for sale	1,146,533	-	-	-	-	-	-	1,146,533
Retained earnings	6,751,053	-	-	-	-	-	-	6,751,053
Liabilities:	222,520	-	-	-	-	-	-	222,520
Short-term liabilities	222,520	-	-	-	-	-	-	222,520
Total sources:	73,569,701	-	-	-	-	-	-	73,569,701
Net foreign currency position	(17,337,538)	13,912,403	311,170	-	271,225	2,842,741	-	-

As of 31 December 2019 the Fund’s assets denominated in the local currency refer to 76.43% of the Fund’s assets and 18.91% is denominated in EUR. Since the BAM rate is linked to EUR (1EUR=BAM 1.955830), there is no EUR currency exposure against BAM, which means that 95.34% of the total Fund’s assets is not exposed to the foreign exchange risk. The remaining assets portion, namely 5.03% is denominated in the following currencies: HRK, RSD and SEK are affected by rate movements in these currencies against BAM. The simulation of a 10% increase in the BAM value against other currencies in which the Fund’s assets are denominated indicates that such an increase would cause a reduction in the Fund’s net asset value by approximately BAM 342,514 and vice versa. Furthermore, the impact of such a change on the assets would amount to about BAM 342,514. Taking into consideration that as of 31 December 2019 the Fund did not have assets classified through profit and loss this change would not affect the Fund’s income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

The table below shows the Fund's asset structure by currency as of 31 December 2018 (previous period):

Assets	BAM	EUR	GBP	USD	HRK	RSD	MKD	Total
Securities available for sale	37,982,696	10,722,319	69,764	717,927	324,127	2,770,832	-	52,587,665
Deposits with banks	19,975,990	-	-	-	-	-	-	19,975,990
Cash	3,914,196	-	-	-	-	-	-	3,914,196
Receivables	784,587	-	-	-	3,722	-	-	788,309
Total assets	62,657,469	10,722,319	69,764	717,927	327,849	2,770,832	-	77,266,160
Asset sources	BAM	EUR	GBP	USD	HRK	RSD	MKD	Total
Капитал:	77,044,089	-	-	-	-	-	-	77,044,089
Основни капитал	74,233,781	-	-	-	-	-	-	74,233,781
Резерве фонда	-	-	-	-	-	-	-	-
Рев.резерве ХОВ	-	-	-	-	-	-	-	-
распол.за продају	(3,100,289)	-	-	-	-	-	-	(3,100,289)
Нераспоређена добит	5,910,597	-	-	-	-	-	-	5,910,597
Обавезе:	222,071	-	-	-	-	-	-	222,071
Краткорочне обавезе	222,071	-	-	-	-	-	-	222,071
Укупно извори:	77,266,160	-	-	-	-	-	-	77,266,160
Нето валутна позиција	(14,608,691)	10,722,319	69,764	717,927	327,849	2,770,832	-	-

As of 31 December 2018 the Fund's assets denominated in the local currency refer to 81.09% of the Fund's assets and 13.88% is denominated in EUR. Since the BAM rate is linked to EUR (1EUR=BAM 1.955830), there is no EUR currency exposure against BAM, which means that 94.97% of the total Fund's assets is not exposed to the foreign exchange risk. The remaining assets portion, namely 5.03% is denominated in the following currencies: HRK, RSD, GBP and USD are affected by rate movements in these currencies against BAM. The simulation of a 10% increase in the BAM value against other currencies in which the Fund's assets are denominated indicates that such an increase would cause a reduction in the Fund's net asset value by approximately BAM 388,637 and vice versa. Furthermore, the impact of such a change on the assets would amount to about BAM 388,637. Taking into consideration that as of 31 December 2018 the Fund did not have assets classified through profit and loss this change would not affect the Fund's income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Fund’s assets are invested in equity and debt securities and bank deposits with the maturity periods ranging from 13 to 25 months. Although the largest portion of assets is not interest sensitive, the Fund’s portfolio contains instruments dependent on fluctuations in market interest rates. Such assets include debt securities and financial placements. As regards interest rate risk management, maturities of deposits that correspond to the estimate of the period in which the above mentioned funds will not be used for the purchase of securities have been contracted. The table below shows data about the Fund’s assets and liabilities, stated at fair value and allocated according to the contracted price change or maturity date, whichever is earlier.

Balance as of 31 December 2019:

Assets	Up to one month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest free	Total
Securities available for sale	-	-	-	920,903	3,725,928	49,190,054	53,836,885
Bank deposits	-	-	-	14,518,860	-	-	14,518,860
Cash	-	-	-	-	-	4,690,876	4,690,876
Receivables	-	-	-	-	-	523,079	523,079
Total assets	-	-	-	15,439,763	3,725,928	54,404,010	73,569,701

Asset sources	Up to one month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest free	Total
Equity:							73,347,180
Basic capital	-	-	-	-	-	65,449,594	65,449,594
Rev. reserves of securities available for sale	-	-	-	-	-	1,146,533	1,146,533
Retained earnings	-	-	-	-	-	6,751,053	6,751,053
Liabilities:	-	-	-	-	-	222,520	222,520
Short-term liabilities	-	-	-	-	-	222,520	222,520
Long-term liabilities	-	-	-	-	-	-	-
Total sources:	-	-	-	-	-	73,569,701	73,569,701
Net positions:	-	-	-	15,439,763	3,725,928	(19,165,691)	-

An assumed scenario of higher/lower interest rates on the assets under a risk as of 31 December 2019, by 0.1 percentage point per annum against the applicable interest rates on the balance sheet date and with other unchanged variables, would result in an increase/a decrease in the Fund’s net profit by the amount of BAM 2,471.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

Balance as of 31 December 2018 (previous period):

Assets	Up to one month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest free	Total
Securities available for sale	-	-	598,986	933,711	3,530,141	47,524,827	52,587,665
Bank deposits	-	-	19,975,990	-	-	-	19,975,990
Cash	-	-	-	-	-	3,914,196	3,914,196
Receivables	-	-	-	-	-	788,309	788,309
Total assets	-	-	20,574,976	933,711	3,530,141	52,227,332	77,266,160
Asset sources	Up to one month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest free	Total
Equity:							77,044,089
Basic capital	-	-	-	-	-	74,233,781	74,233,781
Rev. reserves of securities available for sale	-	-	-	-	-	(3,100,289)	(3,100,289)
Retained earnings	-	-	-	-	-	5,910,597	5,910,597
Liabilities:							
Short-term liabilities	-	-	-	-	-	222,071	222,071
Long-term liabilities	-	-	-	-	-	-	-
Total sources:	-	-	-	-	-	77,266,160	77,266,160
Net positions:	-	-	20,574,976	933,711	3,530,141	(25,038,828)	-

An assumed scenario of higher/lower interest rates on the assets under a risk as of 31 December 2018, by 0.1 percentage point per annum against the applicable interest rates on the balance sheet date and with other unchanged variables, would result in an increase/a decrease in the Fund's net profit by the amount of BAM 2,244.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

The Fund has sufficient highly liquid assets as well as continuous cash inflow from operating activities that allow it to settle its liabilities within maturity. The Fund does not use derivative financial instruments.

Due to the poorer liquidity of our capital market and the region's markets, where the Fund's assets are predominantly placed, the liquidity risk of the Fund's assets is present to a certain extent. The Company manages assets and liabilities of the Fund in a manner that ensures that the Fund fulfils its obligations at any time.

The following table presents an overview of the maturity of the financial assets and liabilities of the Fund on the reporting date according to the earliest expected maturity date, including the interest to be earned.

Balance as of 31 December 2019 is as follows:

Financial assets	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest-free assets	19,450,204	61,267	34,410,408	482,131	54,404,010
Instruments with fixed interest rates	-	-	15,439,763	3,725,928	19,165,691
Total assets	19,450,204	61,267	49,850,171	4,208,058	73,569,701
Financial liabilities	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest-free liabilities	222,520	-	-	-	222,520
Total liabilities	222,520	-	-	-	222,520
Net position	19,227,684	61,267	49,850,171	4,208,508	73,347,180

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

All amounts are stated in BAM, unless otherwise stated

22. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

Balance as of 31 December 2018 (previous period) was as follows:

Financial assets	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest-free assets	14,862,882	3,628,960	32,714,977	1,020,511	52,227,330
Instruments with fixed interest rates	-	20,574,976	933,711	3,530,141	25,038,828
Total assets	14,862,882	24,203,936	33,648,688	4,550,652	77,266,158
Financial liabilities	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Interest-free liabilities	222,071	-	-	-	222,071
Total liabilities	222,071	-	-	-	222,071
Net position	14,640,811	24,203,937	33,648,688	4,550,652	77,044,087

Credit risk

Credit risk, in terms of the risk of repaying principal and interest receivable, does not have a significant impact on the movements in the value of the Fund's assets, and is largely expressed in deposits (19.73% of the Fund's assets). Deposits are invested into reputable banks in the market, respecting the diversification principle, while 6.32 % of the Fund's assets is invested into debt instruments, i.e. government bonds. The Fund did not invest in the financial instruments of those issuers whose business showed signs of deterioration or which recognised a loss in their financial statements in the previous commercial year.

Settlement risk and counterparty risk

Payment of all transactions with securities is performed through authorised brokers. The default risk is minimal, as the ownership of the securities sold is transferred to the customer simultaneously with the collection of the amount claimed. When buying, payment is made simultaneously with the transfer of purchased securities.

Fair value

The fair value of financial instruments is based on quoted market prices, if any. If market prices are not available, fair value is estimated using appropriate valuation techniques. For deposits, liabilities and receivables of the Fund, the carrying amount approximates the fair value due to their short maturities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated***23. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE FUND**

So far, the ongoing financial crisis has had a limited and indirect impact on the financial position and performance of the Fund. The economic situation will affect the interest of investors and other capital market participants in the Republic of Srpska, which will probably result in a change in the value of securities listed on the Banja Luka Stock Exchange a.d. Banja Luka and, consequently, the value of securities in the portfolio of the Fund. This can directly affect the amount of income of the Fund in the next financial year. The financial statements of the Fund for the year ended 31 December 2019 contain significant estimates in determining the fair value of securities and other financial assets. In fact the results may differ from these estimates.

The Fund was open on a daily basis as of the balance sheet date. The obligation to pay the stakes within five business days from the calculation date may significantly impact Fund's liquidity taking into consideration the current liquidity of securities traded on the domestic market.

24. EXCHANGE RATES

The official exchange rates for major currencies, as determined in the Interbank Foreign Exchange Market and used in the translation of the balance sheet components denominated in foreign currencies into BAM were as follows:

	In BAM 31 December 2019	In BAM 31 December 2018
Croatian kuna (100 HRK)	26.258039	26.396248
Pound sterling (GBP)	2.295360	2.166573
EURO (EUR)	1.95583	1.95583
Serbian dinar (100 RSD)	1.663257	1.653982

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDICES TO THE FINANCIAL STATEMENTS

APPENDICES TO THE FINANCIAL STATEMENTS

In accordance with Article 175 of the Law on Investment Funds (Official Gazette of RS, no. 92/06 and 82/15), the Fund is obliged to, in addition to the information disclosed in its financial statements, disclose the following information:

- As disclosed in Note 3.3 to the financial statements, the Fund accounted for the total amount of these costs charged to the Fund, which are stated as an indicator of total costs. The above-mentioned ratio for 2019 amounts to 3.5%.
- Pursuant to Article 175, paragraph 1, item d, the table below shows an overview of stock brokers trading in securities, based on which the Fund performed more than 10% of the transactions in 2019, quoting:
 - a) The total value of all transactions performed through an individual broker are presented as a percentage of the total value of all transactions of the fund in that year and
 - b) commissions paid to the stock broker, stated as a percentage of the total value of transactions performed through that stock broker.

Stock broker	Value of transactions (in BAM)	% of total transactions	Commission paid (in BAM)	% of interest in the total transaction value
"Nova banka" a.d. Banja Luka	443,220	5.29%	1,780	0.40%
"Polara Invest" a.d. Banja Luka	110,147	1.31%	27,537	25%
"Raiffeisen bank" d.d. BiH	3,977,864	47.46%	15,900	0.40%
"Raiffeisen Capital" a.d. Banja Luka	3,849,882	45.94%	13,224	0.34%
	8,381,113	100%	58,441	0.55%

- *Overview of the highest and lowest price per share in the previous three years:*

Year	Highest price per share	Lowest price per share
2019	11.40	10.00
2018	10.09	8.32
2017	8.44	6.25

- *Overview of the highest and lowest value of the Fund's assets and the highest and lowest price per share for the same accounting period in the previous five years:*

Year	Highest value of assets	Lowest value of assets
2019	82,706,435	70,515,466
2018	88,167,887	74,068,916
2017	88,589,195	84,614,407
2016	-	-
2015	-	-

APPENDICES TO THE FINANCIAL STATEMENTS

The total net value of assets from the Fund's portfolio at the end of each commercial year in the previous three calendar years:

<u>Year</u>	<u>Net value of assets</u>
2019	73,347,180
2018	77,044,089
2017	84,372,315

➤ *Net value of assets per share or stake at the end of each commercial year in the previous three calendar years:*

<u>Year</u>	<u>Net value of assets per share or stake</u>
2019	12.31
2018	11.52
2017	11.33

➤ *Total costs indicator in an average annual net value of Fund's shares at the end of each commercial year in the previous three calendar years:*

<u>Year</u>	<u>Indicator of total costs in %</u>
2019	3.60%
2018	3.42%
2017	1.02%

➤ The open-end mixed investment fund with public offering "Future Fund" Banja Luka did not perform the allocation of income, i.e. earnings paid per share or stake during the 2019 commercial year.



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