



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 916 148 100  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: I&F MCCANN NORWAY AS  
Forretningsadresse: Aker Brygge  
Grindingen 6  
0250 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Janne Bjørnsen  
Dato for fastsettelse av årsregnskapet: 27.06.2018

### Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert  
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 19.11.2020



## Resultatregnskap

Beløp i: NOK	Note	2017	2016
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Annen driftskostnad	6	319 773	43 166
<b>Sum kostnader</b>		<b>319 773</b>	<b>43 166</b>
<b>Driftsresultat</b>		<b>-319 773</b>	<b>-43 166</b>
<b>Finansinntekter og finanskostnader</b>			
Finansinntekter	7	729 067	2 076 915
<b>Sum finansinntekter</b>		<b>729 067</b>	<b>2 076 915</b>
Finanskostnader	7	476 997	66 045
<b>Sum finanskostnader</b>		<b>476 997</b>	<b>66 045</b>
<b>Netto finans</b>		<b>252 070</b>	<b>2 010 870</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-67 703</b>	<b>1 967 704</b>
Skattekostnad på ordinært resultat	5	-16 249	16 250
<b>Ordinært resultat etter skattekostnad</b>		<b>-51 454</b>	<b>1 951 454</b>
<b>Årsresultat</b>		<b>-51 454</b>	<b>1 951 454</b>
<b>Overføringer og disponeringer</b>			
Utbytte			1 900 000
Overføringer til/fra annen egenkapital	1	-51 454	51 454
<b>Sum overføringer og disponeringer</b>		<b>-51 454</b>	<b>1 951 454</b>



## Balanse

Beløp i: NOK	Note	2017	2016
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	3	90 000	90 000
Lån til foretak i samme konsern	8,9	4 178 828	4 478 785
<b>Sum finansielle anleggsmidler</b>		<b>4 268 828</b>	<b>4 568 785</b>
<b>Sum anleggsmidler</b>		<b>4 268 828</b>	<b>4 568 785</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Kundefordringer		12 050	0
Andre fordringer	9	0	40 972
Konsernfordringer	8	582 393	1 964 038
<b>Sum fordringer</b>		<b>594 443</b>	<b>2 005 010</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	4	4 759	11 809
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>4 759</b>	<b>11 809</b>
<b>Sum omløpsmidler</b>		<b>599 202</b>	<b>2 016 819</b>
<b>SUM EIENDELER</b>		<b>4 868 030</b>	<b>6 585 604</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	1,2	30 000	30 000
<b>Sum innskutt egenkapital</b>		<b>30 000</b>	<b>30 000</b>



## Balanse

Beløp i: NOK	Note	2017	2016
<b>Opptjent egenkapital</b>			
Annen egenkapital	1	0	51 454
<b>Sum opptjent egenkapital</b>		<b>0</b>	<b>51 454</b>
<b>Sum egenkapital</b>		<b>30 000</b>	<b>81 454</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	5	0	16 249
<b>Sum avsetninger for forpliktelser</b>		<b>0</b>	<b>16 249</b>
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	8,10	4 784 261	4 496 855
<b>Sum annen langsiktig gjeld</b>		<b>4 784 261</b>	<b>4 496 855</b>
<b>Sum langsiktig gjeld</b>		<b>4 784 261</b>	<b>4 513 104</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		25 000	25 000
Utbytte		0	1 900 000
Kortsiktig konserngjeld	8	28 769	66 045
Annen kortsiktig gjeld			1
<b>Sum kortsiktig gjeld</b>		<b>53 769</b>	<b>1 991 046</b>
<b>Sum gjeld</b>		<b>4 838 030</b>	<b>6 504 150</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>4 868 030</b>	<b>6 585 604</b>



## I&F McCann Norway AS

### Kontantstrømoppstilling

Alle tall i NOK

	Note	2017	2016
<b>Kontantstrøm fra operasjonelle aktiviteter</b>			
Resultat før skattekostnad		-67 703	1 967 704
Periodens betalte skatt		0	0
Endring i kundefordringer		12 050	0
Endring i leverandørgjeld		0	25 000
Endring i andre tidsavgrensningsposter		16 871	-40 972
<b>Netto kontantstrøm fra operasjonelle aktiviteter</b>		<b>-38 782</b>	<b>1 951 732</b>
<b>Kontantstrøm fra investeringsaktiviteter</b>			
Investering i datterselskap		0	-90 000
<b>Netto kontantstrøm fra investeringer</b>		<b>0</b>	<b>-90 000</b>
<b>Kontantstrøm fra finansieringsaktiviteter</b>			
Endring på lånefordringer konsern		1 681 602	-6 442 823
Endring på gjeld konsern		250 130	4 562 900
Utbetalinger av utbytte		-1 900 000	0
<b>Netto kontantstrøm fra finansieringsaktiviteter</b>		<b>31 732</b>	<b>-1 879 923</b>
Netto kontantstrøm for perioden		-7 050	-18 191
Kontanter og kontantekvivalenter pr. 1.1		11 809	0
Overført kontanter og kontantekvivalenter ved oppkjøp		0	30 000
<b>Kontanter og kontantekvivalenter pr. 31.12</b>		<b>4 759</b>	<b>11 809</b>



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## TRANSLATION

### Independent Auditors' Report

TO THE OWNERS OF

I&F GRUPA D.O.O., BEOGRAD

We have audited the accompanying consolidated financial statements of I&F Grupa d.o.o., Beograd ("the Company"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management's responsibility is to prepare consolidated financial statements that give a true and fair view in accordance with the accounting regulations of the Republic of Serbia, and for establishing internal controls that are considered relevant to the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the Law on Auditing and applicable auditing standards in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the consolidated financial statements.



TRANSLATION

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

*Opinion*

In our opinion, the consolidated financial statements present truly and objectively the consolidated financial position of the Company 31 December 2017, and the consolidated financial performance and cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia.

*Other*

As disclosed in Note 42, on 20 June 2018 the Company changed its business name to I&F Grupa d.o.o.

Belgrade, 30 July 2018

KPMG d.o.o. Beograd

(L.S.)

James Thornley  
Certified Auditor

*This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.*

Belgrade, 30 July 2018

KPMG d.o.o. Beograd



  
James Thornley  
Certified Auditor



TRANSLATION

**I&F GRUPA D.O.O. BEOGRAD**

**Consolidated Financial Statements  
for the year ended 31 December 2017**



TRANSLATION

I&F Grupa d.o.o.  
Consolidated Financial Statements  
for the year ended 31 December 2017

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*Consolidated Financial Statements  
for the year ended 31 December 2017*

### INCOME STATEMENT FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

In thousands of RSD	Note	2017	2016
Sales of goods		-	-
Sales of products and services	3.11, 6	14,130,483	11,685,390
Other operating income	3.11, 7	74,694	64,557
<b>Income from regular operations</b>		<b>14,205,177</b>	<b>11,749,947</b>
Costs of goods sold		-	-
Capitalization of products and goods		-	-
Materials	3.12, 8	(35,289)	(32,759)
Fuel and energy	3.12, 8	(20,123)	(17,345)
Salaries, wages and other personal expenses	3.12, 9	(3,765,275)	(2,675,319)
Costs of production services	3.12, 10	(9,949,894)	(8,497,471)
Depreciation/amortization expense	3.12, 11	(51,206)	(32,645)
Provisions		-	-
Non-production costs	3.12, 12	(612,427)	(566,052)
<b>Operating expenses</b>		<b>(14,434,214)</b>	<b>(11,821,591)</b>
Operating profit/loss		(229,037)	(71,644)
Financial income	3.12, 13	30,738	28,419
Financial expenses	3.12, 14	(70,724)	(50,817)
<b>Financial income/expenses (net amount)</b>		<b>(39,986)</b>	<b>(22,398)</b>
Income from adjustment in value		-	-
Expenses from adjustment in value	15	(3,088)	(76,315)
Other income	16	31,286	588,263
Other expenses	17	(23,571)	(31,391)
<b>(Loss) / Profit from regular operations before tax</b>		<b>(264,396)</b>	<b>386,515</b>
<b>Net profit from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>(Loss) / Profit before tax</b>		<b>(264,396)</b>	<b>386,515</b>
Income tax	3.13, 18	(25,447)	(24,851)
Deferred tax expense of the period	3.13, 18	(6,059)	26,527
<b>Net (loss) / profit</b>		<b>(295,902)</b>	<b>388,191</b>



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I&F Grupa d.o.o.  
Consolidated Financial Statements  
for the year ended 31 December 2017

STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

In thousands of RSD	2017	2016
(Loss) / Profit attributable to the owners of the parent company	(299,509)	387,921
Profit attributable to the minority interests	3,607	270
<b>Net (loss) / profit</b>	<b>(295,902)</b>	<b>388,191</b>
<b>Other comprehensive income / (loss)</b>		
Movements in translation reserves	(58,522)	19,010
<b>Net comprehensive (loss) / income</b>	<b>(354,424)</b>	<b>407,201</b>
Net comprehensive income (loss) attributable to:		
Owners of parent company	(358,031)	406,895
Minority interests	3,607	306
<b>Total net comprehensive (loss) / income</b>	<b>(354,424)</b>	<b>407,201</b>



## TRANSLATION

**I&F Grupa d.o.o.**  
*Consolidated Financial Statements  
for the year ended 31 December 2017*

### BALANCE SHEET AS AT 31 DECEMBER 2017

In thousands of RSD	Note	2017	2016
<b>ASSETS</b>			
Intangible assets	3.4, 19	12,782	15,821
Goodwill	5	144,019	162,828
Property, plant and equipment	3.5, 20	141,983	114,347
Investment property	3.6, 21	39,516	40,617
Long-term financial investments	22	63,578	61,571
Long-term receivables	23	8,979	301
<b>Total non-current assets</b>		<b>410,857</b>	<b>395,485</b>
<b>Deferred tax assets</b>	18	<b>44,697</b>	<b>50,716</b>
Advances given	24	44,136	116,101
Trade receivables	3.3, 25	3,333,413	3,150,898
Receivables from specific operations	25	21,711	98,335
Receivables for overpaid income tax	25	33,489	41,920
Short-term financial investments	3.3, 26	364	943
Cash and cash equivalents	27	392,573	730,520
Value added tax	28	130,411	99,978
Prepayments and deferred expenses	29	662,287	509,452
<b>Total current assets</b>		<b>4,618,384</b>	<b>4,748,147</b>
<b>TOTAL ASSETS</b>		<b>5,073,938</b>	<b>5,194,348</b>
<b>Off-balance sheet assets</b>		<b>-</b>	<b>-</b>



## TRANSLATION

**I&F Grupa d.o.o.**  
*Consolidated Financial Statements  
for the year ended 31 December 2017*

### BALANCE SHEET AS AT 31 DECEMBER 2017 (continued)

In thousands of RSD	Note	2017	2016
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Base capital	30	396,485	396,485
Subscribed unpaid capital		-	-
Reserves		(33,818)	24,704
Revaluation reserves and unrealized gains and losses		-	-
Income/(loss) of the current period		(299,509)	387,921
Retained earnings of previous years		388,085	96,931
Minority interest		6,075	6,129
<b>Total equity</b>		<b>457,318</b>	<b>912,170</b>
Long-term provisions	3.8, 31	345	21,177
Long-term liabilities	32	359,385	212,950
<b>Total long-term provisions and liabilities</b>		<b>359,730</b>	<b>234,127</b>
Deferred tax liabilities	18	1,740	1,700
Short-term financial liabilities	3.3, 33	234,088	254,787
Advances received, deposits and down payments	34	26,943	30,347
Operating liabilities	3.3, 34	2,832,418	2,395,812
Other short-term liabilities	3.3, 35	202,060	272,919
Liabilities for other taxes, contributions and other charges	36	6,860	8,952
Value added tax		138,047	146,635
Accruals	37	814,734	936,899
<b>Total short-term liabilities</b>		<b>4,255,150</b>	<b>4,046,351</b>
Loss above the value of equity		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,073,938</b>	<b>5,194,348</b>
<b>Off-balance sheet records</b>		<b>-</b>	<b>-</b>

The financial statements were approved by Srđan Šaper, General Manager.

Belgrade, 26 July 2018

I&F Grupa d.o.o., Beograd

Srđan Šaper  
*General Manager*



TRANSLATION

I&F Grupa d.o.o.  
Consolidated Financial Statements  
for the year ended 31 December 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

In thousands of RSD	2017	2016
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advances	13,936,815	11,834,041
Interest received from operating activities	21,066	3,742
Other receipts from operating activities	167,811	176,583
Payments to suppliers and advances paid	(10,433,734)	(9,012,898)
Gross salaries and other personnel expenses	(3,947,294)	(2,570,968)
Interest paid	(32,577)	(24,116)
Income tax	(20,516)	(2,345)
Other duties and charges	(8,413)	(21,871)
<b>Net cash generated from (used in) operating activities</b>	<b>(316,842)</b>	<b>382,169</b>
<b>Cash flows from investing activities</b>		
Interest received from investment activities	-	3,742
Purchase of shares and stake (Note 5)	(32,220)	(4,341)
Purchase of intangible assets, property, plant, equipment and biological assets	(74,703)	(108,826)
Other financial investments (net)	(1,428)	(44,626)
<b>Net cash generated from (used in) investing activities</b>	<b>(108,351)</b>	<b>(154,051)</b>
<b>Cash flow from financing activities</b>		
Basic capital increase	-	-
Long-term and short-term loans and other liabilities (net receipts)	147,179	142,738
Dividends paid	(68,561)	(28,642)
Other liabilities	-	-
<b>Net cash generated from (used in) financing activities</b>	<b>78,618</b>	<b>114,096</b>
<b>Net receipts/(payments) of cash and cash equivalents</b>	<b>(346,575)</b>	<b>342,213</b>
<b>Cash at the beginning of the period</b>	<b>730,520</b>	<b>391,538</b>
FX gains on translation of cash and cash equivalents	9,050	134
FX losses on translation of cash and cash equivalents	(422)	(3,365)
<b>Cash at the end of the reporting period</b>	<b>392,573</b>	<b>730,520</b>



I&F Grupa d.o.o.  
Consolidated Financial Statements  
for the year ended 31 December 2017

TRANSLATION

STATEMENT ON CHANGES IN EQUITY FOR 2017

In thousands of RSD	Basic capital	Reserves	earnings/losses	Minority interest	Total
<b>Balance as at 31 December 2015</b>	<b>396,485</b>	<b>5,730</b>	<b>126,984</b>	<b>4,412</b>	<b>533,611</b>
Opening balance adjustments	-	-	(5,637)	5,637	-
<b>Balance as at 1 January 2016</b>	<b>396,485</b>	<b>5,730</b>	<b>121,347</b>	<b>10,049</b>	<b>533,611</b>
Restructuring within the Group	-	-	-	-	-
Current period profit	-	-	387,921	270	388,191
Dividend payments	-	-	(24,416)	(4,226)	(28,642)
Translation reserves	-	18,974	-	36	19,010
<b>Balance as at 31 December 2016</b>	<b>396,485</b>	<b>24,704</b>	<b>484,852</b>	<b>6,129</b>	<b>912,170</b>
<b>Balance as at 31 December 2016</b>	<b>396,485</b>	<b>24,704</b>	<b>484,852</b>	<b>6,129</b>	<b>912,170</b>
Opening balance adjustments	-	-	(30,497)	-	(30,497)
<b>Balance as at 1 January 2017</b>	<b>396,485</b>	<b>24,704</b>	<b>454,355</b>	<b>6,129</b>	<b>881,673</b>
Loss of the current period	-	-	(299,509)	3,607	(295,902)
Dividend payments	-	-	(66,270)	(3,661)	(69,931)
Translation reserves	-	(58,522)	-	-	(58,522)
<b>Balance as at 31 December 2017</b>	<b>396,485</b>	<b>(33,818)</b>	<b>88,576</b>	<b>6,075</b>	<b>457,318</b>



TRANSLATION

I&F Grupa d.o.o.

*Notes to the Consolidated Financial Statements  
for the year ended 31 December 2017*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1 Background information**

I&F Grupa d.o.o., Beograd as a parent company provides consulting services related to business operations and other management services.

The Company was founded on 10 October 2008 based on the Decision on Establishment of Limited Liability Company by the founder, Srdjan Šaper, and was registered in the Serbian Business Registers Agency. Srdjan Šaper holds a 100% ownership interest in the Company.

As at 31 December 2017 the Company had 617 employees (31 December 2016: 599 employees).

Group headquarters are in Belgrade, 7-9 Terazije Street.

**2 Basis for preparation and presentation of financial statements**

**2.1 Statement of compliance**

The Group keeps its records and prepares financial statements in accordance with the effective of the Law on Accounting (Official Gazette of the Republic of Serbia 62/2013) and other laws and bylaws applicable in the Republic of Serbia. For recognition, measurement, presentation and disclosure of line items in the financial statements, as an entity that prepares consolidated financial statement, the Group is required to apply International Financial Reporting Standards ("IFRS") which in terms of the Law on Accounting comprise the following: Framework for the Preparation and Presentation of Financial Statements, International Accounting Standards (IAS), International Financial Reporting Standards ("IFRS") and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), subsequent amendments to these standards and related interpretations, as adopted by the International Accounting Standards Board ("IASB"), whose translation has been confirmed and published by the Ministry of Finance ("Ministry").

The translation of IFRS which is confirmed and published by the Ministry comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. The translation of IFRS is confirmed by the Decision of the Ministry of Finance on Confirmation of the Translation of the Conceptual Framework for Financial Reporting and the Basic Texts of the International Accounting Standards and International Financial Reporting Standards number 401-00-896/2014-16 dated 13 March 2014 as published in the Official Gazette of the Republic of Serbia no. 35 dated 27 March 2014. The said translation of IFRS is effective for financial statements that are prepared as at 31 December 2014. Amended or published IFRS and interpretations of standards following this date have not been translated and published, and hence have not been applied in the preparation of the accompanying financial statements.

In view of the above stated and the fact that particular laws and bylaws specify accounting procedures that in particular cases detract from IFRS requirements, and the fact that the Law on Accounting establishes the dinar as the official reporting currency, the accounting regulations of the Republic of Serbia can differ from IFRS requirements, which could affect the reasonableness



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and objectiveness of the accompanying financial statements. As a result, the accompanying financial statements cannot be considered to be financial statements prepared in full compliance with IFRS in accordance with the definition provided by IAS 1 - Presentation of Financial Statements.

The accompanying financial statements are prepared on a historical cost basis, unless otherwise stated in the accounting policies presented below.

These consolidated financial statements have been approved by the management on 26 July 2017.

**2.2 Basis of measurement**

Financial statements have been prepared on the historical cost basis, except for the following items:

- Financial instruments at fair value through profit and loss which are measured at fair value;
- Investment property measured at fair value.

**2.3 Functional and presentation currency**

The financial statements of the Group are stated in thousands of dinars (RSD) which are the Group's functional currency and the reporting currency for financial statements in the Republic of Serbia. Unless otherwise indicated, all amounts are stated in Dinars rounded to the nearest thousand.

**2.4 Use of estimates and judgments**

The presentation of financial statements demands of the management to use best possible estimates and reasonable assumptions which affect reported amounts of assets and liabilities, as well as to disclose potential receivables and liabilities on the day of preparation of financial statements and income and expenses during the reporting period. These estimates and assumptions are based on previous experience and on information available on the day of preparation of financial statements, which seem realistic and reasonable under the given circumstances. Based on such information estimates are made of the value of assets and liabilities which cannot be determined using other information. Actual values of assets and liabilities can differ from amounts determined in this way.

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

Information on areas in which estimation levels are highest and that can have the most significant effect on amounts recognized in the Company's financial statements are presented in the following notes:

- Note 3.5 – Useful life of property, plant and equipment,
- Note 3.5 – Impairment of non-financial assets,
- Note 3.3 – Impairment of trade receivables and other receivables,
- Note 40 – Provisions for court cases, and
- Note 3.8 – Pensions and other employee benefits.



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**3 Summary of significant accounting policies**

The accounting policies set out below have been applied consistently by the Group to all periods presented in the accompanying separate financial statements.

**3.1 Consolidation**

*(i) Group*

The Group consists of the Company, as the parent entity, and subsidiaries in which the Company holds a 100% ownership interest, except for McCann Skopje Macedonia in which the Company holds an 80% ownership interest.

- McCann Beograd
- Universal Media Beograd
- Drive Beograd
- Adrenalin Beograd
- Initiative Beograd
- Universal Media Podgorica, Montenegro
- McCann Podgorica, Montenegro
- McCann Tirana, Albania
- McCann Skopje, Macedonia
- Universal Media Skopje, Macedonia
- Initiative Sofia, Bulgaria
- Universal Media Sofia, Bulgaria
- McCann Sarajevo, Bosnia and Herzegovina
- Universal Media Sarajevo, Bosnia and Herzegovina
- Um-Ini, Slovenia
- McCann Zagreb, Croatia
- Initiative, Zagreb, Croatia
- Universal Media Zagreb, Croatia
- McCann Helsinki, Finland
- Brandson Oy, Finland
- Rinnet Oy, Finland
- I&F Nordics Ltd, Cyprus
- McCann Stockholm AB, Sweden
- I&F Sweden AB, Sweden
- McCann Copenhagen, Denmark
- Drive Oslo, Norway
- Craft Worldwide AS, Norway
- I&F McCann Norway AS, Norway
- McCann AS, Norway
- Scandinavian Design Group AS, Norway

*(ii) Subsidiary*

A subsidiary is an entity controlled by the Parent company. Control exists when the Group has the ability to influence the financial and business policies of the subsidiary with a view to realizing benefits from its activities. In assessing control, potential voting rights which exist are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements are prepared based on uniform accounting policies for similar transactions and for other events under identical circumstances.



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### (iii) Elimination of internal transactions in preparing the consolidated financial statements

Internal transactions, including unrealized revenues and expenses arising from transactions within the Group, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in like fashion, as are unrealized gains, but only to the extent that there is no evidence of impairment.

#### 3.1.1. Going concern

The financial statements are prepared on the going concern basis which assumes that the Group will continue to operate as a going concern into the foreseeable future.

#### 3.2 Foreign currencies

Foreign currency transactions are translated into dinars at the middle exchange rate established by the Interbanking foreign currency market ruling on transaction date.

Monetary items stated in foreign currencies as at balance sheet date are translated into dinars at the median exchange rate established on the Interbanking foreign currency market ruling on balance sheet date. Non-monetary items are translated into dinars at the middle exchange rate ruling on transaction date.

Foreign exchange gains and losses occurring on payments made and collected in foreign currencies during the year, including exchange rate differences occurring on translation of assets and liabilities stated in a foreign currency on balance sheet date, are reported in the Group's income statement as income/expenses arising on foreign exchange gains/losses under the line item financial income/expenses.

Receivables with a built in foreign currency clause are translated into dinars at the middle exchange rate ruling on balance sheet date. Resulting foreign exchange gains/losses are reported in the Group's income statement as hedging gains/losses classified under other income/expenses.

Official median exchange rates of principal foreign currencies were as follows:

Currency	2017	2016
EUR	118.4727	123.4723
CHF	101.2847	114.8473
USD	99.1155	117.1353
GBP	133.4302	143.8065
BAM	60.5741	63.1304
HRK	15.7529	16.3211
MKD	1.9267	2.0080
LEK	0.89110	0.9130
BGN	60.57413	63.1314
NOK	12.0224	13.5929
SEK	12.0240	12.8803
DKK	15.9099	16.6073



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3.3 *Financial Instruments*

*Classification*

The Group classifies its financial assets into the following categories: loans and receivables and assets held to maturity. The classification depends on the purpose for which the financial assets have been acquired. Management classifies financial placements at the moment of initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in any active market. They are included in current assets, except where their maturities are longer than 12 months after balance sheet date. In such case they are classified as long-term assets.

Receivables comprise domestic and foreign trade receivables and other receivables.

Trade receivables are stated at amount billed by supplier, net of discounts and allowance for impairment of uncollectible amounts based on the assessment of collectability of receivables. An allowance is made for receivables for which objective evidence of impairment exists and for which Group's management estimates that collection of the full amount is no longer probable, where it is charged to the Income statement when the estimation is made.

*Short-term financial investments*

Short-term financial investments comprise current maturities of long-term borrowings granted to legal entities.

*Cash and cash equivalents*

In the statement of cash flows, cash and cash equivalents relate to cash, funds held in accounts with banks and other highly liquid financial assets that mature within 3 months.

*Financial assets held to maturity*

Financial assets held to maturity are non-derivative financial instruments with fixed and determinable payment schedules and a fixed date of maturity that management has the intention and ability to hold to maturity. In the event that the Group decides to sell a significant portion of its financial assets held to maturity, the entire category will be reclassified as available for sale. Financial assets held to maturity are classified as long-term assets, except when maturities are shorter than 12 months as of balance sheet date, when they are classified as short-term assets.

*Recognition of financial assets*

The purchase or sale of a financial asset is recorded in accordance with appropriate accounting treatment on transaction date.



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*Measurement of financial assets*

Financial instruments are initially measured at market value which includes transaction costs for all financial assets or liabilities, except for those that are valued at fair value through profit and loss.

Loans and receivables, as well as financial assets held to maturity, are measured at amortized cost using the effective interest rate method.

*Derecognition of financial assets*

The Group derecognizes a financial asset when the rights to cash receipts associated with such asset expire or when they are transferred to a third party. Any rights associated with transferred financial assets, created or retained by the Group, are recognized as a separate asset or liability.

*Measurement at amortized cost*

The amortized cost of a financial asset is the amount at which the asset is initially measured, reduced for principal repayment, and increased or decreased for accumulated amortization using the effective interest rate method.

*Measurement at fair value*

The fair value of a financial instruments is the amount at which an asset can be exchanged or a liability settled, between informed and willing parties in an independent transaction.

Fair value is determined using available market information on reporting date, as well as other valuation models used by the Group.

The fair value of individual financial instruments reported at nominal value approximates their carrying amount. Such instruments comprise cash, as well as receivables and liabilities without a contractual due date, and without an agreed fixed interest rate.

Other receivables and liabilities are written down to their present value by discounting future cash flows using current interest rates. Management believes that as the result of the nature of the Group's operations and its business policies, there are no significant differences between the carrying amount and fair value of financial assets and liabilities.

*Impairment of financial assets*

The Group's calculates allowances for impairment of bad debts based on estimated losses that occur because customers are not able to make requested payments. In making estimates of the appropriate amounts of impairment losses for bad debts, the Group relies on the aging structure of receivables, previous experience with write-off, customer creditworthiness and changes in payment terms. This requires judgment as to the customer's future behavior and resultant future cash collection. The actual amount of collected receivables can differ from estimated levels of collection, which could have a negative or positive effect on business performance.

All receivables that are overdue by more than 365 days, as well as all other receivables which management estimates to be uncollectible are provisioned in the full amount of the matured, uncollectible receivable.



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The decision on direct write-off or impairment of trade receivables through the allowance for impairment account is made by the Group's management.

Write-off of trade receivables is performed under the condition that receivables were previously recognized within income, where the receivable in the Group's books is written off as uncollectible, and where the Group could not collect it through court proceedings. The decision on direct write-off of trade receivables is made by the Group's Board of directors.

*Financial liabilities*

Financial liabilities are initially recognized at cost which represents the fair value of compensation receive. After initial recognition financial liabilities are reported at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit and loss. The amortized cost of a financial liability is the amount at which the liability is initially measured, reduced for principal repayment, and increased or decreased for accumulated amortization using the effective interest rate method.

Financial liabilities include liabilities for loans take from domestic banks. A liability is short-term if it is expected that it will be settled in the ordinary course of the Group's business cycle and matures within a period of 12 months after balance sheet date. All other liabilities are classified as long-term.

Loans with a contractual foreign currency clause are converted into their equivalent value in dinars of the foreign currency principal outstanding. Gains and losses arising on the foreign currency clause are reported in the balance sheet as financial income or expenses, or as other income and expenses for revaluation effects from indexing of loans to the consumer price index.

The Group derecognizes liabilities when a liability is settled, reversed or transferred to a third party.

*Operating liabilities*

Trade payables and other short-term operating liabilities are stated at their nominal amount.

**3.4 Intangible assets**

Intangible assets are identifiable non-monetary assets without physical substance, such as goodwill, patents, licenses, concessions, trademarks, brands, accounting software, franchises, investments in the development of new products, processes and equipment, copyrights, etc. For these assets there is a likelihood that over a period of one year they will generate economic benefits that exceed their cost.

Intangible assets are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent costs of investment in intangible assets can be capitalized only under the condition that future economic benefits can be expected from the asset they relate to. All other costs represent costs of the period in which they occurred.



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Calculation of amortization of intangible assets commences on the first day of the month following the month when they are placed into use. The amortization base is the cost of an intangible asset less its residual value. If residual value is not materially significant, it is not taken into account for amortization purposes and does not reduce the amortization base. Intangible assets are amortized on a straight line basis, depending on the estimated useful life of the specific intangible asset, where the predominant rates in use range between 10% and 50%.

Amortization method, useful life are reviewed at the end of each reporting period and whenever necessary, appropriate adjustments are made.

3.5 *Property, plant and equipment*

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment is measured at cost or purchase value. Cost comprises all expenses that are directly attributable to a purchased asset.

The expenditure for an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Additions during the year are recorded at cost which represents the price billed by suppliers increased for attributable purchase costs and associated costs of bringing the asset into functional use.

In accordance with adopted accounting policy, at each balance sheet date, the Group's management reviews the carrying amounts of the Group's tangible and intangible assets. If there are any indications of impairment of any asset, the recoverable amount of such asset is estimated in order to determine the amount of impairment. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of the asset's net selling price and value in use. The impairment loss is recognized as the amount of the difference, charged to expenses.

Gains on the sale of property, plant and equipment is posted directly to other income. Losses on the sale or disposal of property, plant and equipment is charged to expenses.

Depreciation of property, plant and equipment is provided on a straight-line basis using depreciation rates that are intended to write off the cost or valuation of property, plant and equipment in equal annual amounts during their useful life. Depreciation of assets activated during the year is calculated when assets are placed into use, or in the month in which an asset is available for use.

Depreciation rates used in the current and previous accounting periods were as follows:

Description	2017 %	Estimated useful life in years	2016 %	Estimated useful life in years
Buildings	2.5	40	2.5	40
Computer equipment	25	4	25	4
Furniture and other equipment	20-25	4-5	20-25	4-5

Determining the useful life of property, plant and equipment is based on previous experience with similar assets, as well as on anticipated technical development and changes which are impacted by a significant number of economic or industrial factors. The adequacy of specified useful life is reviewed annually or whenever there are indications that a significant change occurred in the factors that provide the basis for determining useful life.



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**3.6 Investment property**

Investment property (land, buildings and equipment) is classified as investment property if held for appreciation in value or for rental purposes. An asset that is rented is classified as an investment property if it can be identified as such separately, that is if its largest portion is rented and an insignificant portion is used for conducting own business activities.

Investment property at the moment of acquisition is measured and recognized at cost or purchase value. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent costs associated with an investment property that has already been recognized increase the value of such investment property, if it is probable that inflows from future economic benefits of the investment property will exceed initially estimated returns on such investment property. All other subsequent expenses which do not meet previously mentioned criteria are recognized as period expenses when occurred.

**3.7 Advances given**

Advances given indicate the net amount at the moment of payment.

**3.8 Employee benefits**

*Short-term employee benefits – taxes and contributions for mandatory social insurance*

In accordance with regulations effective in the countries where the Group's members operate, the Group is required to pay contributions to various social security funds. These obligations include contributions charged to employees and charged to employer in amounts that are calculated using rates prescribed by law. The Group is required by law to withhold calculated contributions from the employee's gross salary and to make payments of withheld amounts on the employee's behalf to appropriate state funds. Contributions charged to employee and charged to the employer are recognized as period expenses in the period they relate to.

*Long-term employee benefits - retirement benefits*

In accordance with statutory regulations of the countries where the Group's members operate, the Group is required to pay retirement benefits upon retirement in the amount prescribed by statutory regulations of the country in which the Group member operates.

**3.9 Provisions**

Provisions are recognized in the statement of financial position at the moment when the Group has a legal or actual liability arising from past events and when it is probable that settlement of the liability will require outflow of assets with embedded economic benefits.

**3.10 Equity**

The Group's equity comprises basic capital which consists of founders' stakes, provisions and accumulated result.

The Group's equity consists of monetary investments in the Group made by its founders. A founder cannot withdraw assets invested in the Group's basic capital.



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**3.11 Income**

*Sales of products and services*

The Group generates income from providing a wide range of marketing services (media rental and planning, production of content, digital design, social networks, branding, PR, etc.).

Income includes the fair value of the amount received or receivable in respect of services in the normal course of the Group's operations. Income is reported exclusive of VAT, returned products, rebates and discounts.

Income is recognized in the gross amount, where the Company's responsibility for providing a specific service is considered, the Company's ability to negotiate or affect the setting of sales prices, credit risk undertaken by the Company, as well as factors related to fixed or variable contributions received by the Company.

The Company recognizes income when the amount can be measured reliably, when it is likely that in the future the Company will have economic benefits and when special criteria are met for each of the Company's activities, as described below. The income amount is not deemed reliably measurable until all the contingencies that could relate to the sale have been resolved. The Group bases its estimates on results in previous periods, taking into account the type of customer, type of transaction and specifics of each contract.

These services are provided based on time and materials spent, or through fixed price contracts, with usual contractual terms (up to one year).

*Financial income*

Financial income relates to income from interest, foreign exchange gains, dividends and other financial income realized from transactions with parent company, subsidiaries and other related parties.

Interest income is recognized in the income statement in the period when occurred.

*Other income*

Other income comprises gains on sales of property, plant and equipment (fixed assets) and intangible assets, gains on sale of long-term securities and equity investments, gains on sale of materials, collected written-off receivables, surpluses, gains from hedging effects, income from reduction in liabilities, income from reversal of long-term provisions, income from adjustment in value of assets and reversal of provisions for adjustment in value in accordance with the Company's accounting policy.

**3.12 Expenses**

Income is recognized in the income statement based on the principle of occurrence of income and expenses or on accrual basis and is reported in the period when occurred.

*Operating expenses*

Operating expenses relate to costs related to sales, including costs of production of services, costs of goods sold, costs of materials, fuel and energy, gross salaries, depreciation expense and services provided by third parties. Operating expenses also include general overheads such as marketing, insurance, bank charges, tax and other expenses incurred in current accounting period.



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### *Financial expenses*

Financial expenses comprise costs of interest and foreign exchange losses and other financial expenses. Interest expense relates to interest accrued on loans received which is reported in the income statement it relates to, in accordance with the principles of accrual accounting.

### *Other expenses*

Other expenses relate to losses on the sale and disposal of property, plant and equipment and intangible assets, losses on the sale of securities and equity investments legal entities, losses on the sale of materials, shortages, losses on contractual hedging effects, costs of indirect write-off of receivables, costs of impairment of assets, losses resulting from adjustments in the value of assets in accordance with the Company's Accounting Policy.

### **3.13 Income tax**

#### *Current income tax*

Taxation is based on the Corporate Income Tax Law of the Republic of Serbia. Current income tax in Serbia, the Company's jurisdiction is the amount calculated by applying the prescribed tax rate of 15% to taxable profit reported in the tax balance. Corporate income tax reported in the tax balance includes profit reported in the income statement, adjusted for income and expenses in accordance with the Corporate Income Tax Law of the Republic of Serbia. The amount of tax thus calculated and reported in the tax return is reduced for tax credits and tax incentives. Income tax rates that affect Group members are provided in the table below:

Country	Tax rate in 2017
Serbia	15%
Bosnia and Herzegovina	10%
Croatia	20%
Macedonia	10%
Bulgaria	10%
Albania	15%
Montenegro	9%
Slovenia	19%
Finland	20%
Cyprus	12.5%
Sweden	22%
Denmark	22%
Norway	24%

The tax regulations in countries in whose jurisdictions Group members operate do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific carry back period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for a duration of no longer than five years.



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*Deferred income tax*

Deferred income taxes are provided for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, determined in accordance with the accounting regulations of jurisdictions in which Group members operate. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized.

Current and deferred taxes are recognized as income and expenses and are included in the net profit for the year, except for amounts of deferred tax arising on revaluation of property, plant and equipment, equity investments in companies and banks, and that are reported under revaluation reserves.

**4 Financial risk management**

In the ordinary course of business, the Group is exposed to a different extent to a variety of financial risks:

- Market risk,
- Liquidity risk, and
- Credit risk.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

**4.1 Market risk**

*(a) Foreign currency risk*

The Group is exposed to foreign currency risk arising from various currency exposures, resulting from transactions in different currencies, primarily with respect to the EUR. Foreign currency risk occurs in the event of mismatch between financial assets and liabilities denominated in a foreign currency and with a foreign clause. To the extent possible, the Group minimizes currency risk by minimizing its open foreign currency position.



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The table below presents the Group's exposure to foreign currency risk as at 31 December 2017:

In thousands of RSD	RSD	ALL	EUR	HRK	MKD	BGN	SEK	NOK	DKK	BAM	USD	CHF	Total
Cash and cash equivalents	42,072	5,788	137,997	89,219	5,579	1,057	2,709	60,630	45,108	2,414	-	-	392,573
Trade receivables	540,027	13,315	1,107,214	663,507	176,400	190,770	17,927	363,956	169,781	90,059	119	338	3,333,413
Short-term financial investments	364	-	-	-	-	-	-	-	-	-	-	-	364
Long-term financial investments	-	-	-	-	-	-	-	63,578	-	-	-	-	63,578
Other receivables	252,547	7,199	61,401	126,338	30,903	42,101	143,101	108,951	13,503	61,854	-	-	847,898
<b>Total</b>	<b>835,010</b>	<b>26,302</b>	<b>1,306,612</b>	<b>879,064</b>	<b>212,882</b>	<b>233,928</b>	<b>163,737</b>	<b>597,115</b>	<b>228,392</b>	<b>154,327</b>	<b>119</b>	<b>338</b>	<b>4,637,826</b>
Operating liabilities	808,139	17,230	772,209	94,817	195,518	284,388	247,867	107,262	70,844	233,612	-	532	2,832,418
Long-term financial liabilities	133,000	-	166,272	-	-	-	-	60,113	-	-	-	-	359,385
Short-term financial liabilities	37,274	-	168,231	-	184	-	-	-	-	28,399	-	-	234,088
Other liabilities	156,258	3,336	44,507	70,581	24,618	1,197	94,446	345,554	79,211	24,711	-	-	844,419
<b>Total</b>	<b>1,134,671</b>	<b>20,566</b>	<b>1,151,219</b>	<b>165,398</b>	<b>220,320</b>	<b>285,585</b>	<b>342,313</b>	<b>512,929</b>	<b>150,055</b>	<b>286,722</b>	<b>-</b>	<b>532</b>	<b>4,270,310</b>
<b>Net foreign currency position as at 31 December 2017</b>	<b>(299,661)</b>	<b>5,736</b>	<b>155,393</b>	<b>713,666</b>	<b>(7,438)</b>	<b>(51,657)</b>	<b>(178,576)</b>	<b>84,186</b>	<b>78,337</b>	<b>(132,395)</b>	<b>119</b>	<b>(194)</b>	<b>367,516</b>



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The table below presents the Group's exposure to foreign currency risk as at 31 December 2016:

In thousands of RSD	RSD	ALL	EUR	HRK	MKD	BGN	SEK	NOK	DKK	BAM	USD	CHF	Total
Cash and cash equivalents	17,493	4,237	219,231	7,245	4,608	9,424	154,151	221,702	56,434	12,595	23,400	-	730,520
Trade receivables	311,174	16,128	824,060	713,446	158,265	165,151	236,031	494,046	122,177	78,397	554	31,469	3,150,898
Short-term financial investments	943	-	-	-	-	-	-	-	-	-	-	-	943
Long-term financial investments	926	-	29,830	-	-	-	-	30,815	-	-	-	-	61,571
Other receivables	87,424	6,276	51,597	137,078	41,323	17,032	32,447	272,481	34,757	69,270	-	-	749,685
<b>Total</b>	<b>417,960</b>	<b>26,641</b>	<b>1,124,718</b>	<b>857,769</b>	<b>204,196</b>	<b>191,607</b>	<b>422,629</b>	<b>1,019,044</b>	<b>213,368</b>	<b>160,262</b>	<b>23,954</b>	<b>31,469</b>	<b>4,693,617</b>
Operating liabilities	488,001	17,599	419,640	552,662	205,600	188,928	160,292	119,337	38,450	191,304	7,081	6,918	2,395,812
Long-term financial liabilities	-	-	131,393	-	-	-	-	81,557	-	-	-	-	212,950
Short-term financial liabilities	8,928	-	101,929	132,929	161	-	10,840	-	-	-	-	-	254,787
Other liabilities	233,455	5,316	88,363	102,440	32,908	41,297	274,222	137,364	106,418	29,942	-	-	1,051,725
<b>Total</b>	<b>730,384</b>	<b>22,915</b>	<b>741,325</b>	<b>788,031</b>	<b>238,669</b>	<b>230,225</b>	<b>445,354</b>	<b>338,258</b>	<b>144,868</b>	<b>221,246</b>	<b>7,081</b>	<b>6,918</b>	<b>3,915,274</b>
<b>Net foreign currency position as at 31 December 2016</b>	<b>(312,424)</b>	<b>3,726</b>	<b>383,393</b>	<b>69,738</b>	<b>(34,473)</b>	<b>(38,618)</b>	<b>(22,725)</b>	<b>680,786</b>	<b>68,500</b>	<b>(60,984)</b>	<b>16,873</b>	<b>24,551</b>	<b>778,343</b>



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### (b) Interest rate risk

The Group is exposed to various risks that affect its financial position and cash flows as the result of effects of fluctuations in market interest rates. The Group's operations are exposed to interest rate changes to the extent that interest bearing assets (including investments) and interest bearing liabilities mature at different times or in different amounts.

The table below presents the Group's exposure to interest rate fluctuations:

In thousands of RSD	2017	2016
Financial assets	63,578	61,571
Financial liabilities	(305,078)	(16,051)
<b>Total fixed interest rate instruments</b>	<b>(241,500)</b>	<b>45,520</b>
Financial assets	-	-
Financial liabilities	(228,284)	(370,120)
<b>Total variable interest rate instruments</b>	<b>(228,284)</b>	<b>(370,120)</b>

As at 31 December 2017 the Company is exposed to interest rate changes. Namely, total financial liabilities as at 31 December 2017 amount to RSD 533,362 thousand, the amount of RSD 228,284 thousand carried a variable interest rate.

As at 31 December 2016 financial liabilities amount to RSD 386,171 thousand, out of which RSD 370,120 thousand relates to financial liabilities with a variable interest rate.

### 4.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to finance assets with appropriate sources of financing in terms of maturities and rates, and the risk of impossibility of realizing an asset at a reasonable price in an appropriate timeframe.

The Group manages liquidity risk with the objective of ensuring available sources of financing for settling liabilities as they fall due. The Company continually assesses liquidity risk by identifying and monitoring changes in the sources of financing required for meeting the Group's business objectives, in accordance with the Company's business strategy.

The Group has access to various sources of financing. Funds are collected through:

- Short-term and long-term loans, and
- Cash contributions by owners.



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The table below presents the maturities of assets and liabilities according to the remaining time to maturity, as at 31 December 2017:

In thousands of RSD	Up to 3 months	3 months up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	392,573	-	-	-	392,573
Trade receivables	3,333,413	-	-	-	3,333,413
Short-term financial investments	-	364	-	-	364
Long-term financial investments	-	-	63,578	-	63,578
Other receivables	847,898	-	-	-	847,898
<b>Total</b>	<b>4,573,884</b>	<b>364</b>	<b>63,578</b>	-	<b>4,637,826</b>
Operating liabilities	2,832,418	-	-	-	2,832,418
Long-term financial liabilities	-	-	359,385	-	359,385
Short-term financial liabilities	59,127	174,961	-	-	234,088
Other liabilities	844,419	-	-	-	844,419
<b>Total</b>	<b>3,735,964</b>	<b>174,961</b>	<b>359,385</b>	-	<b>4,270,310</b>
<b>Liquidity gap as at 31 December 2017</b>	<b>837,920</b>	<b>(174,597)</b>	<b>(295,807)</b>	-	<b>367,516</b>

The table below presents the maturities of assets and liabilities according to the remaining time to maturity, as at 31 December 2016:

In thousands of RSD	Up to 3 months	3 months up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	730,520	-	-	-	730,520
Trade receivables	3,150,898	-	-	-	3,150,898
Short-term financial investments	-	943	-	-	943
Long-term financial investments	-	-	61,571	-	61,571
Other receivables	749,685	-	-	-	749,685
<b>Total</b>	<b>4,631,103</b>	<b>943</b>	<b>61,571</b>	-	<b>4,693,617</b>
Operating liabilities	2,395,812	-	-	-	2,395,812
Long-term financial liabilities	-	-	212,950	-	212,950
Short-term financial liabilities	-	254,787	-	-	254,787
Other liabilities	1,051,725	-	-	-	1,051,725
<b>Total</b>	<b>3,447,537</b>	<b>254,787</b>	<b>212,950</b>	-	<b>3,915,274</b>
<b>Liquidity gap as at 31 December 2016</b>	<b>1,183,566</b>	<b>(253,844)</b>	<b>(151,379)</b>	-	<b>778,343</b>



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### 4.3 Credit risk

Credit risk is the risk of occurrence of financial losses for the Group as the result of client or counterparty delays in settling contractual liabilities. Credit risk primarily arises from the Group's exposure in respect of cash and cash equivalents, deposits with banks and financial institutions, investments in securities, and outstanding receivables from companies and individuals, as well as from commitments.

The Group is exposed to credit risk with hedging of credit risk being provided by undertaking specific measures and activities at the level of the Group.

As at 31 December 2017 the Group holds cash and cash equivalents in the total amount of RSD 392,573 thousand (31 December 2016: RSD 730,520 thousand), which according to the management estimates represents the maximum amount of credit risk associated with these financial assets.

#### Trade receivables

The Group's maximum amount of credit risk exposure associated with trade receivables, by geographic regions, is provided in the table below:

In thousands of RSD	2017	2016
Trade receivables - domestic	540,027	311,174
Trade receivables - foreign	2,734,215	2,839,724
Other trade receivables	59,171	-
<b>Total</b>	<b>3,333,413</b>	<b>3,150,898</b>

#### Provision

The aging structure of trade receivables is provided in the table below:

In thousands of RSD	Gross 2017	Provision 2017	Gross 2016	Provision 2016
Unmatured receivables	2,627,799	-	2,447,798	-
Overdue 0 to 30 days	502,827	-	369,049	-
Overdue 31 to 90 days	126,264	-	187,689	-
Overdue 91 to 365 days	48,929	-	126,782	-
Overdue more than 365	118,614	(91,020)	116,677	(97,097)
<b>Total</b>	<b>3,424,433</b>	<b>(91,020)</b>	<b>3,247,995</b>	<b>(97,097)</b>



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Movements in trade receivables provisions are provided in the table below:

In thousands of RSD	2017	2016
Balance as at 1 January	97,097	88,349
Provisions made during the period	3,088	11,229
Made during business combination	-	799
Other	(9,110)	3,417
Amount of collected provisioned receivables	(55)	(6,697)
<b>Balance as at 31 December</b>	<b>91,020</b>	<b>97,097</b>

### 4.4 Capital risk management

The Group has opted for the financial concept of capital and its preservation according to which capital is defined in terms of nominal cash units.

The objective of capital management is that the Group has the ability to continue operating for an indefinite period of time into the foreseeable future in order to preserve optimal capital structure, with the objective of reducing costs of capital, while securing dividends to shareholders. In order to preserve or adjust capital structure, the Group can consider the following options: adjustment in the payment of dividends to shareholders, returning capital to shareholders, issuing of new shares or selling assets in order to reduce indebtedness.

The Company monitors capital based on the gearing ratio, which is calculated as the ratio between the Company's net net amount of loan liabilities and its total equity.

As at 31 December 2017 and 2016 the Company's gearing ratio was as follows:

In thousands of RSD	2017	2016
Liabilities-total (without equity)	4,616,620	4,282,177
<i>Less: Cash and cash equivalents</i>	<i>(392,573)</i>	<i>(730,520)</i>
Net indebtedness	4,224,047	3,551,657
<b>Total equity</b>	<b>457,318</b>	<b>912,170</b>
<b>Gearing ratio</b>	<b>9.24</b>	<b>3.89</b>

### 4.5 Fair value

It is Group policy to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot readily or reliably be determined in the absence of an active market. The Group's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.



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The fair value of financial assets stated at amortized cost is estimated by discounting future cash flows using the interest rate at which the Company could acquire long-term loans, and which corresponds to the effective interest rate. The Group holds that the reported amounts of receivables, after decreases for allowances for impairment, as well as the face value of operating liabilities, approximate their market value. The fair value of loan liabilities is estimated by discounting future cash flows using the current market interest rate available to the Group for similar financial instruments. Such fair value does not differ significantly from the value at which loan liabilities are reported in the Group's books. The Group's management holds that amounts disclosed in the accompanying financial statements reflect values that are the most accurate and useful under the given conditions for reporting purposes.

5 Business combinations

*Acquisition of subsidiaries in 2016*

Company	Transferred contribution in cash	Contingent contribution	Ownership interest	Country	Date
Brandson Oy	614	-	100%	Finland	12 May 2016
McCann Helsinki	8,476	-	100%	Finland	12 May 2016
MRM Stockholm AB	11,851	-	100%	Sweden	12 May 2016
McCann Stockholm	25,037	-	100%	Sweden	12 May 2016
McCann Copenhagen	11,453	-	100%	Denmark	12 May 2016
Brandlab AS	206,586	104,365	100%	Norway	16 Nov 2016
Craft Worldwide AS	20,849	-	100%	Norway	12 May 2016
McCann AS	24,787	-	100%	Norway	12 May 2016
Scandinavian Design Group Initiative Zagreb	19,519	-	100%	Norway	12 May 2016
	567	-	100%	Croatia	15 July 2016
<b>Total</b>	<b>329,739</b>				

An overview transferred contribution is provided in the table below:

Company	Country	Transferred contribution	Contingent and deferred contribution	Cash
Brandson Oy	Finland	614	-	614
McCann Helsinki	Finland	8,476	-	8,476
MRM Stockholm AB	Sweden	11,851	-	11,851
McCann Stockholm	Sweden	25,037	-	25,037
McCann Copenhagen	Denmark	11,453	-	11,453
Brandlab AS	Norway	206,586	104,365	102,221
Craft Worldwide AS	Norway	20,849	-	20,849
McCann AS	Norway	24,787	-	24,787
Scandinavian Design Group Initiative Zagreb	Norway	19,519	-	19,519
	Croatia	567	-	567



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*Deferred and contingent contribution*

The Group agreed payment to former owners of the acquired company Brandlab As for three years of additional contribution in the amount of RSD 81,566 (NOK 6,000,000) that is contingent upon achievement of financial objectives set out in the Share Purchase Agreement. As at 31 December 2017 the Group reported these liabilities under long-term liabilities in the amount of RSD 60,113 thousand (Note 32). The Company's management holds that the same amount is the fair value of contingent contribution as at 31 December 2017, therefore the discounting effects of this liability cannot have a materially significant impact on financial statements.

Besides the abovementioned, the Company, in respect of transferred contribution for acquisition of this company within the other short-term financial liabilities, stated deferred contribution in the amount of RSD 12,022 thousand that become due in the next year (31 December 2016: 22,799 thousand) (Note 35).

After acquisition (from 12 May 2016 until 31 December 2016), Nordic Group companies made a profit in the amount of RSD 3,818,949 and net loss in the amount of RSD 336,062 under comprehensive income. Had the said acquisition occurred on 1 January 2016 the consolidated income from regular operations of Nordic Group would have amounted to RSD 5,232,517 thousand, while net loss would have amounted to RSD 340,413 thousand.

After acquisition (from 16 November 2016 until 31 December 2016), Brandlab As, Norway made a profit in the amount of RSD 49,263 and net loss in the amount of RSD 26,586 under comprehensive income of the Group. Had the said acquisition occurred on 1 January 2016 the income of the subsidiary Brendlaba As Norway from regular operations would have amounted to RSD 297,968 thousand, while net loss would have amounted to RSD 25,558 thousand.

After acquisition (from 15 July 2016 until 31 December 2016), Initiative Zagreb made a profit in the amount of RSD 87,578 and net loss in the amount of RSD 1,937 under comprehensive income of the Group. Had the said acquisition occurred on 1 January 2016 the income from regular operations of the subsidiary Initiative Zagreb would have amounted to RSD 85,641 thousand, while net loss would have amounted to RSD 1,923 thousand.



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a) Identifiable acquired assets and commitments

Balance sheet item	Brandson Oy		McCann Helsinki		MIRM Stockholm AB		McCann Stockholm		McCann Copenhagen		Brandlab AS		Worldwide AS		Craft AS		McCann AS		Scandinavian Design Group		Initiative Zagreb		TOTAL
Property, plant and equipment (Note 20)	-	1,807	-	8,158	1,178	3,628	-	-	-	-	-	-	-	-	-	37,852	-	-	-	-	-	-	52,623
Intangible assets (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term financial investments	60,657	-	-	-	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,037
Trade receivables	6,359	23,129	18,728	245,609	56,414	57,854	60,126	213,541	148,463	18,959	148,463	327	191,461	18,959	18,959	7,489	3,030	27,832	87,039	27,832	28,640	-	845,376
Receivables from specific operations	985	15,418	3,417	-	6,470	954	528	14,899	148,463	18,959	148,463	327	191,461	18,959	18,959	7,489	3,030	27,832	87,039	27,832	28,640	-	845,376
Cash and cash equivalents	2,337	152	16,496	2,033	116,763	54,383	2,430	14,899	148,463	18,959	148,463	327	191,461	18,959	18,959	7,489	3,030	27,832	87,039	27,832	28,640	-	845,376
Value added tax	1,783	-	8,645	107	-	-	1,397	3,030	7,489	18,959	148,463	327	191,461	18,959	18,959	7,489	3,030	27,832	87,039	27,832	28,640	-	845,376
Prepayments and deferred expenses	1,649	29,173	12,674	121,107	134,392	7,551	31,584	87,039	27,832	28,640	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term liabilities	(1,902)	-	(1,809)	(2,671)	(90,127)	(1,908)	(6,745)	(21,061)	(55,327)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)	(181,550)
Other short-term liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances received, deposits and down payments	-	(14,978)	-	-	(28,709)	(7,007)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating liabilities	(1,618)	(8,075)	(13,097)	(29,917)	-	(5,927)	(49,364)	(107,586)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)
Liabilities for value added tax	(2,868)	-	(6,880)	-	-	(28,785)	977	(22,060)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)	(7,361)
Accrued liabilities	(1,393)	(15,420)	(34,461)	(215,612)	(139,168)	(12,285)	(31,565)	(64,803)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)	(680,421)
Deferred tax liabilities	-	-	-	-	-	-	(1,211)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total recognizable acquired net assets</b>	<b>65,989</b>	<b>(35,540)</b>	<b>3,713</b>	<b>128,814</b>	<b>45,903</b>	<b>48,814</b>	<b>8,157</b>	<b>176,172</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>172,506</b>	<b>614,855</b>



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b) Goodwill

Goodwill generated from the acquisition can be presented as follows:

Company	Country	Total transferred contribution	Fair value of recognizable acquired net assets	Gain on bargain purchase (Note 16)	Goodwill
Brandson Oy	Finland	614	65,989	(65,375)	-
McCann Helsinki	Finland	8,476	(35,540)	-	44,016
MRM Stockholm AB	Sweden	11,851	3,713	-	8,138
McCann Stockholm	Sweden	25,037	128,814	(103,777)	-
McCann Copenhagen	Denmark	11,453	45,903	(34,450)	-
Brandlab AS	Norway	206,586	48,814	-	157,772
Craft Worldwide AS	Norway	20,849	8,157	-	12,692
McCann AS	Norway	24,787	176,172	(151,386)	-
Scandinavian Design Group	Norway	19,519	172,506	(152,987)	-
Initiative Zagreb	Croatia	567	327	-	240
<b>Total</b>				<b>(507,975)</b>	<b>222,858</b>

Changes of Goodwill

In thousands of RSD	31 December 2017	31 December 2016
<b>Opening balance</b>	<b>162,828</b>	-
Acquisition through business combinations	-	222,858
Translation reserves	(18,809)	5,487
<b>Closing balance</b>	<b>144,019</b>	<b>228,345</b>
<b>Impairment expense</b>		
Opening balance	-	-
Impairment expense	-	65,517
<b>Closing balance</b>	-	<b>65,517</b>
<b>Carrying amount</b>		
Opening balance	162,828	-
<b>Closing balance</b>	<b>144,019</b>	<b>162,828</b>

In 2016 Group management performed goodwill impairment for the companies McCann Helsinki, MRM Stockholm AB and Craft Worldwide As in the amount of RSD 44,016 thousand, RSD 8,138 thousand and RSD 12,692 thousand, respectively, given that results of companies to which mentioned goodwill was attributed did not meet expectations.

Besides this, Group management performed impairment tests for remaining goodwill on the books attributed to the Company Brandlab AS as at 31 December 2017 and 31 December 2016. The recoverable amount was determined using the valuation method of comparable value. Calculations include net cash flows before tax based on five year projections. Cash flows after five years are calculated based on the assumption of continuing operation indefinitely into the future. Based on the impairment test results, Group management estimates that as at 31 December 2017 goodwill was not impaired.



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Key assumptions used in the discounted cash flow projection

2017

### Brandlab AS

Growth rate for indefinite period into the future	1.5%
WACC	13.72%

## 6 Sales of products and services

In thousands of RSD	2017	2016
Sales of products and services to legal entities – domestic	2,318,439	2,252,427
Sales of products and services to legal entities – foreign	11,812,044	9,432,963
<b>Total</b>	<b>14,130,483</b>	<b>11,685,390</b>

## 7 Other operating income

In thousands of RSD	2017	2016
Other operating income – domestic related parties (Note 38)	6,031	6,251
Rental income	10,278	8,316
Other operating income	58,385	49,990
<b>Total</b>	<b>74,694</b>	<b>64,557</b>

Other operating income relates mainly to income from recharged services.

## 8 Costs of materials, fuel and energy

In thousands of RSD	2017	2016
Other materials used	35,289	32,759
Fuel and energy used	20,123	17,345
<b>Total</b>	<b>55,412</b>	<b>50,104</b>



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### 9 Salaries, wages and other personal expenses

In thousands of RSD	2017	2016
Gross salaries and salary compensation	2,937,972	2,163,840
Taxes and contributions on salaries and salary compensation charged to employer	298,862	211,538
Fees for service contracts	39,079	39,961
Authorship contract fees	199,433	55,669
Fees for contracts on temporary and occasional work	4,310	2,434
Fees paid to private individuals based on other contracts	4,686	6,648
Other personnel expenses	280,933	195,229
<b>Total</b>	<b>3,765,275</b>	<b>2,675,319</b>

Other personal expenses mainly relate to the compensation for the food and transport of the employees.

### 10 Costs of production services

In thousands of RSD	2017	2016
Costs of production services and materials	9,466,426	8,106,400
Transportation	75,630	64,739
Maintenance costs	20,116	20,480
Rental expense	282,311	199,224
Fairs	2,592	1,566
Advertising and promotion	39,958	35,684
Research	44,458	44,028
Development costs which are not capitalized	1,495	-
Other services	16,908	25,350
<b>Total</b>	<b>9,949,894</b>	<b>8,497,471</b>

### 11 Depreciation/amortization cost

In thousands of RSD	2017	2016
Depreciation/amortization expense:		
- Intangible assets	6,802	7,160
- Plant and equipment	43,301	24,385
- Investment property	1,103	1,100
<b>Total costs of amortization</b>	<b>51,206</b>	<b>32,645</b>
<b>Provisions</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>51,206</b>	<b>32,645</b>



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### 12 Non-production costs

In thousands of RSD	2017	2016
Non-production services	309,178	298,204
Entertainment expense	47,239	46,096
Insurance premiums	11,639	3,831
Banking charges	15,455	15,264
Taxes	19,417	21,871
Contributions	-	5,080
Other non-production costs	209,499	175,706
<b>Total</b>	<b>612,427</b>	<b>566,052</b>

Other non-production costs in 2017 primarily relate to affiliation costs.

### 13 Financial income

In thousands of RSD	2017	2016
Interest income	9,335	3,756
Foreign exchange gains:		
- FX gains/losses	12,353	24,529
- Effects of foreign currency clause	9,050	134
<b>Total</b>	<b>30,738</b>	<b>28,419</b>

### 14 Financial expense

In thousands of RSD	2017	2016
Financial expenses from related party transactions		
- other legal entities	653	-
Interest expense	32,785	24,107
Foreign currency losses		
- FX gains/losses	36,178	12,579
- Effects of foreign currency clause	422	3,365
Other financial expenses	686	10,766
<b>Total</b>	<b>70,724</b>	<b>50,817</b>

### 15 Costs of adjustment in value of assets

In thousands of RSD	2017	2016
Impairment of goodwill (Note 5)	-	65,085
Impairment of receivables and short-term financial investments	3,088	11,229
<b>Total</b>	<b>3,088</b>	<b>76,316</b>



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16 Other income

In thousands of RSD	2017	2016
Gains on sale of intangible assets, property, plant and equipment	518	76
Gains on sale of equity investments and long-term securities	-	2,654
Collected written off receivables	55	6,697
Income from risk hedging effects	-	49
Income from reduction in liabilities	20,652	44,758
Income from reversal of long-term and short-term provisions	-	913
Income from correction of errors of previous periods which are not materially significant	-	3,242
Gain on bargain purchase (Note 5)	-	507,974
Other income	10,061	21,900
<b>Total</b>	<b>31,286</b>	<b>588,263</b>

17 Other expenses

In thousands of RSD	2017	2016
Losses on disposal and sale of intangible assets, property, plant and equipment	-	54
Costs of direct write-off of receivables	1,633	3,793
Costs of write-off of inventories of materials and goods	247	-
Costs of correction of errors of previous periods which are not materially significant	680	2,286
Costs of effects of change in accounting policy	-	-
Other expenses	21,011	25,258
<b>Total</b>	<b>23,571</b>	<b>31,391</b>



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18 Income tax

a) *Income tax components*

In thousands of RSD	2017	2016
Income tax expense for the period	25,447	24,851
Deferred tax expense / (income) of the period	6,059	(26,527)
<b>Total</b>	<b>31,506</b>	<b>(1,676)</b>

b) *Reconciliation in the amount of tax expense and the product of profit before tax and prescribed tax rate*

In thousands of RSD	2017	2016
Profit before tax	(264,396)	386,515
Tax calculated at statutory rate of 15%	(39,659)	57,977
Effects of tax rates in foreign jurisdictions	(15,169)	(21,276)
Disallowed tax expenses	80,560	18,117
Tax exempt revenues	(4,211)	(66,838)
Tax incentives	(16,153)	(3,084)
Use of tax loss for which tax assets were not previously recognized	(3,816)	(19,712)
Current year loss for which deferred tax assets were not recognized	29,954	42,903
<b>Total income tax</b>	<b>31,506</b>	<b>(1,676)</b>
<b>Effective tax rate</b>	<b>n/a</b>	<b>n/a</b>

c) *Deferred tax assets/liabilities*

Deferred tax assets/liabilities in 2017 in the amount of RSD 44,697 thousand occurred as the result of tax losses and long-term provisions. Deferred tax liabilities in the amount of RSD 1,740 thousand occurred as the result of the difference between the tax base of individual assets and liabilities and the amounts of such assets and liabilities reported in the balance sheet and long-term provisions.

In thousands of RSD	2017			2016		
	Assets	Liabilities and equity	Net	Assets	Liabilities and equity	Net
Depreciation of fixed assets	6,256	(1,017)	5,239	6	(893)	(887)
Tax losses	38,394	-	38,394	44,069	-	44,069
Long-term provisions	47	(723)	(676)	6,641	(807)	5,834
<b>Deferred tax asset/liability, net amount</b>	<b>44,697</b>	<b>(1,740)</b>	<b>42,957</b>	<b>50,716</b>	<b>(1,700)</b>	<b>49,016</b>

The Company did not recognize any deferred taxes within other comprehensive income/equity.



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d) *Unrecognized tax assets*

As at 31 December 2017 the Company did not recognize deferred tax assets which relate to tax credits in the amount of RSD 354,064 thousand, due to the uncertainty as to whether sufficient taxable profits will be available in future periods against which the carried forward tax credits and tax losses could be utilized. As at 31 December 2017 the Company does not have any tax credits for investments in fixed assets.

Carried forward tax losses which expire in subsequent years:

In thousands of RSD	Year of expiry	2017	2016
<b>Year of occurrence of tax loss</b>			
- 2012	2017	-	396
- 2013	2018	9,375	24,047
- 2014	2019	4,852	4,988
- 2015	2020	10,973	16,131
- 2016	2021	117,771	120,309
- 2017	2022	210,697	-
<b>Total</b>		<b>353,668</b>	<b>165,871</b>



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19 Intangible assets

Movements in intangible assets are presented in the table below:

In thousands of RSD	Patents, licenses and similar rights	Intangible assets under construction	Software	Total
<b>COST OR VALUATION</b>				
Balance as at 1 January 2016	13,793	-	29,782	43,575
Purchases	224	-	5,730	5,954
Acquired through business combination	-	-	-	-
Transfer from investments under construction	-	-	-	-
Sale	-	-	-	-
Differences in translation of foreign currency	-	-	-	-
<b>Balance as at 31 December 2016</b>	<b>14,017</b>	<b>-</b>	<b>35,512</b>	<b>49,529</b>
Opening balance adjustments	-	-	-	-
<b>Adjusted opening balance as at 1 January 2017</b>	<b>14,017</b>	<b>-</b>	<b>35,512</b>	<b>49,529</b>
Purchases	318	-	1,002	1,320
Transfer from investments under construction	-	-	-	-
Sale	-	-	-	-
Differences in translation of foreign currency	(593)	-	(530)	(1,123)
<b>Balance as at 31 December 2017</b>	<b>13,742</b>	<b>-</b>	<b>35,984</b>	<b>49,726</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance as at 1 January 2016	5,545	-	20,605	26,150
Depreciation for the current year	1,217	-	5,943	7,160
Acquired through business combination	-	-	-	-
Sale	-	-	-	-
Differences in translation of foreign currency	-	-	398	398
<b>Balance as at 31 December 2016</b>	<b>6,762</b>	<b>-</b>	<b>26,946</b>	<b>33,708</b>
Depreciation for the current year	421	-	6,381	6,802
Sale	-	-	-	-
Disposal	-	-	(2,626)	(2,626)
Differences in translation of foreign currency	(533)	-	(407)	(940)
<b>Balance as at 31 December 2017</b>	<b>6,650</b>	<b>-</b>	<b>30,294</b>	<b>36,944</b>
<b>Net book value as at 31 December 2016</b>	<b>7,255</b>	<b>-</b>	<b>8,566</b>	<b>15,821</b>
<b>Net book value as at 31 December 2017</b>	<b>7,092</b>	<b>-</b>	<b>5,690</b>	<b>12,782</b>



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### 20 Property, plant and equipment

In thousands of RSD	Equipment	Property, plant and equipment under construction	Leasehold improvements	Other fixed assets	Total
<b>COST OR VALUATION</b>					
<b>Balance as at 1 January 2016</b>	<b>102,134</b>	<b>237</b>	-	<b>2,217</b>	<b>104,588</b>
Additions during the year	37,057	5,476	108	321	42,962
Acquired through business combination (Note 5)	32,908	-	19,715	-	52,623
Transfers	-	-	-	-	-
Sales	(2,208)	-	-	(282)	(2,490)
Disposal	(1,286)	-	-	(78)	(1,364)
Differences in translation of foreign currency	776	-	1,466	-	2,242
<b>Balance as at 31 December 2016</b>	<b>169,381</b>	<b>5,713</b>	<b>21,289</b>	<b>2,178</b>	<b>198,561</b>
Additions during the year	64,513	-	5,779	152	70,444
Acquired through business combination (Note 5)	-	-	-	-	-
Transfers	4,875	(4,875)	-	-	-
Sales	(2,244)	-	-	-	(2,244)
Disposal	(2,324)	-	-	-	(2,324)
Differences in translation of foreign currency	8,502	-	(2,690)	(64)	5,748
<b>Balance as at 31 December 2017</b>	<b>242,703</b>	<b>838</b>	<b>24,378</b>	<b>2,266</b>	<b>270,185</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance as at 1 January 2016</b>	<b>66,929</b>	-	-	<b>1,097</b>	<b>68,026</b>
Opening balance adjustments	-	-	-	-	-
<b>Adjusted accumulated depreciation</b>	<b>66,929</b>	-	-	<b>1,097</b>	<b>68,026</b>
Amortization	20,053	-	3,909	423	24,385
Sales	(2,190)	-	-	(233)	(2,423)
Disposal	(1,286)	-	-	(80)	(1,366)
Differences in translation of foreign currency	(4,408)	-	-	-	(4,408)
<b>Balance as at 31 December 2016</b>	<b>79,098</b>	-	<b>3,909</b>	<b>1,207</b>	<b>84,214</b>
Depreciation for the current year	42,283	-	762	256	43,301
Sales	(1,636)	-	-	-	(1,636)
Disposal	(2,132)	-	-	-	(2,132)
Differences in translation of foreign currency	4,567	-	(64)	(48)	4,455
<b>Balance as at 31 December 2017</b>	<b>122,180</b>	-	<b>4,607</b>	<b>1,415</b>	<b>128,202</b>
<b>Net book value as at 31 December 2016</b>	<b>90,283</b>	<b>5,713</b>	<b>17,380</b>	<b>971</b>	<b>114,347</b>
<b>Net book value as at 31 December 2017</b>	<b>120,523</b>	<b>838</b>	<b>19,771</b>	<b>851</b>	<b>141,983</b>



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### 21 Investment property

Movements in investment property are presented in the table below:

In thousands of RSD	2017
<b>COST OR VALUATION</b>	
Balance as at 1 January 2016	44,031
Purchases during the year	-
<b>Balance as at 31 December 2016</b>	<b>44,031</b>
Purchases during the year	-
<b>Balance as at 31 December 2017</b>	<b>44,031</b>
<b>PROVISION</b>	
Balance as at 1 January 2016	(2,312)
Depreciation during the year	(1,100)
<b>Balance as at 31 December 2016</b>	<b>(3,412)</b>
Depreciation during the year	(1,103)
<b>Balance as at 31 December 2017</b>	<b>(4,515)</b>
<b>Net book value as at 31 December 2016</b>	<b>40,619</b>
<b>Net book value as at 31 December 2017</b>	<b>39,516</b>

As at 31 December 2017 the Company has a mortgage over investment properties in the amount of RSD 34,884 for loan taken from Banca Intesa (Note 35).

### 22 Long-term financial investments

In thousands of RSD	2017	2016
Long-term financial investments	604	927
Available-for-sale securities	295	307
Other long-term financial investments	62,881	60,878
Less: Allowance for impairment	(202)	(541)
<b>Balance as at 31 December</b>	<b>63,578</b>	<b>61,571</b>

On 12/31/2017 The Group has long-term receivables based on rental deposit in the amount of RSD 62,881 thousand (NOK 5,230 thousand).

### 23 Long-term receivables

In thousands of RSD	2017	2016
Other long-term receivables	8,979	301
<b>Balance as at 31 December</b>	<b>8,979</b>	<b>301</b>



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24 Advances given

In thousands of RSD	2017	2016
Advances given for services	44,136	116,101
<b>Balance as at 31 December</b>	<b>44,136</b>	<b>116,101</b>

25 Receivables

In thousands of RSD	2017	2016
<b>Trade receivables</b>		
Trade receivables - domestic		
- other related parties (Note 38)	671	630
- third parties	610,405	689,175
Trade receivables - foreign		
- other related parties (Note 38)	-	-
- third parties	2,754,187	2,512,733
Less: Allowance for impairment	(91,020)	(97,097)
Other trade receivables	59,170	45,457
<b>Balance as at 31 December</b>	<b>3,333,413</b>	<b>3,150,898</b>
<b>Other receivables</b>		
Interest receivables	1	11,732
Receivables for overpaid income tax	33,489	41,920
Receivables for refunded salary compensation	5,815	5,264
Receivables from employees	6,292	7,181
Receivables from government authorities and organizations	6	-
Receivables for overpaid taxes and contributions	3,846	3,726
Other short-term receivables	5,751	70,432
Allowance for impairment of other receivables	-	-
<b>Balance as at 31 December</b>	<b>55,200</b>	<b>140,255</b>

26 Short-term financial investments

In thousands of RSD	2017	2016
Short-term domestic loans and borrowings	-	569
Portion of long-term financial investments maturing within 1 year	285	297
Financial assets measured at fair value through profit and loss	79	77
<b>Balance as at 31 December</b>	<b>364</b>	<b>943</b>



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### 27 Cash and cash equivalents

In thousands of RSD	2017	2016
Current account	41,622	17,493
Special purpose cash funds	106,933	95,566
Foreign currency account	243,055	536,158
Foreign currency letters of credit	-	1,088
Cash in hand - foreign currency	845	7,023
Other cash funds	118	73,192
<b>Balance as at 31 December</b>	<b>392,573</b>	<b>730,520</b>

### 28 Value added tax

In thousands of RSD	2017	2016
Value added tax	130,411	99,978
<b>Balance as at 31 December</b>	<b>130,411</b>	<b>99,978</b>

### 29 Prepayments and deferred expenses

In thousands of RSD	2017	2016
Prepaid expenses	294,348	220,386
Uninvoiced income	366,802	281,440
Deferred expenses for liabilities	577	699
Other prepayments and deferred expenses	560	6,927
<b>Balance as at 31 December</b>	<b>662,287</b>	<b>509,452</b>

Prepaid expenses in the amount of RSD 294,348 thousand primarily relate to accrued expenses incurred in 2017 in providing services for projects for which conditions had not been met for income recognition.

Uninvoiced income in the amount of RSD 366,802 thousand primarily relates to recognized but not received credit notes from suppliers.

### 30 Base capital

The Group's share capital consists entirely of stakes. The sole owner of the Group is the private individual Srdjan Šaper (Owner) with a 100% ownership interest and voting rights.

In 2015 the Company restructured its ownership within the Group with the objective of placing all subsidiary companies under the ownership of a single parent company. The mentioned restructuring was carried out through the sale of stakes within the Group itself, as well as through contributions of stakes by Owner in the subsidiaries (Group members), as non-monetary capital in the Company itself, resulting in a basic capital increase in the Company by RSD 396,445 thousand.



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In view of the aforementioned, as well as the fact that subsidiaries, Group members, were under direct or indirect ownership of the same Owner, according to International Financial Reporting Standard 3 Business Combinations (IFRS 3), the above mentioned transactions do not constitute business combinations, as they are transactions under common control.

31 Long-term provisions

a) Structure of long term provisions

In thousands of RSD	2017	2016
Provisions for benefits compensation and other employee benefits	345	345
Provisions for costs of restructuring	-	20,832
Provisions for costs of court cases	-	-
<b>Balance as at 31 December</b>	<b>345</b>	<b>21,177</b>

In thousands of RSD	Employee benefits	Costs of restructuring	Costs of court cases	Total
<b>Balance as at 1 January 2016</b>	<b>345</b>	-	-	<b>345</b>
Acquired through business combination (Note 5)	-	20,832	-	20,832
Provisions during the year	-	-	-	-
Used provisions	-	-	-	-
Reversal of provisions	-	-	-	-
<b>Balance as at 31 December 2016</b>	<b>345</b>	<b>20,832</b>	-	<b>21,177</b>
Used provisions	-	(20,832)	-	(20,832)
Reversal of provisions	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>345</b>	-	-	<b>345</b>

32 Long-term financial liabilities

In thousands of RSD	2017	2016
Received borrowings from the owner (Note 38)	99,421	30,342
Long-term loans and borrowings- domestic	229,259	123,472
Long-term loans and borrowings- foreign	-	64
Finance leasing liabilities	622	1,040
Other long-term liabilities (Note 5)	72,135	104,355
<b>Total</b>	<b>401,437</b>	<b>259,273</b>
<i>Less: Current portions of long-term liabilities</i>		
- long-term loans and borrowings- domestic	(29,618)	(23,151)
- long-term loans and borrowings- foreign	-	-
- long-term financial lease liabilities	(412)	(373)
- other long-term liabilities	(12,022)	(22,799)
<b>Balance as at 31 December</b>	<b>359,385</b>	<b>212,950</b>



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Domestic long-term loans and borrowings in the amount of RSD 359,382 thousand relate to the loan liability toward Banka Intesa in the amount of EUR 1,000 thousand (balance as at 31 December RSD 96,259 thousand, of which the long-term portion of the liability amounts to RSD 66,641 thousand) which is due for repayment on 11 March 2021 and interest of three month EURIBOR plus 3.9% per annum, as well as a borrowing from the company Media Pool taken in 2017 for the total amount of RSD 133,000 thousand, with interest of 1% and repayment period of 2 years, and an owner's loan in the amount of RSD 99,421 thousand.

The said long-term loan from Banca Intesa is secured with mortgage on the Company's investment properties whose net book value as at 31 December 2017 amounts to RSD 34,884 thousand (Note 21).

As at 31 December 2017 other liabilities in the amount of RSD 72,135 thousand relate to long-term liabilities for contingent revenue, i.e. Acquisition of subsidiary Brandlab As, Norway (Note 5). The long-term portion of these liabilities (deferred revenues) amounts to RSD 12,022 thousand (Notes 35 and 5).

### 33 Short-term financial liabilities

In thousands of RSD	2017	2016
Current maturities:		
- long-term loans and borrowings	29,618	23,151
- financial leasing	412	373
- other long-term liabilities	-	-
Short-term loans and borrowings-related parties	-	-
Short-term domestic loans and borrowings	93,618	9,464
Short-term loans and borrowings- foreign	40,430	159,445
Other short-term financial liabilities	2,481	1,901
Received borrowings from the owner (Note 38)	67,529	60,453
<b>Balance as at 31 December</b>	<b>234,088</b>	<b>254,787</b>

As at 31 December 2017 the Group has short-term loans from banks in the amount of RSD 59,237 thousand with fixed interest rate in the amount of 1.85% p.a., a loan in the amount of RSD 28,399 thousand granted at fixed interest of 4.57% p.a., a loan in the amount of RSD 9,478 thousand with fixed interest of 7.5% p.a., a loan in the amount of RSD 2,369 thousand with fixed interest of 7.79% p.a., a loan in the amount of RSD 30,728 thousand with variable interest rate of six month Euribor plus 2.5% p.a., a loan in the amount of RSD 3,653 thousand with one month Belibor plus 1.5% p.a. and a loan in the amount of RSD 184 thousand. Short term borrowings from owners amount to RSD 67,529 thousand with interest of three month Euribor plus 2.5% p.a., while RSD 2,481 thousand relates to other short-term financial liabilities.

As at 31 December 2016 the Company has short-term loans from banks taken at fixed interest of 10% per annum in the amount of RSD 3,704 thousand, short-term loan taken at fixed interest of 8% in the amount of RSD 12,347 and a loan at variable interest of 3month EURIBOR + 3.75% per annum in the amount of RSD 132,929 thousand. Besides this, the Company also has a loan in the amount of RSD 8,928 thousand with a contractual interest in the amount of 1month EURIBOR + 3% per annum.



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### 34 Operating liabilities and advanced received

In thousands of RSD	2017	2016
<b>Advances received</b>	<b>26,943</b>	<b>30,347</b>
Trade payables – related parties:		
- other domestic related parties (Note 38)	34,306	31,585
Trade payables - domestic	727,764	771,875
Trade payables - foreign	2,039,840	1,591,363
Other operating liabilities	30,508	989
<b>Total operating liabilities</b>	<b>2,832,418</b>	<b>2,395,812</b>
<b>Balance as at 31 December</b>	<b>2,859,361</b>	<b>2,426,159</b>

### 35 Other short-term liabilities

In thousands of RSD	2017	2016
Liabilities for net salaries and salary compensation, except for refunded salary compensation	49,576	73,158
Liabilities for tax on salaries and salary compensation charged to employee	47,279	91,070
Liabilities for contributions on salaries and salary compensation charged to employee	29,533	40,346
Liabilities for taxes and contributions on salaries and salary compensation charged to employer	1,794	2,955
Liabilities for refunded net salary compensation	30	95
Liabilities for taxes and contributions on refunded salary compensation charged to employee	-	-
Liabilities for interest and financing costs	861	-
Liabilities for profit sharing	-	2,291
Other liabilities toward employees	54,437	36,275
Liabilities toward private individuals for contractual fees	4,056	3,024
Other liabilities	2,472	906
Deferred contribution (Note 5)	12,022	22,799
<b>Balance as at 31 December</b>	<b>202,060</b>	<b>272,919</b>

On 12/31/2017 The Company has liabilities in the amount of RSD 12,022 thousand for short-term portion of liabilities for deferred contribution for purchase of subsidiary Brandlab As, Norway (Note 5).



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### 36 Liabilities for other taxes and contributions

In thousands of RSD	2017	2016
Income tax liabilities	958	6,167
Liabilities for taxes charged to expenses	413	388
Other liabilities for taxes, contributions and other duties	5,489	2,397
<b>Balance as at 31 December</b>	<b>6,860</b>	<b>8,952</b>

### 37 Accruals

In thousands of RSD	2017	2016
Accrued expenses	495,674	604,236
Income collected in advance	316,322	315,384
Deferred income and received donations	2,738	6,785
Other accruals	-	10,494
<b>Balance as at 31 December</b>	<b>814,734</b>	<b>936,899</b>

Accrued expenses in the amount of RSD 495,674 thousand (2016: RSD 604,236 thousand) primarily relate to accumulated costs of received services, as well as provisions for discounts granted to customers in respect of services of rental of media time.

Accrued expenses in the amount of RSD 316,322 thousand (2016: RSD 315,384 thousand) relate to received amount for marketing services that were not performed.



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### 38 Related party transactions

In the ordinary course of business the Group has numerous transactions with related parties. The Group provides services to related parties and uses services provided by related parties. Transactions between the Group and its related parties are regulated by contract and are at market terms.

Related party transactions are presented in the table below:

In thousands of RSD	2017	2016
<b>Other operating income – other related parties</b>		
- Movens Plus Beograd (Note 7)	6,031	6,251
<b>Expenses – other related parties</b>		
- Movens Plus Beograd	124,013	-
- Srđan Šaper	653	-
<b>Trade receivables – other related parties</b>		
- Movens Plus Beograd (Note 25)	671	630
<b>Advances given</b>		
- Movens Plus Beograd	555	-
<b>Long-term financial liabilities</b>		
- Srđan Šaper (Note 32)	99,421	30,342
<b>Short-term financial liabilities</b>		
- Srđan Šaper (Note 33)	67,529	60,453
<b>Trade payables – other related parties</b>		
- Movens Plus Beograd (Note 34)	34,306	31,585
<b>Advances received</b>		
- Movens Plus Beograd	219	-

Key management personnel salaries and other remuneration in 2017 amounted to RSD 545,896 thousand (2016: RSD 258,338 thousand).

### 39 Reconciliation of receivables and payables

In accordance with article 18 of the Law on Accounting, the Company reconciled its receivables and payables with its debtors and creditors. The reconciliation of receivables and payables was performed with balances as at 31 December 2017 and 31 December 2016.

### 40 Contingent liabilities and contingent assets

#### a) Litigations

The District Attorney's Office in Zagreb initiated proceedings against the subsidiary company McCann Zagreb d.o.o. Based on best estimates, Group management holds that the contingent loss in respect of this court case will not exceed the maximum amount thereof which the seller McCann Zagreb d.o.o. accepted as a commitment, and which is specified in the Sale Purchase Agreement signed on 31 July 2015 between the Company as buyer and Interpublic Group Deutschland GmbH as seller.



TRANSLATION

I&F Grupa d.o.o.

*Notes to the Consolidated Financial Statements  
for the year ended 31 December 2017*

Besides the aforementioned court case, the Group is involved in a number of court cases in the ordinary course of business that relate to commercial and contractual issues, as well as issues that relate to labour relations, and that are resolved or considered in the ordinary course of business. The Group estimates the probability of outcomes of these issues, as well as relevant amounts or reasonable estimates of losses. Reasonable estimates include the use of judgment by management after considering information which includes notifications, settlements, assessments by the legal department, available facts, identification of potential responsible parties and their ability to contribute to a resolution, as well as previous experience. Provisions for court cases are formed when there is a probability that a liability exists and its amount can be reliably estimated after careful analysis. The required provision can change in the future due to new events or receipt of new information.

As at 31 December 2017 the Group is a respondent in a number of court cases. Contingent liabilities for claims filed against the Company according to management are not materially significant and therefore, as disclosed in Note 35 as at 31 December 2017 the Group did not make any provisions for contingent losses which could result from these claims.

**b) Sureties and guarantees**

As at 31 December 2017 the Company has not issued any sureties and guarantees.

**41 Undertaken commitments**

As at 31 December 2017 and 2016 the Company does not have any commitments undertaken.

**42 Subsequent events**

As at 16 July 2018 the I&F McCann Group changed its name into I&F Group.

As at 20 July 2018 McCann Zagreb purchased the agency Fahrenheit in which it acquired a 100% ownership interest.

Belgrade, 26 July 2018

Person responsible for preparing  
the financial statements

Legal Representative

L.S.

Verica Šegan  
*Head of Accounting*

Srdan Šaper  
*General Manager*



**I&F McCann Norway AS**

**Org nr: 916 148 100**

**Årsregnskap 2017**



## I&F McCann Norway AS

### Resultatregnskap (01.01.2017-31.12.2017)

Alle tall i NOK

	Note	2017	16.10.2015 - 31.12.2016
<b>DRIFTSKOSTNADER</b>			
Andre driftskostnader	6	319 773	43 166
Sum driftskostnader		<u>319 773</u>	<u>43 166</u>
<b>DRIFTSRESULTAT</b>			
		<b>-319 773</b>	<b>-43 166</b>
<b>FINANSINTEKTER OG KOSTNADER</b>			
Finansinntekter	7	729 067	2 076 915
Finanskostnader	7	476 997	66 045
Netto finansposter		<u>252 070</u>	<u>2 010 870</u>
<b>Ordinært resultat før skattekostnad</b>			
		<b>-67 703</b>	<b>1 967 704</b>
Skatt på ordinært resultat	5	-16 249	16 249
<b>Årsresultat</b>			
		<b><u>-51 454</u></b>	<b><u>1 951 454</u></b>
<b>Overføringer og disponeringer</b>			
Avsatt utbytte		0	1 900 000
Overført/Avsatt til annen egenkapital	1	-51 454	51 454
<b>Sum overføringer og disponeringer</b>		<b><u>-51 454</u></b>	<b><u>1 951 454</u></b>



## I&F McCann Norway AS

### Eiendeler 31.12

Alle tall i NOK

EIENDELER	Note	2017	2016
Utsatt skattefordel	5	0	0
<b>Sum immaterielle eiendeler</b>		<b>0</b>	<b>0</b>
Investeringer i datterselskap	3	90 000	90 000
Lån til selskap i samme konsern	8,9	4 178 828	4 478 785
<b>Sum finansielle anleggsmidler</b>		<b>4 268 828</b>	<b>4 568 785</b>
<b>SUM ANLEGGSMIDLER</b>		<b>4 268 828</b>	<b>4 568 785</b>
Kundefordringer		12 050	0
Fordringer på konsernselskaper	8	582 393	1 964 038
Andre fordringer	9	0	40 972
<b>Sum fordringer</b>		<b>594 443</b>	<b>2 005 010</b>
Bankinnskudd, kontanter o.l.	4	4 759	11 809
<b>SUM OMLØPSMIDLER</b>		<b>599 202</b>	<b>2 016 819</b>
<b>SUM EIENDELER</b>		<b>4 868 030</b>	<b>6 585 604</b>



## I&F McCann Norway AS

### Egenkapital og gjeld 31.12

Alle tall i NOK

EGENKAPITAL OG GJELD	Note	2017	2016
<b>EGENKAPITAL</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	1,2	30 000	30 000
Sum innskutt egenkapital		<u>30 000</u>	<u>30 000</u>
<b>Opptjent egenkapital</b>			
Annen egenkapital	1	0	51 454
Sum opptjent egenkapital		<u>0</u>	<u>51 454</u>
<b>SUM EGENKAPITAL</b>		<b>30 000</b>	<b>81 454</b>
<b>GJELD</b>			
Utsatt skatt	5	0	16 249
Gjeld til selskap i samme konsern	8,10	4 784 261	4 496 855
Sum langsiktig gjeld		<u>4 784 261</u>	<u>4 513 104</u>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		25 000	25 000
Kortsiktig gjeld til selskap i samme konsern	8	28 769	66 045
Avsatt utbytte		0	1 900 000
Sum kortsiktig gjeld		<u>53 769</u>	<u>1 991 045</u>
<b>SUM GJELD</b>		<b>4 838 030</b>	<b>6 504 149</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b><u>4 868 030</u></b>	<b><u>6 585 604</u></b>

Oslo, 27.juni 2018

Richard Branson Bonner-Davies  
Styreleder / Adm.dirigtor

Janne-Merethe Bjørnsen  
Styremedlem

Bjørn Sloreby  
Styremedlem



## Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak.

### Klassifisering og vurdering av balanseposter

Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Eiendeler som er tilknyttet varekretsløpet er klassifisert som omløpsmidler. Fordringer klassifiseres som omløpsmidler hvis de skal tilbakebetales i løpet av ett år etter utbetalingstidspunktet. For gjeld er analoge kriterier lagt til grunn.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost. Varige anleggsmidler som forringes i verdi avskrives lineært over forventet økonomisk levetid. Anleggsmidlene nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Langsiktig gjeld i norske kroner balanseføres til nominelt beløp på etableringstidspunktet.

### Investeringer i datterselskaper

Datterselskaper vurderes etter kostmetoden. Investeringene er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig. Det foretas nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk. Nedskrivninger blir reversert når grunnlaget for nedskrivning ikke lenger er til stede.

### Fordringer

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning for tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

### Skatt

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 23 % på grunnlag av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier, samt eventuelt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet.



## I&F McCann Norway AS

Noter til resultatregnskapet og balansen (alle tall i NOK)

### Note 1 Egenkapital

	Aksjekapital	Overkurs	Annen egenkapital	Sum
Egenkapital 01.01.17	30 000	0	51 454	81 454
Årets resultat	0	0	-51 454	-51 454
<b>Egenkapital 31.12.17</b>	<b>30 000</b>	<b>0</b>	<b>0</b>	<b>30 000</b>

### Note 2 Aksjekapital og aksjonærinformasjon

Aksjekapitalen består av:

	Antall	Pålydende	Bokført verdi
Aksjer	100	300	30 000

Alle aksjer er eid av morselskapet I&F McCann Nordic Ltd. Konsernregnskap utarbeides av I&F McCann Grupa. I&F McCann Grupa har forretningskontor i Terazije 7-9, Beograd, Serbia, hvor en kan få utlevert konsernregnskap der selskapet inngår.

### Note 3 Investeringer i datterselskap

	Forretningskontor	Eierandel/stemmeandel	Egenkapital 31.12.2017	Resultat 2017	Bokført verdi
<b>Datterselskap:</b>					
McCann AS	Oslo	100 %	1 000 000	-9 008 248	30 000
Scandinavian Design Group AS	Oslo	100 %	6 965 797	-2 442 778	30 000
Drive Oslo AS	Oslo	100 %	30 000	672 088	30 000

### Note 4 Bundne midler

Selskapet har ingen bundne midler



## I&F McCann Norway AS

Noter til resultatregnskapet og balansen (alle tall i NOK)

### Note 5 Skatt

	2 017	2 016
<b>Midlertidige forskjeller som inngår i grunnlaget for utsatt skatt/skattefordel</b>		
Langsiktige fordringer og gjeld i utenlandsk valuta	0	112 840
Netto midlertidige forskjeller	0	112 840
Underskudd og godførelse til fremføring	-556 070	-45 137
Grunnlag for utsatt skatt/skattefordel i balansen	-556 070	67 703
Utsatt skatt/skattefordel i balansen	-127 896	16 249
Ikke oppført utsatt skattefordel	127 896	0
<b>Utsatt skatt/skattefordel i regnskapet</b>	<b>0</b>	<b>16 249</b>
<b>Grunnlag for skattekostnad, endring i utsatt skatt og betalbar skatt</b>		
Resultat før skattekostnad	-67 703	1 967 704
Permanente forskjeller	-556 070	-1 900 000
Grunnlag for årets skattekostnad	-623 773	67 704
Endring i forskjeller som inngår i grunnlag for utsatt skatt/skattefordel	112 840	112 840
Endring i underskudd til fremføring	510 933	45 137
<b>Skattepliktig inntekt (grunnlag for betalbar skatt i balansen)</b>	<b>0</b>	<b>0</b>
<b>Fordeling av skattekostnaden</b>		
Betalbar skatt (24 % av grunnlag for betalbar skatt i resultatregnskapet)	0	0
Sum betalbar skatt	0	0
Endring i utsatt skatt/skattefordel	-16 249	16 926
Endring i utsatt skatt/skattefordel som følge av endret skattesats	0	-677
<b>Skattekostnad (24 % av grunnlag for årets skattekostnad)</b>	<b>-16 249</b>	<b>16 249</b>
<b>Betalbar skatt i balansen</b>		
Betalbar skatt i skattekostnaden	0	0
Skattevirkning av konsernbidrag, stiftelses-/emisjonskostnader	0	0
<b>Betalbar skatt i balansen</b>	<b>0</b>	<b>0</b>

Forklaring til hvorfor årets skattekostnad ikke utgjør 24 % av resultat før skatt:

Avstemming av årets skattekostnad	2017	2016
24 % skatt av resultat før skatt	-16 249	491 926
Permanente forskjeller (24 %)	-133 457	-475 000
Endring i utsatt skatt/skattefordel som følge av endret skattesats	0	-677
Endring som følge av ikke oppført utsatt skattefordel	133 457	0
<b>Beregnet skattekostnad</b>	<b>-16 249</b>	<b>16 249</b>

### Note 6 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte m.v.

Selskapet har ikke hatt noen ansatte i 2017, og det er derfor ikke nødvendig å etablere obligatorisk tjenestepensjon. Det er ikke blitt utbetalt noen honorar eller gitt lån eller sikkerhetsstillelser til fordel for til styremedlemmer.

<b>Kostnadsført godtgjørelse til revisor</b>	<b>2017</b>	<b>2016</b>
Løvpålagt revisjon	75 000	20 000
Skatterådgivning	154 500	0
<b>Sum godtgjørelse til revisor</b>	<b>229 500</b>	<b>20 000</b>



## I&F McCann Norway AS

Noter til resultatregnskapet og balansen (alle tall i NOK)

### Note 7 Spesifikasjon av finansinntekter og finanskostnader

Finansinntekter	2017	2016
Renteinntekter bank	16	37
Agiogevinst	0	112 840
Renteinntekter konsern	172 981	64 038
Mottatt utbytte	0	1 900 000
Mottatt konsernbidrag	556 070	0
<b>Sum finansinntekter</b>	<b>729 067</b>	<b>2 076 915</b>
<b>Finanskostnader</b>	<b>2017</b>	<b>2016</b>
Rentekostnader konsern	109 382	66 045
Annen rentekostnad	252	0
Agiotap	367 363	0
<b>Sum finanskostnader</b>	<b>476 997</b>	<b>66 045</b>

### Note 8 Mellomværende med selskap i samme konsern m.v.:

	2017	2016
<i>Eiendeler</i>		
Lån til selskap i samme konsern	4 178 828	4 478 785
Fordringer på konsernselskaper	26 323	64 038
Utbytte	0	1 900 000
Mottatt konsernbidrag	556 070	0
<i>Gjeld</i>		
Langsiktig gjeld	4 784 261	4 496 855
Kortsiktig gjeld	28 769	66 045
Avsatt utbytte	0	1 900 000

### Note 9 Andre fordringer

Alle fordringer forfaller tidligere enn ett år etter regnskapsårets slutt.

### Note 10 Annen kortsiktig gjeld

Selskapet har ingen gjeld som forfaller senere enn fem år etter regnskapsårets slutt.



## ÅRSBERETNING 2017 I&F McCann Norway AS

### VIRKSOMHETENS ART

I&F McCann Norway AS er morselskapet for McCann / Scandinavian Design Group / Drive Oslo, alle med kontorer i Oslo. Gruppen er et integrert kommunikasjonshus, hvor man enten direkte eller via samarbeidspartnere kan levere helhetlig kommunikasjonstjenester for kunder.

I&F McCann Norway AS er holdingselskap for I&F Grupa sine tjenester i Norge. Pr 31.12.2017 bestod gruppen av følgende juridiske enheter:

- McCann AS
- Scandinavian Design Group AS
- Drive Oslo AS
- Craft Worldwide AS

I&F McCann Norway AS er 100% eiet av I&F Nordics Ltd på Kypros, som igjen er eiet av I&F Grupa i Beograd.

### FORTSATT DRIFT

Årsregnskapet er avlagt under forutsetning om fortsatt drift. Til grunn for antagelsen ligger årsresultat 2017, resultatprognoser for 2018 og selskapets langsiktige strategiske planer for årene fremover.

Styret har i henhold til aksjeloven §3-4 vurdert om selskapet har en forsvarlig egenkapital og likviditet. Likviditeten for 2018 vil i perioder være presset, men styret bekrefter at eierne har signert på et letter of support som bevis for at gruppen vil tilføre selskapet nødvendig likviditet ved behov. Styret vurderer at selskapet har en egenkapital som er forsvarlig ut fra risikoen ved og omfanget av virksomheten i selskapet. Selskapet egenkapital var positiv pr 31.12.2017.

### FORETAKETS UTSIKTER

I&F McCann Norway AS fungerer som eierselskap for de underliggende døtrene, og har således ingen annen operasjonell drift. Iløpet av 2017 er det gjennomført flere fusjoner for å forenkle selskapsstrukturen i tillegg til fusjon mellom Scandinavian Design Group AS og Brandlab AS.

Det har vært gjennomført en restrukturering i datterselskapet McCann AS som følge av en nødvendig kostnadstilpasning etter reduksjon i forventet omsetning. Reduksjon i omsetningen var et resultat av både tap av noen kunder samt reduksjon hos eksisterende kunder.

Styret er fornøyd med utviklingen hos både Scandinavian Design Group AS og Drive Oslo AS, og mener nå at McCann AS er bedre rigget for fremtidig utvikling etter restruktureringen i 2017.



Gruppens selskaper preges i stor grad av konkurranse både i forhold til kunder og ansatte, og det er alltid usikkerhet knyttet til vurdering av fremtidige forhold.

## **YTRE MILJØ**

Virksomhetens bransje medfører verken forurensning eller utslipp som kan være til skade for det ytre miljø.

Selskapet er sertifisert som en Miljøfyrtårn bedrift.

## **LIKESTILLING**

Det er ingen ansatte i selskapet. Styrets medlemmer består av 2 menn og 1 kvinne.

Gruppen har per 31.12.2017 111 ansatte, hvorav 63 er kvinner og 48 er menn. For å fremme likestilling og for å forhindre forskjellsbehandling mellom kjønnene prøver selskapet å utjevne dagens forskjeller gjennom rekruttering, kursing og karriereplanlegging.

## **RESULTAT, INVESTERINGER, FINANSIERING OG LIKVIDITET**

Årsresultatet ble negativt med NOK -51.454 i 2017 mot et positivt resultat på NOK 1.951.454 i 2016.

Selskapets likviditetsbeholdning pr 31.12.17 var på NOK 4.759. Selskapets evne til egenfinansiering er sikret ved at eierne har utstedt et letter of support som bekrefter at selskapet har nødvendig tilgang til kapital ved behov.

Selskapets gjeld er i sin vesentlighet knyttet til varekretsløpet i gruppen.

Det er ikke inntrådt forhold etter regnskapsårets slutt som er av betydning for bedømmelsen av regnskapet.

## **FINANSIELL RISIKO**

### *Markedsrisiko*

Selskapet er begrenset eksponert for endringer i valutakurser da alle selskapets inntekter i det alt vesentlige er i norske kroner. Dette er en bevisst strategi for å unngå tap på valuta da marginene på driften er forholdsvis lave.

Selskapet er lite eksponert mot endringer i rentenivået, da selskapets gjeld i all vesentlighet er knyttet til leverandør og konsernselskaper.

### *Kredittrisiko*

Risiko for at motparter ikke har økonomisk evne til å oppfylle sine forpliktelser anses moderat, da det historisk sett har vært lite tap på fordringer. Det er inngått fakturakjøp avtale med finansieringsinstitusjon i 2017 som minimerer kredittrisikoen i selskapet.

### *Likviditetsrisiko*

Selskapet har ikke driftsinntekter slik at driftskostnader dekkes inn gjennom tilførsel av kapital fra gruppen gjennom konsernbidrag eller utbytte.

Selskapet jobber for å opprettholde og/eller forbedre betalingsbetingelsene hos sine leverandører.



**ÅRSRESULTAT OG DISPONERING AV OVERSKUDD**

Styret foreslår følgende disponering av underskuddet i I&F McCann Norway AS:

Årets underskudd	- 51 454
<u>Overført til annen egenkapital</u>	<u>- 51 454</u>
<u>Sum disponert</u>	<u>- 51 454</u>

Oslo, 27. juni 2018

Richard Branson Bonner-Davies  
Styreleder

Bjørn Storeby  
Styremedlem

Janne-Merethe Bjørnsen  
Styremedlem



Til generalforsamlingen i I&F McCann Norway AS

## *Uavhengig revisors beretning*

### *Uttalelse om revisjonen av årsregnskapet*

#### *Konklusjon*

Vi har revidert I&F McCann Norway AS' årsregnskap som viser et underskudd på kr 51 454. Årsregnskapet består av balanse per 31. desember 2017, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2017, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

#### *Grunnlag for konklusjonen*

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

#### *Øvrig informasjon*

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

#### *Styrets og daglig leders ansvar for årsregnskapet*

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Uavhengig revisors beretning - I&F McCann Norway AS

for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

### *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

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Uavhengig revisors beretning - I&F McCann Norway AS

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

### *Uttalelse om øvrige lovmessige krav*

#### *Konklusjon om årsberetningen*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til dekning av tap er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

#### *Konklusjon om registrering og dokumentasjon*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringskikk i Norge.

Oslo, 27. juni 2018  
**PricewaterhouseCoopers AS**

Hallvard Helgetun  
Statsautorisert revisor