



## **OCIF “Kristal Cash Plus 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 OCIF "Kristal Cash Plus Fund" Banja Luka**

**Opinion**

We have audited the accompanying financial statements of OCIF "Kristal Cash Plus Fund" Banja Luka (hereinafter the "Fund"), which comprise the balance sheet as of 31 December 2019, the income statement, cash flow statement and statement of changes in net assets 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 Company as of 31 December 2018, its financial performance, cash flows and changes in equity 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 Audit 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 procedure applied
<b>2. Fund investments - Financial assets available for sale - Notes 3.4,10. to the financial statements</b>	
The indicated key audit matter has been chosen since the financial assets available for sale constitute the most significant portion of the Fund's net assets and include significant estimates by the Fund's management related to the measurement of the fair value of financial assets.	We estimated the design and tested the efficiency of the relevant controls related to daily monitoring of the compliance of the net value of Fund's assets with the depository. We confirmed the ownership of the investments based on a certificate issued by the Central Securities Registry, Banja Luka. The measurement of the investment in the securities that have an active market was checked by inspecting the latest trading prices. As regards other investments that do not have an active market, we checked the applied estimate methods and key assumptions of the Fund's management in order to determine whether the applied estimate methods and key assumptions are reasonable and in accordance with our expectations.
On the basis of the procedures applied, we have not identified significant findings in relation to any existing investment and an estimate by the Fund's management of the fair value of the financial assets available for sale.	

## INDEPENDENT AUDITOR'S REPORT

o the shareholders of OCIF "Kristal Cash Plus Fund" Banja Luka (Continued)

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate 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 separate 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 control 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 control.
- 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 OCIF "Kristal Cash Plus 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 separate 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**

In the period from 1 January to 31 December 2019  
(In BAM)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
<b>INCOME</b>			
<b>Operating income</b>			
Interest income	3.1, 5	54,150	2,152
Amortisation of premium (discount) arising from securities with fixed maturity	5	(2,486)	-
Other operating income	5	1,406	-
		<b>53,070</b>	<b>2,152</b>
<b>Gains</b>			
Gains from the sale of securities	3.6, 6	561,812	7,308
		<b>561,812</b>	<b>7,308</b>
<b>EXPENSES</b>			
<b>Operating expenses</b>			
Management fee	3.2, 7	167,484	17,743
Costs of purchase and sale of investments	8	725	162
Depository bank fees	8	6,000	-
Tax expenses	8	-	4,857
Other operating expenses	3.3, 8	23,029	1,285
		<b>197,238</b>	<b>24,047</b>
<b>PROFIT/(LOSS)</b>		<b>417,645</b>	<b>(14,587)</b>
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>417,645</b>	<b>(14,587)</b>
Increase/(decrease) in net assets from the Fund's operations		417,645	(14,587)
<b>Basic earnings per stake</b>	<b>15</b>	<b>0.0561</b>	<b>(0.0020)</b>

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)**

	Note	31 децембра 2019.	31. децембар 2018.
<b>ASSETS</b>			
Cash and cash equivalents	3.8, 9	<u>144,566</u>	<u>96,482</u>
<b>Fund's investments</b>			
Financial assets available for sale	3.4, 10	1,371,389	2,326,727
Deposits and placements	11	<u>4,600,000</u>	<u>3,580,000</u>
<b>Total investments of the Fund</b>		<u><b>5,971,389</b></u>	<u><b>5,906,727</b></u>
<b>Accounts receivable</b>			
Interest receivable	3.4, 12	5,036	183
Receivables arising from paid advances	12	55,691	-
Other receivables	12	39,109	36,844
Receivables from the company for management	12	-	16
<b>Total receivables</b>		<u><b>99,836</b></u>	<u><b>37,043</b></u>
<b>Total assets</b>		<u><b>6,215,791</b></u>	<u><b>6,040,252</b></u>
<b>LIABILITIES</b>			
Liabilities to the company for management	13	<u>167,484</u>	<u>14,499</u>
<b>Total liabilities</b>		<u><b>167,484</b></u>	<u><b>14,499</b></u>
<b>NET ASSETS</b>		<u><b>6,048,307</b></u>	<u><b>6,025,753</b></u>
<b>EQUITY</b>			
Basic capital	14	6,033,248	6,040,276
Revaluation reserves	14	(387,997)	64
Uncovered loss		(14,587)	(14,587)
Retained earnings		<u>417,643</u>	<u></u>
<b>Total equity</b>		<u><b>6,048,307</b></u>	<u><b>6,025,753</b></u>
Number of issued stakes	15	<u>7,440,022</u>	<u>7,448,639</u>
<b>Net asset per stake</b>		<u><b>0.81</b></u>	<u><b>0.81</b></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)**

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Increase (decrease) in net assets from operating activities</b>		
Realised gain (loss) from investments	417,644	(14,587)
Revaluation reserves for financial investments available for sale	(388,061)	64
<b>Total increase (decrease) in net assets from the fund's operations</b>	<b>29,583</b>	<b>(14,523)</b>
<b>Increase (decrease) in net assets based on transactions with fund stakes/shares</b>		
Increase based on issued fund shares/stakes	-	6,040,276
Decrease based on withdrawal of fund shares/stakes	(7,029)	-
<b>Total increase <span style="color: red;">decrease (decrease)</span> in net assets from the fund's operations</b>	<b>(7,029)</b>	<b>6,040,276</b>
<b>Total increase (decrease) in the fund's net asset</b>	<b>22,554</b>	<b>6,025,753</b>
<b>Net assets</b>		
Beginning of the year	6,025,753	-
End of the year	6,048,307	6,025,753
<b>Number of stakes/shares of the Fund for the year</b>		
Number of stakes/shares at the beginning of the year	7,448,639	-
Issued (withdrawn) stakes/shares during the period	(8,617)	7,448,639
Number of stakes/shares at the end of the year	7,440,022	7,448,639

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 2018**  
**(In BAM)**

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Cash flows from operating activities I - Cash receipts from operating activities</b>	<b>3,229,298</b>	<b>2,747,219</b>
Proceeds from the sale of investments	1,956,013	7,361
Proceeds from interests	49,292	2,017
Other receipts from operating activities	1,223,993	2,737,841
<b>II - Cash outflows from operating activities</b>	<b>(3,174,198)</b>	<b>(2,650,737)</b>
Outflows from investments into securities	(941,210)	-
Outflows from other expenses	(2,000,000)	(2,600,000)
Outflows for management fee	(14,499,)	(43,585)
Outflows based on the purchase and sale of securities	(21,278)	-
Outflows from other expenses	(197,211)	(7,152)
<b>Net cash from/(used in) operating activities</b>	<b>55,100</b>	<b>96,482</b>
<b>Cash outflows from operating activities II - Cash outflows from financing activities</b>		
Outflows based on debt repaymen	(7,016)	-
<b>Net cash from/(used in) financing activities</b>	<b>(7,016)</b>	<b>-</b>
<b>Total cash inflows</b>	<b>3,229,298</b>	<b>2,747,219</b>
<b>Total cash outflows</b>	<b>(3,181,214)</b>	<b>(2,650,737)</b>
<b>Net cash inflow/(outflow)</b>	<b>48,084</b>	<b>96,482</b>
Cash at the beginning of the accounting period	96,482	-
<b>Cash at the end of the accounting period</b>	<b>144,566</b>	<b>96,482</b>

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***

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**1. CORPORATE INFORMATION**

Pursuant to the Decision No.: 01-YP-51-454-5/18 dated 12 October 2018, issued by the Republic of Srpska Securities Commission, a complete transformation of the CMIF in Transformation “Zepter Fund” a.d. Banja Luka was approved. Pursuant to the above mentioned Decision, the Company was approved an apportion of the entire assets and liabilities for the purposes of establishing the Open-end Money Investment Fund with a public offering “Kristal Cash Plus Fund” and the Decision on the Complete Transformation of the CMIF in Transformation “Zepter Fund” a.d. Banja Luka dated 30 July 2018.

On 24 November 2018, the Central Registry of Securities registered securities - a stake in the open-end investment fund, the first issuance - incorporation of the open-end investment fund „Kristal Cash Plus Fund“ Banja Luka. The stakes are registered with the Republic of Srpska Securities Commission under ref. no. JP-H-20. After the registration of the first issuance, fund's stakes are labelled KCPPI-Y-A, and have been traded at the Banja Luka Stock Market a.d. since 3 December 2018.

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. 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 no. 1, Milana Rakica, Banja Luka.

**2. BASIS OF PREPARATION 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 2017 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, number 13/09 and 106/15), 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*

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**2. BASIS OF PREPARATION 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, the Fund has adhered to the accounting policies described in Note 3 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 financial statements have been prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), which were in effect as of 1 January 2009 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 Srpska are required to fully apply IAS, i.e., IFRS, as well as International Financial Reporting Standard for SMEs (“IFRS for SMEs”), IPSAS, IVS, the International Public Sector Accounting Standards (“IPSAS”), the International Valuation Standards (“IVS”), the International Standards for Professional Practice of Internal Auditing, the 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, in accordance with the Law on Accounting and Auditing of the Republic of Srpska (“Official Gazette of RS”, no. 94/15), the Board of Directors of the Association of Accountants and Auditors of the Republic of Srpska (“Association”) passed the “Decision on Determining and Publishing a Translation of the Conceptual Framework for Financial Reporting and Basic Texts of the International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS)” on 4 October 2017).

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

*All amounts are stated in BAM, unless otherwise stated*

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**2. BASIS OF PREPARATION 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)**

Publishing the translations issued by the International Accounting Standards Board (IASB), which are an integral part of the Decision, was performed in accordance with the "Agreement on the Provision of Data for Adopting and Publishing the International Financial Reporting Standards and the International Financial Reporting Standard for Small and Medium-sized Entities, no. 1658 BA-AAARS-2017", concluded between the International Financial Reporting Standards 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 in the notes below.

Accordingly, while keeping in mind the potentially material effects that variations in accounting regulations of the Republic of Srpska IFRS and IAS may have on the fairness 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 2009, 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 preparation 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 (IASB) and International Financial Reporting Interpretations Committee (IFRIC), became effective as of 1 January 2018 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*

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**2. BASIS OF PREPARATION 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 "Leases" (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 improvements project standards "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 improvements project standards, "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 improvements project standards, "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*

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**2. BASIS OF PREPARATION 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)**

**(6) *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 improvements project standards “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);
- Amendment 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 payments” (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 the new general hedge accounting model (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);
- 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*

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**2. BASIS OF PREPARATION 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)**

**(6) *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 "Revenue 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) and
- Amendments to various standards (IFRS 1, IFRS 12 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 beginning on 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);

**(8) *Published standards and interpretations not yet in force***

Until the date of adoption of the accompanying financial statements, the following IAS, IFRS and interpretation that are an integral part of the standards, as well as amendments thereto, were issued by IASB or IFRIC, but have not entered into force and have not been officially translated and published by the Ministry, and therefore, have not been implemented by the Fund. The Company takes into consideration their potential impact on financial statements, if any.

- 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 Materiality (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, 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);

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

*All amounts are stated in BAM, unless otherwise stated*

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**2. BASIS OF PREPARATION 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) Published standards and interpretations not yet in force**

- Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform" (effective for annual periods beginning on or after 1 January 2021) and
- IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021).

**2.3. Comparative Figures**

Comparative figures represent the data included in the audited financial statements 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*

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### 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 recognized 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 the 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 attitude 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.

#### 3.2. Realised losses

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

***All amounts are stated in BAM, unless otherwise stated***

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Operating expenses are recognized when incurred. Operating expenses of the Fund are: compensation to the Company arising from the Fund management fees, depository fees, fees to the Registry as well as other expenses.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.3. 3.2. Realised losses (Continued)**

*Management fee*

Expenses arising from the management fee to the Company for managing 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.

*Management fee (Continued)*

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 2.80% on the base set out in Article 94 of the Law as of 31 December 2019.

**3.4. 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 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 3.27% 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*

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**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.

*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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Financial assets (Continued)***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 amortized cost using the effective interest method, net of estimated impairment. Interest income is recognized by applying the effective interest rate, except in the case of short-term receivables when the recognition of interest 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.

*Valuation of investments in securities - initial recognition*

The Fund's investments consists 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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

***All amounts are stated in BAM, unless otherwise stated***

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("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.,

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4. Financial assets (Continued)**

*Impairment of financial assets (Continued)*

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.

*Valuation of investments in securities - subsequent recognition*

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 over the last ten days from the day when equity securities were traded in the past year. In case there were less than at least 10 days of trading in equity securities in the past year, the fair value is determined as the amount which is smaller than the following two:

- the average amount determined in accordance with the Rulebook,
- the weighted average price for the executed transactions on the day when such an equity security was traded on the stock exchange for the last time.

The fair value of equity securities is rounded to four decimal places.

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 or such a stock exchange that is defined as the primary source of the price of the equity security in question that has been quoted on the stock exchange. In case of trading on regulated markets outside the EU, OECD and CEFTA member states, fair value of equity securities is calculated based on the weighted average price of that security on a stock exchange realised as of the date of measurement, the fair value of equity securities is calculated based on the price the security was traded for the last time in the period of 90 days of measurement. In case such market prices are non-existent, their fair value is determined as the lower of the following amounts:

- the average amount determined in accordance with the Rulebook“,
- the price for the executed transactions on the day when such an equity security was traded on the stock exchange for the last time.

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. The fair value of debt 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 on that day on the issuer's domestic stock exchange, which was quoted on the stock exchange. The fair value of debt securities traded abroad on regulated markets in countries that are not members of the EU, OECD or CEFTA is calculated using the weighted average price of such a security realised on the stock exchange on the measurement date.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

*All amounts are stated in BAM, unless otherwise stated*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4. Financial assets (Continued)**

*Valuation of investments in securities - initial recognition (Continued)*

In case of price absence on the measurement date debt securities are measured by discounting cash flows, using as the discount rate the prevailing market rate for securities which have the same or similar maturity dates and the same credit rating.

**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 available for sale, 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**

Realized 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 realized gains and losses on the sale of securities available for sale are calculated as the difference between the realized sales value and cost or book value and transaction costs, and are recorded in the income statement as net realized 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 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**

*Current income tax*

Current income tax is the amount calculated in accordance with the Law on Corporate Income Tax. Income tax at the rate of 10% is payable on the tax base determined by the tax balance. The tax base presented in the tax balance includes the profit before tax upon deduction of the effect of reconciliation of income and expenses.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

*All amounts are stated in BAM, unless otherwise stated*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.9. Taxes and contributions from operations (Continued)**

*Current income tax (Continued)*

The tax regulations in the Republic of Srpska do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific previous period. Losses of the current period may be used to reduce the tax basis of the future accounting periods in the next 5 ensuing years.

*Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently-enacted tax rates as of the reporting date are used for determining the accrued amount of income taxes. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forwards of unused tax credits and unused tax losses can be utilised. The open-end investment fund is not subject to the Income Tax Law.

**3.10. Related parties**

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

- a) legal 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.
- 6) 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;
- b) 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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

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for the purposes of the fund in the previous two calendar years.

**4. SIGNIFICANT ACCOUNTING ESTIMATES**

Presentation of financial statements requires the management to make estimates and 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 to the balance sheet, 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, for which 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 realized, it recognizes 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***3. INTEREST INCOME AND AMORTISATION OF THE PREMIUM (DISCOUNT) ARISING FROM SECURITIES WITH FIXED MATURITIES**

	<u>2019</u>	<u>2018</u>
Interest income on bonds	13,839	-
Interest income from deposits	40,311	2,152
Amortization of bond premium (discount)	(2,486)	
Other operating income	<u>1,406</u>	
<b>For the year ended 31 December</b>	<b><u>53,070</u></b>	<b><u>2,152</u></b>

**REALISED GAINS AND LOSSES FROM INVESTMENTS**

	<u>2019</u>	<u>2018</u>
Realised gains from investments	<u>561,812</u>	<u>7,308</u>
<b>For the year ended 31 December</b>	<b><u>561,812</u></b>	<b><u>7,308</u></b>

Net realised gains for the year ended 31 December 2018, amounting to BAM 561,812 (2018: BAM 7,308) relate 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.

**4. MANAGEMENT FEE**

Expenses for management fees for the year ended 31 December 2019 amounting to BAM 167,484 (2018: BAM 17,743) 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.

**5. OTHER OPERATING EXPENSES OF THE FUND**

	<u>2019</u>	<u>2018</u>
Securities purchase and sale costs	725	162
Costs of auditing financial statements	1,170	-
Costs of fees to the depository bank	6,000	-
Tax expenditures	-	4,857
Other permissible fund expenses	<u>21,858</u>	<u>1,227</u>
<b>For the year ended 31 December</b>	<b><u>29,753</u></b>	<b><u>6,246</u></b>

Other permissible costs of the fund, amounting to BAM 21,858, mostly refer to the costs according to the final court judgment, according to which the fund is obliged to settle the costs of the court dispute to the Alumina Factory "Birač" a.d. in bankruptcy in the amount of BAM 15,214.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## 5. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and cash equivalents in local currency - gyro account	135,258	86,450
Cash and cash equivalents in local currency - custody account	9,307	10,033
<b>For the year ended 31 December</b>	<b>144,565</b>	<b>96,482</b>

## 6. INVESTMENTS OF THE FUND

## a) Financial assets available for sale

	2019	2018
Investment into securities available for sale	1,761,669	2,326,663
Allowance for impairment of investments into securities available for sale	(390,280)	64
<b>Balance as of 31 December</b>	<b>1,371,389</b>	<b>2,326,727</b>

Major investments in securities available for sale as of 31 December 2019 and 2018 are:

	In BAM		
	31 December 2019		%
	Fair value	% of the total Fund assets	of ownership in the issuer's equity
Republic of Srpska - old foreign currency savings 8	568,659	9.15%	1.55%
"Matex" a.d. Banja Luka	211,211	3.40%	4.99%
Republic of Srpska - old foreign currency savings 7	174,948	2.81%	1.28%
"Jahorina" OC a.d. Pale	172,444	2.77%	1.45%
OCIF CASH FUND	112,284	1.81%	-
"Prvo penzionersko mikrokreditno društvo" d.o.o. Banja Luka - issued bonds	90,577	1.46%	-
Veletrgovina a.d. Gradiska	22,344	0.36%	2.47%
HPK a.d. Kozarska Dubica	14,748	0.24%	0.54%
Tesla d.d. Brcko	4,173	0.06%	2.32%
	<b>1,371,388</b>	<b>21.70%</b>	

## 10. INVESTMENTS OF THE FUND (Continued)

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## a) Financial assets available for sale (Continued)

	In BAM		31 December 2018
	Fair value	% of the total Fund assets	% of ownership in the issuer's equity
ZTC Banja Vrucica a.d. Teslic	1,575,362	26.08%	5.00%
"Matex" a.d. Banja Luka	270,338	4.48%	4.99%
"Jahorina" OC a.d. Pale	152,212	2.52%	2.15%
"Veleprehrana" a.d. Banja Luka	142,236	2.35%	4.69%
OCIF CASH FUND	110,068	1.82%	2.85%
Veletrgovina a.d. Gradiska	43,437	0.72%	2.47%
HPK a.d. Kozarska Dubica	14,753	0.24%	0.54%
Tesla d.d. Brcko	14,702	0.24%	2.32%
Usluzne djelatnosti" a.d. Banja Luka	3,621	0.06%	5.67%
Duvanplast a.d. Kakmuz	-	-	24.99%
	<b>2,326,727</b>		

## 3. DEPOSITS AND PLACEMENTS

	2019	2018
"Intesa sanpaolo banka" d.d., Banja Luka	1,200,000	1,200,000
"Unicreditbank" a.d. Banja Luka	1,200,000	1,200,000
"Komercijalna banka" a.d. Banja Luka	1,000,000	-
"Sparkasse bank" a.d. Banja Luka	200,000	200,000
"MF bank" a.d. Banja Luka	1,000,000	980,000
<b>For the year ended 31 December</b>	<b>4,600,000</b>	<b>3,580,000</b>

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***7. INTERESTS RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Interests receivable	5,036	183
Receivables arising from advances paid	55,691	-
Receivables from deposit principal due	2,266	
Other receivables of the fund	36,844	
	<u>99,837</u>	<u>183</u>
<b>For the year ended 31 December</b>	<b><u>99,837</u></b>	<b><u>183</u></b>

**6. LIABILITIES TO THE MANAGEMENT COMPANY**

Liabilities to the Management Company as of 31 December 2019 in the amount of BAM 167,484 (2018: BAM 14,499) relate to the Fund management fee.

**7. EQUITY*****Share capital and share premium***

The initial capital/number of shares of the Fund is determined in accordance with the Decision on Partial Transformation of the CMIF in Transformation "Zepter Fund" a.d. Banja Luka no. 272- SKZMIF /18 dated 30 July 2018 in the amount of BAM 6,040,276.

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 "Kristal Cash Plus Fund", i.e., 24 November 2018, on the basis of shareholders at the Central Securities Registry of the Republic of Srpska.

As of 31 December 2019, the number of the Fund shares amounted to 7,440,022 (2018.: 7,448,639)

***Revaluation reserves on financial assets available for sale***

Revaluation reserves on financial assets available for sale as at 31 December 2019 amounted to BAM (387,997) (2018: BAM 64) and represent the accumulated unrealized losses 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", by which the gain or loss which occurs due to changes in the fair value of financial assets available for sale should be recognized directly in equity, or as part of revaluation reserves.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## 8. EARNINGS/(LOSS) PER SHARE

	2019	2018
Gains / (losses) for the year	417,647	(14,587)
Weighted average number of shares	7,440,022	7,448,639
Basic earnings per share for the year	<u>0.0561</u>	<u>(0.002)</u>

## 9. RELATED PARTIES TRANSACTIONS

	2019	2018
<b>INCOME STATEMENT OF THE INVESTMENT FUND</b>		
<b>EXPENSES</b>		
a) Expenses for management fees:		
- Company for the Management of the Investment Fund "Kristal Invest" a.d. Banja Luka	167,484	17,743
b) Fees to the Depositor:		
- Nova banka a.d., Banja Luka	6,000	162
c) Auditor's fee:		
- BDO d.o.o. Banja Luka	1,170	-
d) Fee to the commission:		
- Securities Commission	315	-
e) Other:	22,270	1,285
<b>Total expenses</b>	<u>197,239</u>	<u>19,190</u>

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

	2019	2018
<b>BALANCE SHEET OF THE INVESTMENT FUND</b>		
<b>LIABILITIES</b>		
a) Payables to the Company for management fees:		
- Company for Managing the Investment Fund "Kristal Invest" a.d. Banja Luka	167,484	14,499
<b>Total payables</b>	<u>167,484</u>	<u>14,499</u>

## 10. LITIGATION

As of 31 December 2019, OCIF "Kristal Cash Plus Fund", represented by the Company for Managing Investment Funds "Kristal Invest" a.d. Banja Luka does not act as a defendant or plaintiff in litigations against third parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## 11. FINANCIAL INSTRUMENTS

In its ordinary course of business, OCIF “Kristal Cash Plus 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 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 presents the first ten positions by their share in the assets of “Kristal Cash Plus Fund” as of 31 December 2019.

No	Security code	Issuer’s name		No. of securities owned by the Fund	Total fair value of investment
1.	RSDS-O-H	PC - old foreign currency savings - 8	703,786	568,659	9.40%
2.	MATE-R-A	“Matex“ a.d. Banja Luka	386,197	211,211	3.49%
3.	RSDS-O-G	RS - old foreign currency savings - 7	434,337	174,948	2.89%
4.	OCJH-R-A	“Jahorina” OC a.d. Pale	1,037,570	174,444	2.85%
5.	CHP-U-A	OCIF „CASH FUND“ “Prvo penzijsko mikrokreditno društvo“	3,693,542	112,284	1.86%
6.	PPMK-O-F	d.o.o. Banja Luka - issued bond	1,000	90,577	1.50%
7.	VLTG-R-A	Veletrgovina a.d. Gradiska	148,960	22,344	0.37%
8.	HPKD-R-A	HPK a.d. Kozarska Dubica	147,482	14,748	0.24%
9.	TSL9-R-A	Tesla d.d. Brcko	31,665	4,173	0.07%
				<b>1,373,388</b>	

Prices of securities marked BVRU-R-A have a major impact on changes in the value of the Fund’s assets. 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 5,687. The Fund manages the market (price) risk through 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. The table below shows the Fund’s asset structure by currency.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## 18. FINANCIAL INSTRUMENTS (Continued)

*Foreign exchange risk (Continued)*

Balance as of 31 December 2019:

Assets	BAM	EUR	GBP	USD	HRK	RSD	MKD	Total
Securities available for sale	1,371,389	-	-	-	-	-	-	1,371,389
Deposits with banks	4,600,000	-	-	-	-	-	-	4,600,000
Cash	144,566	-	-	-	-	-	-	144,566
Receivables	99,836	-	-	-	-	-	-	99,836
<b>Total assets</b>	<b>6,215,791</b>	-	-	-	-	-	-	<b>6,215,791</b>

Asset sources	BAM	EUR	GBP	USD	HRK	RSD	MKD	Total
<b>Equity:</b>	<b>6,048,307</b>	-	-	-	-	-	-	<b>6,048,307</b>
Basic capital	6,033,248	-	-	-	-	-	-	6,033,248
Rev. reserves of securities available for sale	(387,997)	-	-	-	-	-	-	(387,997)
Uncovered losses	(14,587)	-	-	-	-	-	-	(14,587)
Retained earnings/losses for the year	417,643	-	-	-	-	-	-	417,643
<b>Liabilities:</b>	<b>167,484</b>	-	-	-	-	-	-	<b>167,484</b>
Short-term liabilities	167,484	-	-	-	-	-	-	167,484
<b>Total sources:</b>	<b>6,215,791</b>	-	-	-	-	-	-	<b>6,215,791</b>
<b>Net foreign currency position</b>	-	-	-	-	-	-	-	-

As of 31 December 2019, 100% of the Fund's assets were presented in the local currency, so that, as of the date of control, these assets were not exposed to the currency risk.

*Interest rate risk*

The Fund's assets are invested in equity and debt securities and bank deposits with the maturity period up to 13 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. In the table below data about the Fund's assets and liabilities are presented, which stated at fair value and allocated according to the earlier of the contracted price change or maturity date.

## 18. FINANCIAL INSTRUMENTS (Continued)

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated**Interest rate risk (Continued)*

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	-	-	-	834,184	-	537,205	1,371,389
Bank deposits	2,600,000	-	2,000,000	-	-	-	4,600,000
Cash	-	-	-	-	-	144,566	144,566
Receivables	-	-	-	-	-	99,836	99,836
<b>Total assets</b>	<b>2,600,000</b>	<b>-</b>	<b>2,000,000</b>	<b>834,184</b>	<b>-</b>	<b>781,607</b>	<b>6,215,791</b>

Asset sources	Up to one month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest free	Total
Equity:							
Basic capital	-	-	-	-	-	6,048,307	6,048,307
Rev. reserves of securities available for sale	-	-	-	-	-	(387,997)	(387,997)
Uncovered loss	-	-	-	-	-	(14,587)	(14,587)
Retained earnings/losses for the year						417,643	417,643
Liabilities:							
Short-term liabilities	-	-	-	-	-	167,484	167,484
<b>Total sources:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,215,791</b>	<b>6,215,791</b>
<b>Net positions:</b>	<b>2,600,000</b>	<b>-</b>	<b>2,000,000</b>	<b>834,184</b>	<b>-</b>	<b>(5,434,184)</b>	<b>-</b>

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/decrease in the Fund's net profit by the amount of BAM542.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2019

*All amounts are stated in BAM, unless otherwise stated*

## 18. FINANCIAL INSTRUMENTS (Continued)

*Liquidity risk*

The Fund has sufficient highly liquid assets (cash and cash equivalents), as well as continuous cash inflow 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 fulfills 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:

<b>Financial assets</b>	<b>Up to 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>over 5 years</b>	<b>Total</b>
Non-interest bearing	315,995	3,847	78,109	383,655	<b>781,606</b>
Instruments with fixed interest rates	2,600,000	2,000,000	834,184	-	<b>5,434,184</b>
<b>Total assets</b>	<b>2,915,995</b>	<b>2,003,847</b>	<b>912,293</b>	<b>383,655</b>	<b>6,215,791</b>
<b>Financial liabilities</b>	<b>Up to 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>over 5 years</b>	<b>Total</b>
Liabilities:					
Non-interest bearing	167,484	-	-	-	<b>167,484</b>
<b>Total liabilities:</b>	<b>167,484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,484</b>
<b>Net position:</b>	<b>2,748,511</b>	<b>2,003,847</b>	<b>912,293</b>	<b>383,655</b>	<b>6,048,307</b>

*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 (59% of the Fund's assets). Deposits are invested into reputable banks in the market, respecting the diversification principle. Investments into were not recorded in the relevant period 0.05% of the Fund's assets is invested into 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year ended 31 December 2019**

*All amounts are stated in BAM, unless otherwise stated*

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**18. FINANCIAL INSTRUMENTS (Continued)**

***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.

**12. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE FUND**

The Fund was established as an open-end cash fund with the targeted structure of investments into cash, money market instruments and cash equivalents in the range of 70% to 99.99% of total investments. The economic situation in the Republic of Srpska may 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 and the value of securities and other investments in the Fund's portfolio. Considering the short period of existence of the Fund, there is no historical data that could serve as a reliable estimate of the Fund's future performance.

The obligation to open the Fund twice a year after the incorporation date may also have a significant impact on the Fund's liquidity taking into consideration the existing liquidity of the securities traded on the local market.

**APPENDICES TO THE FINANCIAL STATEMENTS**

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**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 2.94%.
- In the table below, in accordance with Article 175 paragraph 1 item d the list of stock brokers in the trade of securities the Fund has performed more than 10% of its transactions with in 2019 is presented, stating:
  - 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)	% commission
"Raiffeisen Bank" д.д. БиХ	2,904,844	100%	9,484	0.33%
	<b>2,904,844</b>	<b>100%</b>	<b>9,484</b>	<b>0.33%</b>

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

Year	Highest price per share	Lowest price per share
2019	0.83	0.80
2018	0.84	0.81
2017	-	-

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

Year	Highest price per share	Lowest price per share
2019	6,275,013	6,033,641
2018	6,331,052	5,993,735
2017	-	-

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:*

Year	Net value of assets
2019	6,048,307
2018	6,025,753
2017	-

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

Year	Net value of assets per share or stake
2019	0.81
2018	0.81
2017	-

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

Year	Total cost indicator in %
2019	3.27%
2018	0.80%
2017	-

- The open-end cash investment fund with public offering "Kristal Cash Plus" 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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