



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018
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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-Merethe Bjørnsen
Dato for fastsettelse av årsregnskapet:	16.05.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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	2018	2017
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	6, 11	427 155	319 773
Sum kostnader		427 155	319 773
Driftsresultat		-427 155	-319 773
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	7	575 219	729 067
Sum finansinntekter		575 219	729 067
Annen finanskostnad	7	148 063	476 998
Sum finanskostnader		148 063	476 998
Netto finans		427 155	252 070
Ordinært resultat før skattekostnad		1	-67 703
Skattekostnad på ordinært resultat	5		-16 249
Ordinært resultat etter skattekostnad		1	-51 454
Årsresultat		0	-51 454
Årsresultat etter minoritetsinteresser			-51 454
Totalresultat			-51 454
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital			-51 454
Sum overføringer og disponeringer	1		-51 454



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	90 000	90 000
Lån til foretak i samme konsern	8, 9	4 178 828	4 178 828
Sum finansielle anleggsmidler		4 268 828	4 268 828
Sum anleggsmidler		4 268 828	4 268 828
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		22 063	12 050
Andre fordringer	9		
Konsernfordringer	8	601 502	582 393
Sum fordringer		623 565	594 443
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	108 801	4 759
Sum bankinnskudd, kontanter og lignende		108 801	4 759
Sum omløpsmidler		732 366	599 202
SUM EIENDELER		5 001 194	4 868 030
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	1, 2	30 000	30 000
Sum innskutt egenkapital		30 000	30 000



Balanse

Beløp i: NOK	Note	2018	2017
Annen egenkapital	1		
Sum egenkapital		30 000	30 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8, 10	4 613 368	4 784 261
Sum annen langsiktig gjeld		4 613 368	4 784 261
Sum langsiktig gjeld		4 613 368	4 784 261
Kortsiktig gjeld			
Leverandørgjeld		165 813	25 000
Betalbar skatt	5		
Annen kortsiktig gjeld	8	192 013	28 769
Sum kortsiktig gjeld		357 826	53 769
Sum gjeld		4 971 194	4 838 030
SUM EGENKAPITAL OG GJELD		5 001 194	4 868 030



ÅRSBERETNING 2018 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 31.12.2018 bestod gruppen av følgende juridiske enheter:

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

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

FORTSATT DRIFT

Årsregnskapet er avlagt under forutsetning om fortsatt drift. Til grunn for antagelsen ligger årsresultat 2018, resultatprognoser for 2019 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 2019 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. Selskapets egenkapital var positiv pr 31.12.2018.

FORETAKETS UTSIKTER

I&F McCann Norway AS fungerer som eierselskap for de underliggende døtrene, og har således ingen annen operasjonell drift.

Det ble tydeliggjort iløpet av høsten 2018 at det var nødvendig med en styrking av gruppens posisjon. Det ble derfor besluttet i februar 2019 å fusjonere datterselskapene Drive McCann AS og DRIVE Oslo AS for å best mulig dra nytte av kompetanse og posisjon for å bli en større og betydeligere aktør i markedet. Det er et tydelig tegn i markedet og blant konkurrenter å konsolidere virksomhetsområder til større aktører for å møte den fremtidige utviklingen og krav. Det nye fusjonerte selskapet har fått navnet Drive McCann AS.

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

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.

LIKESTILLING

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

Gruppen har per 31.12.2018 118 ansatte, hvorav 65 er kvinner og 53 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 null i 2018 mot et negativt resultat på NOK -51.454 i 2017.

Selskapets likviditetsbeholdning pr 31.12.18 var på NOK 108.801. 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

Årsresultatet for 2018 var null, slik at det ikke var noen resultat å disponere for styret.

Oslo, ^{16/5}..... 2019

Bjørn Storeby
Styremedlem

Janne-Merethe Bjørnsen
Styremedlem

Richard Branson Bonner-Davies
Styreleder



Årsregnskap 2018 I&f Mccann Norway AS

Resultatregnskap
Balanse
Kontantstrøm
Noter til regnskapet

Org.nr.: 916 148 100



Resultatregnskap

I&f Mccann Norway AS

Driftsinntekter og driftskostnader	Note	2018	2017
Annen driftskostnad	6, 11	427 155	319 773
Sum driftskostnader		427 155	319 773
Driftsresultat		-427 155	-319 773
Finansinntekter og finanskostnader			
Finansinntekter	7	575 219	729 067
Finanskostnader	7	148 063	476 998
Annen finanskostnad		1	0
Resultat av finansposter		427 155	252 070
Ordinært resultat før skattekostnad		0	-67 703
Skattekostnad på ordinært resultat	5	0	-16 249
Ordinært resultat		0	-51 454
Årsresultat		0	-51 454
Overføringer			
Avsatt til utbytte		0	0
Avsatt til annen egenkapital		0	-51 454
Sum overføringer	1	0	-51 454



Balanse

I&f Mccann Norway AS

Eiendeler	Note	2018	2017
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investeringer i datterselskap	3	90 000	90 000
Lån til foretak i samme konsern	8, 9	4 178 828	4 178 828
Sum finansielle anleggsmidler		4 268 828	4 268 828
Sum anleggsmidler		4 268 828	4 268 828
Omløpsmidler			
Fordringer			
Kundefordringer		22 063	12 050
Fordringer på konsernselskaper	8	601 502	582 393
Sum fordringer		623 565	594 443
Bankinnskudd, kontanter o.l.	4	108 801	4 759
Sum omløpsmidler		732 366	599 202
Sum eiendeler		5 001 194	4 868 030



Balanse

I&f Mccann Norway AS

Egenkapital og gjeld	Note	2018	2017
Egenkapital			
Innskutt egenkapital			
Aksjekapital	1, 2	30 000	30 000
Sum innskutt egenkapital		30 000	30 000
Opptjent egenkapital			
Sum egenkapital		30 000	30 000
Gjeld			
Annen langsiktig gjeld			
Gjeld til selskap i samme konsern	8, 10	4 613 368	4 784 261
Sum annen langsiktig gjeld		4 613 368	4 784 261
Kortsiktig gjeld			
Leverandørgjeld		165 813	25 000
Kortsiktig gjeld til selskap i samme konsern	8	192 013	28 769
Sum kortsiktig gjeld		357 826	53 769
Sum gjeld		4 971 194	4 838 030
Sum egenkapital og gjeld		5 001 194	4 868 030

16.05.2019

Styret i I&f Mccann Norway AS

Richard Branson Bonner-Davies
styreleder/daglig leder

Janne-Merethe Bjørnsen
styremedlem

Bjørn Støreby
styremedlem



Indirekte kontantstrøm

I&f Mccann Norway AS

	Note	2018	2017
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		0	-67 703
Endring i kundefordringer		-10 013	12 050
Endring i leverandørgjeld		140 813	0
Endring i andre tidsavgrensingsposter		-19 109	16 871
Netto kontantstrøm fra operasjonelle aktiviteter		111 691	-38 782
Kontantstrømmer fra finansieringsaktiviteter			
Endring på lånefordringer konsern		0	1 681 602
Endring på gjeld konsern		-7 649	250 130
Utbetalinger av utbytte		0	-1 900 000
Netto kontantstrøm fra finansieringsaktiviteter		-7 649	31 732
Netto endring i kontanter og kontantekvivalenter		104 042	-7 050
Beh. av kont. og kontantekvivalenter ved per. begynnel:		4 759	11 809
Beh. av kont. og kontantekvivalenter ved per. slutt		108 801	4 758



Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens alminnelige regler.

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 22 % 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.

Valuta

Pengeposter i utenlandsk valuta er vurdert etter kursen ved regnskapsårets slutt. Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden.

Kontantstrømoppstilling

Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer som umiddelbart og med uvesentlig kursrisiko kan konverteres til kjente kontantbeløp og med forfallsdato kortere enn tre måneder fra anskaffelsesdato.



Note 1 Egenkapital

	Aksjekapital	Overkurs	Annen EK	Sum
Pr 01.01.2018	30 000	0	0	30 000
Årets resultat		0	0	0
Pr 31.12.2018	30 000	0	0	30 000

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 Nordic Ltd.

Konsernregnskap utarbeides av I&F Grupa d.o.o. I&F Grupa d.o.o har forretningskontor i Terazije 7-9, Beograd, Serbia, hvor en kan få utlevert konsernregnskap der selskapet inngår.

Note 3 Investering i datterselskap

	Forretnings- kontor	Eierandel/ stemme -andel	Egenkapital 31.12.2018	Resultat 2018	Bokført verdi
Datterselskap:					
Drive McCann AS	Oslo	100 %	1 832 110	-2 719 128	30 000
Scandinavian Design Group AS	Oslo	100 %	5 822 736	-390 421	30 000
Drive Oslo AS	Oslo	100 %	203 108	3 338 908	30 000

Note 4 Bundne midler

Selskapet har ingen bundne midler.



Note 5 Skatt

Årets skattekostnad	2018	2017
Resultatført skatt på ordinært resultat:		
Betalbar skatt	0	0
Endring i utsatt skattefordel	0	-16 249
Skattekostnad ordinært resultat	0	-16 249
Skattepliktig inntekt:		
Ordinært resultat før skatt	0	-67 703
Permanente forskjeller	-476 885	-556 070
Endring i midlertidige forskjeller	0	112 840
Mottatt konsernbidrag	476 885	0
Skattepliktig inntekt	0	-510 933
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	-109 684	0
Betalbar skatt på mottatt konsernbidrag	109 684	0
Sum betalbar skatt i balansen	0	0

Skatteeffekten av midlertidige forskjeller og underskudd til fremføring som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller:

	2018	2017	Endring
Akkumulert fremførbart underskudd	-556 070	-556 070	0
Inngår ikke i beregningen av utsatt skatt	556 070	556 070	0
Grunnlag for beregning av utsatt skatt	0	0	0
Utsatt skattefordel (22 % / 23 %)	0	0	0
Effekt av endring av skattesats			

I henhold til god regnskapsskikk balanseføres ikke utsatt skattefordel.



Note 6 Lønnskostnader, antall ansatte, godtgjørelser m.v.

Selskapet har ikke hatt noen ansatte i 2018, 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 styremedlemmer.

Kostnadsført godtgjørelse til revisor eks mva fordeler seg slik:

	2018	2017
Lovpålagt revisjon	87 500	75 000
Andre tjenester	49 754	154 500
Sum godtgjørelse til revisor	137 254	229 500

Note 7 Spesifikasjon av finansinntekter og finanskostnader

Finansinntekter	2018	2017
Renteinntekter i bank	40	16
Renteinntekter konsern	98 294	172 981
Mottatt konsernbidrag	476 885	556 070
Sum finansinntekter	575 219	729 067

Finanskostnader	2018	2017
Rentekostnad intercompany	98 294	109 382
Annen rentekostnad	276	252
Annen finanskostnad	140	0
Valutatap (disagio)	49 353	367 363
Sum finanskostnader	148 063	476 998

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

Eiendeler	2018	2017
Lån til selskap i samme konsern	4 178 828	4 178 828
Fordringer på konsernselskaper	124 617	26 323
Utbytte	0	0
Mottatt konsernbidrag	476 885	556 070
Sum	4 780 330	4 761 221

Gjeld	2018	2017
Langsiktig gjeld	4 613 368	4 784 261
Kortsiktig gjeld	127 063	28 769
Sum	4 740 431	4 813 030

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 regnskapsåret slutt.



Note 11 Andre driftskostnader

Andre driftskostnader består i hovedsak av honorarer og bankomkostninger.

	2018	2017
Honorarer	427 079	286 875
Bankomkostninger	76	32 898
Sum andre driftskostnader	427 155	319 773



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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 overskudd på kr 0. Årsregnskapet består av balanse per 31. desember 2018, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger 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 rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, 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 omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende 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 rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for

Offiserer

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statautoriserte revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Ålesund	Frimo	Molde	Strømsund
Arendal	Hamar	Ski	Tromsø
Bergen	Haugesund	Sandnessjøen	Tvedestrand
Bodø	Kjevik	Sandnessjøen	Tynset
Drammen	Kristiansund	Sløvanger	Ålesund



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 modifierer 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.

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 andre 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 resultatdisponering 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 bokføringsskikk i Norge.

Oslo, 21. mai 2019
KPMG

Karianne Fønstelién Vintervoll
Statsautorisert revisor



Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	21.12.2016	03.04.2017
Telefon	Deres referanse	Vår referanse
90076012	Jan Otto Trulsen	2016/1242693

I&F MCCANN NORWAY AS
Postboks 1384 Vika
0114 OSLO

Fritak fra konsernregnskapsplikt - I&F McCann Norway AS, org. nr. 916 148 100

Vi viser til deres brev av 21. desember 2016, hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for I&F McCann Norway AS. Vi beklager den lange saksbehandlingstiden.

I&F McCann Norway AS eies av det kypriotiske selskapet I&F Nordics Ltd (348841), som igjen eies av det serbiske selskapet I&F McCann Group (20467096). I&F McCann Group vil innen 30. juni påfølgende år utarbeide konsernregnskap, hvor alle norske selskaper inngår, og hvor konsernregnskapet vil utarbeides basert på regnskapslovgivningen i Serbia (serbisk GAAP). Språket i konsernregnskapet er engelsk

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for I&F McCann Norway AS. Det forutsettes at I&F McCann Group utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med serbisk GAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60



I&F GRUPA D.O.O. BEOGRAD

**Consolidated Financial Statements
for the year ended 31 December 2018
with Independent Auditor's Report thereon**



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Kraljice Natalije 11
11000 Belgrade
Serbia

Tel.: +381 (0)11 20 50 500
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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 and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2018, and 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 to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with accounting regulations effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing of the Republic of Serbia and auditing standards applicable 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 the auditor's 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 the auditor considers internal control relevant to the entity's 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



TRANSLATION

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia.

Belgrade, 26 July 2019

KPMG d.o.o. Beograd

(L.S.)

Vladimir Savkovic
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, 26 July 2019

KPMG d.o.o. Belgrade



Vladimir Savkovic
Vladimir Savkovic
Certified Auditor



I&F GRUPA D.O.O. BEOGRAD

**Consolidated Financial Statements
for the year ended 31 December 2018**



I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
WITH INDEPENDENT AUDITOR'S REPORT THEREON

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I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED INCOME STATEMENT For the year ended 31 December 2018

In thousands of RSD	Note	2018	2017
Sales of products and services	6	13,725,137	14,130,483
Other operating income	7	200,053	74,694
Operating income		13,925,190	14,205,177
Costs of materials	8	(24,776)	(35,289)
Fuel and energy	8	(18,646)	(20,123)
Salaries, wages and other personal expenses	9	(3,332,582)	(3,765,275)
Production services	10	(9,899,180)	(9,949,894)
Depreciation/amortization expense	11	(42,702)	(51,206)
Non-production costs	12	(458,385)	(612,427)
Operating expenses		(13,776,271)	(14,434,214)
Operating profit/loss		148,919	(229,037)
Financial income	13	36,810	30,738
Financial expenses	14	(72,310)	(70,724)
Financing losses		(35,500)	(39,986)
Income from valuation adjustments of other assets that are measured at fair value through profit and loss		2	-
Costs of valuation adjustments of other assets that are measured at fair value through profit and loss	15	(14,862)	(3,088)
Other income	16	73,475	31,286
Other expenses	17	(139,106)	(23,571)
Profit/(loss) before tax		32,928	(264,396)
Income tax	18	5,488	(31,056)
Income tax expense for the period	18	(32,689)	(25,447)
Deferred tax expense / (income) of the period	18	38,177	(6,059)
Net profit/(loss)		38,416	(295,902)



I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

In thousands of RSD	Note	2018	2017
Net profit attributable to the minority interests		1,080	3,607
Net profit/(loss) attributable to the majority owner		37,336	(299,509)



I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

NET RESULT FROM OPERATING ACTIVITIES

Net profit/(loss)	38,416	(295,902)
-------------------	--------	-----------

OTHER COMPREHENSIVE INCOME OR
LOSS

*Items that can be reclassified subsequently in
the Income Statement in future periods*

Gains or losses on translation of financial statement of foreign operations	(34,476)	(58,522)
--	----------	----------

Net comprehensive income/(loss)	3,940	(354,424)
---------------------------------	-------	-----------

Net comprehensive income /(loss) attributable
to:

Owners of parent company	2,860	(358,031)
Minority interests	1,080	3,607

Total net comprehensive income / (loss)	3,940	(354,424)
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I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED BALANCE SHEET As at 31 December 2018

In thousands of RSD	Note	2018	2017
ASSETS:			
Fixed assets			
Intangible assets	19	192,041	12,782
Goodwill	5	149,086	144,019
Property, plant and equipment	20	123,061	141,983
Investment property	21	38,415	39,516
Short term financial placements	22	62,659	63,578
Long term receivables	23	9,125	8,979
		574,387	410,857
Deferred tax assets	18	57,825	44,697
Current assets			
Advances paid for inventories and services	24	61,224	44,136
Trade receivables	25	3,475,516	3,333,413
Receivables from specific operations	25	15,915	21,711
Receivables for overpaid income tax	25	43,297	33,489
Short-term financial investments	26	955	364
Cash and cash equivalents	27	661,662	392,573
Value added tax	28	161,224	130,411
Prepayments and deferred expenses	29	756,109	662,287
		5,175,902	4,618,384
TOTAL ASSETS		5,808,114	5,073,938



I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED BALANCE SHEET As at 31 December 2018

In thousands of RSD	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Base capital	30	396,485	396,485
Translation reserves from translation of financial statements of foreign operation		(68,294)	(33,818)
Retained earnings of current year		37,336	(299,509)
Retained earnings of previous years		44,204	388,085
Non-controlling interests		5,387	6,075
		415,117	457,318
Long-term provisions and liabilities			
Long-term provisions	31	345	345
Long-term liabilities	32	255,033	359,385
		255,378	359,730
Deferred tax liabilities	18	1,605	1,740
Short-term liabilities			
Short-term financial liabilities	33	672,888	234,088
Advances received, deposits and down payments	34	63,079	26,943
Operating liabilities	34	3,110,064	2,832,418
Other short-term liabilities	35	190,332	202,060
Liabilities for other taxes, contributions and other charges	36	8,721	6,860
Liabilities for value added tax		152,271	138,047
Accruals	37	938,659	814,734
		5,136,014	4,255,150
TOTAL EQUITY AND LIABILITIES		5,808,114	5,073,938

The financial statements were approved by the owner Srđan Šaper.

Belgrade, 26 July 2019

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

Maja Andjelić
Director



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

Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2018

In thousands of RSD	2018	2017
Cash flows from operating activities		
Sales and received advances	13,632,321	13,936,815
Interest received from operating activities	538	21,066
Other receipts from operating activities	186,634	167,811
Payments to suppliers and advances paid	(10,354,005)	(10,433,734)
Salaries, wages and other personal expenses	(3,367,656)	(3,947,294)
Interest paid	(20,419)	(32,577)
Income tax	(19,890)	(20,516)
Payments of other public duties	(14,469)	(8,413)
Net cash generated from (used in) operating activities	43,054	(316,842)
Cash flows from investing activities		
Purchase of shares and stake (net payments)	(6,807)	(32,220)
Purchase of intangible assets, property, plant and equipment	(215,923)	(74,703)
Other financial investments (net receipts)	(328)	(1,428)
Net cash generated from (used in) investing activities	(223,058)	(108,351)
Cash flows from financing activities		
Long-term loans (net receipts)	181,482	174,345
Short-term loans (net receipts)	304,810	(27,166)
Dividends paid	(46,142)	(68,561)
Net cash generated from (used in) financing activities	440,150	78,618
Net increase / (decrease) in cash and cash equivalents	260,147	(346,575)
Cash at the beginning of the period	392,573	730,520
FX gains on translation of cash and cash equivalents	9,050	9,050
FX losses on translation of cash and cash equivalents	(108)	(422)
Cash at the end of the reporting period	661,662	392,573



I&F Grupa d.o.o., Beograd
Consolidated Financial Statements as at 31 December 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

In thousands of RSD	Basic capital	Translation reserves from translation of financial statements of foreign operation	Retained earnings/losses	Non-controlling interests	Total
Balance as at 31 December 2016	396,485	24,704	484,852	6,129	912,170
Opening balance adjustments	-	-	(30,497)	-	(30,497)
Balance as at 1 January 2017, restated	396,485	24,704	454,355	6,129	881,673
Net profit/(loss) in current year	-	-	(299,509)	3,607	(295,902)
Profit distribution to Group owners	-	-	(66,270)	(3,661)	(69,931)
Effect of translation of financial statements of foreign operation	-	(58,522)	-	-	(58,522)
Balance as at 31 December 2017	396,485	(33,818)	88,576	6,075	457,318
Balance as at 31 December 2017	396,485	(33,818)	88,576	6,075	457,318
Net profit/(loss) in current year	-	-	37,336	1,080	38,416
Profit distribution to Group owners	-	-	(44,373)	(1,769)	(46,142)
Effect of translation of financial statements of foreign operation	-	(34,476)	-	-	(34,476)
Balance as at 31 December 2018	396,485	(68,294)	81,539	5,386	415,117



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

Notes to the Consolidated Financial Statements as at 31 December 2018

1 BACKGROUND INFORMATION

I&F Grupa d.o.o., Beograd as a parent company ("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 2018 the Company had 649 employees (31 December 2017: 617 employees)..

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

2 BASIS OF 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 30/2018) 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.



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

Notes to the Consolidated Financial Statements as at 31 December 2018

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 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 were authorized for issue by the General Manager of the Parent Company on 26 July 2019.

2.2 Basis of measurement

Financial statements have been prepared on the historical cost basis.

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 and impairment of property, plant and equipment,
- Note 3.3 – Impairment of financial assets.



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 Parent Company, and subsidiaries in which the Parent Company holds a 100% ownership interest, except for McCann Skopje Macedonia, in which it holds an 80% ownership interest:
 - McCann doo, Beograd
 - Universal Media doo, Beograd
 - Drive doo, Beograd
 - Adrenalin doo, Beograd
 - Initiative doo, Beograd
 - Universal Media Podgorica doo, Montenegro
 - McCann Podgorica doo, Montenegro
 - McCann Tirana Sh.p.k., Albania
 - McCann Skopje doo, Macedonia
 - Universal Media Skopje doo, Macedonia
 - AD + venture doo Skoplje, Makedonija
 - Initiative Sofia EOOD, Bulgaria
 - Universal Media Sofia EOOD, Bulgaria
 - McCann Sarajevo doo, Bosnia and Herzegovina
 - Universal Media Sarajevo doo, Bosnia and Herzegovina
 - UM-INI doo, Slovenia
 - McCann Zagreb doo, Croatia
 - Initiative, Zagreb doo, Croatia
 - U.M. Universal McCann doo, Croatia
 - Fahrenheit doo, Croatia
 - McCann Helsinki Oy, Finland
 - Brandson Oy, Finland
 - Rianet Oy, Finland
 - I&F Nordics Ltd, Cyprus
 - McCann Stockholm AB, Sweden
 - I&F Sweden AB, Sweden
 - McCann Copenhagen ApS, Denmark
 - Drive Oslo AS, Norway
 - I&F McCann Norway AS, Norway
 - McCann AS, Norway
 - Scandinavian Design Group AS, Norway



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

Notes to the Consolidated Financial Statements as at 31 December 2018

(ii) Basis for consolidation

Subsidiaries are companies that are controlled by the Group. The Group has control over an entity in which it has an equity investment when it has exposure or rights to returns from its equity investment and when it has the ability to use its power over the investee to affect the amount of returns. Subsidiaries are consolidated in full from the date when control is transferred to the Group, and are excluded from consolidation when control ceases.

The financial statements of the Parent Company and subsidiaries that were used in preparing the accompanying consolidated financial statements are prepared as at the same reporting date. The Group's financial statements are prepared using identical accounting policies for like transactions and events in similar circumstances.

All transactions between Group members, balances and all unrealized income and expenses in respect of mutual transactions are eliminated upon consolidation of the financial statements.

The acquisition method is used in accounting for the acquisition of subsidiaries when the Group acquired control.

The costs of acquisition of a legal entity are measured as the fair value of assets provided, issued securities and liabilities occurred or undertaken on acquisition date, increased for costs that can be directly attributed to the acquisition.

Assets that are acquired through the purchase of a subsidiary and that can be identified separately, including actual and potential liabilities in a business combination, are initially measured at fair value as at acquisition date, irrespective of the scope of the non-controlling interests. Any acquisition costs in excess of the fair value of the Group's share in acquired identifiable net assets in subsidiaries are reported as goodwill. Gains (negative goodwill) upon acquisition are recognized in the income statement at the moment of acquisition. Transaction costs are recognized at the moment of acquisition. Acquisition costs do not include amounts arising from previous mutual transactions. Such amounts are usually recognized in the income statement.

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.

According to the financial statements in 2018 the Company realized a net profit in the amount RSD 38,416 thousand (2017: loss of RSD 294,438 thousand). Furthermore, the Group's current assets exceed current liabilities in the amount of RSD 39,886 thousand (2017: RSD 363,231 thousand).

As at 31 December 2018, the Company reported short-term loans and borrowings from third parties (including current portion of long-term liabilities) in the amount of RSD 583,148 thousand (2017: RSD 163,666 thousand). Furthermore, as at 31 December 2018 the Company reported total loans and borrowings from third parties in the amount of RSD 721,704 thousand (2017: RSD 363,307 thousand).

In applying the going concern assumption, the Company considered the following.



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In markets that were integrated in the Group last, the restructuring process is still ongoing. In 2018 certain optimization measures were undertaken, where the number of employees in certain agencies was reduced, with payment of statutory compensation. In 2019 measures continue to be undertaken to ensure profitable operations, one of which is a merger between two entities in Norway.

Business plans for the following period are based on reduction in operating losses and optimization of costs in the mentioned subsidiaries, with further optimization in operations of those companies, and with the support of the Parent Company.

In line with the aforementioned, the financial statements are prepared on a going concern basis, given that management holds that the Group has adequate resources for continuing operations 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	2018	2017
EUR	118.1946	118.4727
CHF	104.9779	101.2847
USD	103.3893	99.1155
GBP	131.1816	133.4302
BAM	60.4319	60.5741
HRK	15.9666	15.7529
MKD	1.9220	1.9267
ALL	0.9577	0.89110
BGN	60.4319	60.57413
NOK	11.8769	12.0224
SEK	11.5202	12.0240
DKK	15.8279	15.9099



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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 that 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 to the customer, 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 current assets.

Recognition of financial assets

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

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.



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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.

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.

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 received. 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.



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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 income statement 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 and goodwill

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.

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.

Goodwill represents surplus cost of acquisition above the Group's share in the net fair value of recognizable assets of acquired subsidiaries at acquisition date. Individually recognized goodwill is tested annually to establish whether its value decreased and is recognized at cost decreased for accumulated impairment losses. Goodwill impairment losses are not reversed. Goodwill is assumed to have an indefinite lifetime.

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. Following initial recognition, property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.



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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	2018 %	Estimated useful life in years	2017 %	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.

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.



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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.

3.11 Revenue

Sales of products and services

The Group generates revenues from providing a wide range of marketing services. (media rental and planning, content production, 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.



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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.

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.



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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

Corporate income tax represents the amount calculated and paid in line with the statutory regulations of the country in which a Group member operates. Current income tax represents the amount calculated by applying the statutory tax rate to the base which represents taxable profit. Corporate income tax reported in the tax balance includes profit reported in the income statement, adjusted for income and expenses in accordance with the tax legislation effective in jurisdictions in which the Group operates. 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 2018
Serbia	15%
Bosnia and Herzegovina	10%
Croatia, turnover up to 3 million HRK	12%
Croatia, turnover over to 3 million HRK	18%
Macedonia	10%
Bulgaria	10%
Albania	15%
Montenegro	9%
Slovenia	19%
Finland	20%
Cyprus	12.5%
Sweden	22%
Denmark	22%
Norway	23%

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 Group's exposure to foreign currency risk as at 30 September 2018 is presented in the table below:

In thousands of RSD	RSD	ALL	EUR	HRK	MKD	BGN	SEK	NOK	DKK	BAM	USD	CHF	Total
Cash and cash equivalents	78,499	4	255,753	103,900	13,988	719	-	133,005	67,593	8,201	-	-	661,662
Trade receivables	727,689	32	939,694	656,101	167,620	275,500	176,329	327,247	131,910	73,393	-	-	3,475,516
Short-term financial investments	799	-	-	156	-	-	-	-	-	-	-	-	955
Short term financial placements	320	-	92	-	-	-	-	62,247	-	-	-	-	62,659
Other receivables	492,489	6	56,158	177,879	31,388	51,049	18,476	41,407	2,571	61,825	-	-	933,248
Total	1,299,796	42	1,251,697	938,036	212,996	327,268	194,805	563,906	202,074	143,419	-	-	5,134,040
Operating liabilities	1,217,027	21	325,045	641,410	195,517	366,608	64,740	72,046	22,781	204,870	-	-	3,110,064
Long-term financial liabilities	47,289	-	207,744	-	-	-	-	-	-	-	-	-	255,033
Short-term financial liabilities	255,246	-	307,552	49,982	-	-	-	-	30,588	29,520	-	-	672,888
Other liabilities	254,518	6	80,525	83,165	23,113	20,702	145,228	443,525	196,238	39,016	-	-	1,286,037
Total	1,774,080	27	920,866	774,557	218,630	387,310	209,968	515,571	249,607	273,406	-	-	5,324,022
Net foreign currency position as at 31 December 2018	(474,283)	15	330,831	163,479	(5,634)	(60,042)	(15,163)	48,335	(47,533)	(129,987)	-	-	(189,982)



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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
Short term financial placements	-	-	-	-	-	-	-	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
Total	835,010	26,302	1,306,612	879,064	212,882	233,928	163,737	597,115	228,392	154,327	119	338	4,637,826
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
Total	1,134,671	20,566	1,151,219	165,398	220,320	285,585	342,313	512,929	150,055	286,722	-	532	4,270,310
Net foreign currency position as at 31 December 2017	(299,661)	5,736	155,393	713,666	(7,438)	(51,657)	(178,576)	84,186	78,337	(132,395)	119	(194)	367,516



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Sensitivity analysis to foreign exchange fluctuations

Had the functional currency as at 31 December 2018 and 31 December 2017 registered a increase/decrease by 10% compared to the following currencies, with all other variables remaining constant, after tax profit would be lower/higher by the following amounts:

U hiljadama RSD	2018.	2017.
ALL	1	488
EUR	28,121	13,208
HRK	13,896	60,662
MKD	(479)	(632)
BGN	(5,104)	(4,391)
SEK	(1,289)	(15,179)
NOK	4,108	7,156
DKK	(4,040)	6,659
BAM	(11,049)	(11,254)
USD	-	10
CHF	-	(16)
Ukupno	24,166	56,710

(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:

Fixed interest rate instruments	2018	2017
Financial assets	62,659	63,578
Financial liabilities	(422,333)	(305,078)
Total	(359,674)	(241,500)
Variable interest rate instruments	2018	2017
Financial assets	-	-
Financial liabilities	(299,370)	(228,284)
Total	(299,370)	(228,284)

As at 31 December 2018 the Company is exposed to interest rate changes. Namely, total financial liabilities as at 31 December 2018 amount to RSD 927,921 thousand, out of which the amount of RSD 269,978 thousand relates to financial liabilities with variable interest, while RSD 422,333 thousand to fixed interest rate liabilities, while other liabilities are not linked to interest rates.



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In the event of interest rate change for variable interest rate instruments by +/- 1 pp, the effect on the Group's after tax net profit would amount to RSD 2,545 thousand (31 December 2017: RSD 1,940 thousand).

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,
- cash contributions by owners

The table below presents the maturities of assets and liabilities according to the remaining time to maturity, as at 31 December 2018:

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	661,662	-	-	-	661,662
Trade receivables	3,475,516	-	-	-	3,475,516
Short-term financial investments	-	955	-	-	955
Short term financial placements	-	-	62,659	-	62,659
Other receivables	933,248	-	-	-	933,248
Total	5,070,426	955	62,659	-	5,134,040
Operating liabilities	3,110,064	-	-	-	3,110,064
Long-term financial liabilities	-	-	255,033	-	255,033
Short-term financial liabilities	29,520	643,368	-	-	672,888
Other liabilities	1,286,036	-	-	-	1,286,036
Total	4,425,621	643,368	255,033	-	5,324,022
Liquidity gap as at 31 December 2018	644,805	(642,413)	(192,374)	-	(189,982)



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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
Short term financial placements	-	-	63,578	-	63,578
Other receivables	847,898	-	-	-	847,898
Total	4,573,884	364	63,578	-	4,637,826
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
Total	3,735,964	174,961	359,385	-	4,270,310
Liquidity gap as at 31 December 2017	837,920	(174,597)	(295,807)	-	367,516

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 2018 the Group holds cash and cash equivalents in the total amount of RSD 661,662 thousand (31 December 2017: RSD 392,573 thousand), which according to 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	2018	2017
Trade receivables - domestic	727,689	540,027
Trade receivables - foreign	2,660,171	2,734,215
Other trade receivables	87,656	59,171
Total	3,475,516	3,333,413



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Notes to the Consolidated Financial Statements as at 31 December 2018

Provision

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

In thousands of RSD	Gross 2018	Provision 2018	Gross 2017	Provision 2017
Unmatured receivables	2,657,370		2,627,799	
Overdue 0 to 30 days	576,798		502,827	
Overdue 31 to 90 days	159,844		126,264	
Overdue 91 to 365 days	69,655		48,929	
Overdue more than 365	90,891	(79,042)	118,614	(91,020)
Total	3,554,558	(79,042)	3,424,433	(91,020)

Movements in allowance for impairment of trade receivables are provided in the table below:

In thousands of RSD	2018	2017
Balance as at 1 January	91,020	97,097
Provisions made during the period	14,862	3,088
Other	(26,529)	(9,110)
Amount of collected provisioned receivables	(311)	(55)
Balance as at 31 December	79,042	91,020

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.



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As at 31 December 2018 and 2017 the Company's gearing ratio was as follows:

	2018	2017
Liabilities–total (without equity)	5,393,001	4,616,623
<i>Less: Cash and cash equivalents</i>	<i>(661,662)</i>	<i>(392,573)</i>
Net indebtedness	4,731,339	4,224,050
Total equity	415,117	457,317
Gearing ratio	11.4	9.24

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.

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.



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5 BUSINESS COMBINATIONS

Acquisition of subsidiaries

Company	Transferred contribution in cash	Contingent and deferred 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 November 2016
Craft Worldwide AS	20,849	-	100%	Norway	12 May 2016
McCann As	24,787	-	100%	Norway	12 May 2016
Scandinavian Design Group	19,519	-	100%	Norway	12 May 2016
Initiative Zagreb	567	-	100%	Croatia	15 July 2016
Fahrenheit, Zagreb	16,378	-	100%	Croatia	20 July 2018
Total	346,117	104,365			

Deferred and contingent contribution

In acquiring the company Brandlab As the Group agreed payment to former owners additional contribution in the amount of RSD 81,566 (NOK 6,000,000) for three years that is contingent upon achievement of financial objectives specified in the Share Purchase Agreement. As at 31 December 2018 the Group reported these liabilities under other short-term liabilities in the amount of RSD 36,341 thousand (Note 35). The Company's management holds that the same amount is the fair value of contingent contribution as at 31 December 2018, therefore the discounting effects of this liability cannot have a materially significant impact on financial statements.

As at 20 July 2018 the Group acquired ownership interests in the company Fahrenheit from Zagreb. The compensation paid amounted to RSD 16,378 thousand, while net assets of the Company amounted to RSD 9,570 thousand.



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Notes to the Consolidated Financial Statements as at 31 December 2018

a) 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
Fahrenheit Zagreb	Croatia	16,378	9,570	-	6,807
Total				(507,975)	229,665

On 31 December 2018 The Group reported goodwill as presented in the table below:

Company	Country	Goodwill upon acquisition	Impairment of goodwill	Other changes	Goodwill as at 31 December 2018
Brandson Oy	Finland	-	-	-	-
McCann Helsinki	Finland	44,016	(44,245)	229	-
MRM Stockholm AB	Sweden	8,138	(7,934)	(204)	-
McCann Stockholm	Sweden	-	-	-	-
McCann Copenhagen	Denmark	-	-	-	-
Brandlab As	Norway	157,772	-	(15,496)	142,279
Craft Worldwide AS	Norway	12,692	(13,099)	407	-
McCann As	Norway	-	-	-	-
Scandinavian Design Group	Norway	-	-	-	-
Initiative Zagreb	Croatia	240	(240)	-	-
Fahrenheit Zagreb	Croatia	6,807	-	-	6,807
Total		229,665	(65,517)	(15,064)	149,086

The table of changes in reported goodwill is provided in the table below:

	31 December 2018	31 December 2017
Opening balance	144,019	162,828
Acquisition through business combinations	6,807	-
Net effect of foreign exchange gains and losses	(1,740)	(18,809)
Closing balance	149,086	144,019



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Notes to the Consolidated Financial Statements as at 31 December 2018

Group management performed impairment tests for remaining goodwill on the books attributed to the Company Brandlab AS as at 31 December 2018 and 31 December 2017. 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 2018 goodwill was not impaired.

Key assumptions used in the discounted cash flow projection

	2018
Brandlab As	
Growth rate for indefinite period into the future	1.5%
Rate of expected income growth	10%
WACC	13.72%

6 SALES OF PRODUCTS AND SERVICES

In thousands of RSD	2018	2017
Sales of products and services to other related parties- domestic (Note 38)	2,132	-
Sales of products and services to legal entities– domestic	2,541,172	2,318,439
Sales of products and services to legal entities– foreign	11,181,833	11,812,044
Total	13,725,137	14,130,483

7 OTHER OPERATING INCOME

In thousands of RSD	2018	2017
Other operating income – domestic related parties (Note 38)	4,429	6,031
Rental income	5,766	10,278
Other operating revenues	189,858	58,385
Total	200,053	74,694

Other operating income relates mainly to income from recharged services.

8 COSTS OF MATERIALS, FUEL AND ENERGY

In thousands of RSD	2018	2017
Other materials used	24,776	35,289
Fuel and energy used	18,646	20,123
Total	43,423	55,412



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Notes to the Consolidated Financial Statements as at 31 December 2018

9 WAGES, SALARIES AND OTHER PERSONNEL EXPENSES

In thousands of RSD	2018	2017
Gross salaries and salary compensation	2,517,024	2,937,972
Taxes and contributions on salaries and salary compensation charged to employer	427,422	298,862
Fees for service contracts	51,131	39,079
Authorship contract fees	165,208	199,433
Fees for contracts on temporary and occasional work	2,186	4,310
Fees paid to private individuals based on other contracts	4,481	4,686
Other personnel expenses	165,130	280,933
Total	3,332,582	3,765,275

Other personal expenses mainly relate to the compensation for food and transport of employees as per travel costs abroad.

Under costs of salaries for 2018 the Company reported termination benefits in the amount of RSD 86,377 thousand (2017: RSD 162,847 thousand) based on restructuring programs in subsidiary companies McCann Stockholm AB and Scandinavian Design Group AS.

10 COSTS OF PRODUCTION SERVICES

In thousands of RSD	2018	2017
Costs of production services and materials	9,493,016	9,466,426
Transportation	55,236	75,630
Maintenance costs	18,796	20,116
Rental expense	244,841	282,311
Fairs	3,516	2,592
Advertising and promotion	29,093	39,958
Research	43,901	44,458
Development costs which are not capitalized	-	1,495
Other services	10,781	16,908
Total	9,899,180	9,949,894

11 DEPRECIATION AND AMORTIZATION

In thousands of RSD	2018	2017
Depreciation/amortization expense:		
- intangible assets	3,179	6,802
- plant and equipment	38,422	43,301
- investment property	1,101	1,103
Total costs of amortization	42,702	51,206
Total	42,702	51,206



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Notes to the Consolidated Financial Statements as at 31 December 2018

12 NON-PRODUCTION COSTS

In thousands of RSD	2018	2017
Non-production services	211,357	309,178
Entertainment expense	25,359	47,239
Insurance premiums	10,942	11,639
Banking charges	16,981	15,455
Taxes	13,342	19,417
Contributions	2,889	-
Other non-production costs	177,516	209,499
Total	458,385	612,427

Other non-production costs primarily relate to affiliation costs. The Company holds affiliation contracts signed with various media brands based on which the Group invoices its affiliates.

13 FINANCIAL INCOME

In thousands of RSD	2018	2017
Interest income	2,795	9,335
Foreign exchange gains:		
- FX gains/losses	33,104	12,353
- Effects of foreign currency clause	541	9,050
Other finance income	370	-
Total	36,810	30,738

14 FINANCIAL EXPENSES

In thousands of RSD	2018	2017
Financial expenses from related party transactions		
- other legal entities	630	653
Interest expense	20,124	32,785
Foreign currency losses		
- FX gains/losses	41,113	36,178
- Effects of foreign currency clause	108	422
Other financial expenses	10,335	686
Total	72,310	70,724



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Notes to the Consolidated Financial Statements as at 31 December 2018

15 COSTS OF VALUATION ADJUSTMENTS OF ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

In thousands of RSD	2018	2017
Impairment of receivables and short-term financial investments	14,862	3,088
Total	14,862	3,088

16 OTHER INCOME

In thousands of RSD	2018	2017
Gains on sale of intangible assets, property, plant and equipment	18	518
Gains on sale of equity investments and long-term securities	-	-
Collected written off receivables	311	55
Income from risk hedging effects	-	-
Income from reduction in liabilities	2,552	20,652
Income from reversal of long-term and short-term provisions	-	-
Income from correction of errors of previous periods which are not materially significant	16,962	2,257
Other income	53,632	7,804
Total	73,475	31,286

17 OTHER EXPENSES

In thousands of RSD	2018	2017
Costs of direct write-off of receivables	3,345	1,633
Costs of write-off of inventories of materials and goods	-	247
Costs of correction of errors of previous periods which are not materially significant	18,244	680
Other expenses	117,517	21,011
Total	139,106	23,571

**I&F Grupa d.o.o., Beograd***Notes to the Consolidated Financial Statements as at 31 December 2018***18 INCOME TAX****a) Income tax components**

In thousands of RSD	2018	2017
Current tax expense of the period	32,689	25,447
Deferred tax expense / (income) of the period	(38,177)	6,059
Total	(5,488)	31,506

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

In thousands of RSD	2018	2017
Profit/(loss) before tax	32,928	(264,396)
Tax calculated at statutory rate of 15%	4,939	(39,659)
Effects of tax rates in foreign jurisdictions	(4,812)	(15,169)
Disallowed tax expenses	58,764	80,560
Tax exempt revenues	1,750	(4,211)
Tax incentives	(6,367)	(16,153)
Use of tax loss for which tax assets were not previously recognized	(79,731)	(3,816)
Current year loss for which deferred tax assets were not recognized	19,969	29,954
Total income tax	(5,488)	31,506
Effective tax rate	17%	-12%

(c) Deferred tax assets/liabilities

Deferred tax assets/liabilities in 2018 in the amount of RSD 50,385 thousand occurred as the result of tax losses carried forward. Given that in Norway tax regulations permit for tax losses of one entity to be used for decreasing tax liabilities of related parties in Norway, the Group recognized the above mentioned deferred tax assets, given that sufficient taxable profits will be available from entities in Norway against which carried forward tax losses can be utilized.

Deferred tax liabilities in the amount of RSD 1,604 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.



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Notes to the Consolidated Financial Statements as at 31 December 2018

In thousands of RSD	2018			2017		
	Assets and equity	Liabilities	Net amount	Assets and equity	Liabilities	Net amount
Depreciation of fixed assets	-	(1,605)	(1,605)	6,256	(1,740)	4,516
Tax losses	50,361	-	50,361	38,394	-	38,394
Long-term provisions	102	-	102	47	-	47
Other	7,362	-	7,362	-	-	-
Deferred income tax liability, net amount	57,825	(1,605)	56,220	44,697	(1,740)	42,957

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

(d) Unrecognized tax assets

As at 31 December 2018 the Group did not recognize deferred tax assets which relate to carried forward unused tax losses, due to the uncertainty as to whether sufficient taxable profits will be available in future periods against which the carried forward tax losses could be utilized. As at 31 December 2018 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	2018	2017
Year of occurrence of tax loss			
- 2013	2018	-	10,966
- 2014	2019	-	4,852
- 2015	2020	1,540	12,517
- 2016	2021	149,840	230,505
- 2017	2022	138,071	522,534
- 2018	2023	90,073	-
Total		380,564	781,374



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Notes to the Consolidated Financial Statements as at 31 December 2018

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
Cost or valuation				
Balance as at 1 January 2017	14,017	-	35,512	49,529
Purchases	318	-	1,002	1,320
Transfer from investments under construction	-	-	-	-
Sale	-	-	-	-
FX on translation of financial statements	(593)	-	(530)	(1,123)
Balance as at 31 December 2017	13,742	-	35,984	49,726
Purchases	-	172,876	9,782	182,658
Transfer from investments under construction	-	(1,034)	1,034	-
Sale	-	-	-	-
Disposal	-	-	(1,403)	(1,403)
FX on translation of financial statements	(12)	-	54	42
Balance as at 31 December 2018	13,730	171,842	45,451	231,023
Accumulated depreciation/amortization				
Balance as at 1 January 2017	6,762	-	26,946	33,708
Depreciation/amortization for the current year	421	-	6,381	6,802
Sale	-	-	-	-
Disposal	-	-	(2,626)	(2,626)
FX on translation of financial statements	(533)	-	(407)	(940)
Balance as at 31 December 2017	6,650	-	30,294	36,944
Depreciation/amortization for the current year	499	-	2,680	3,179
Sale	-	-	-	-
Disposal	-	-	(1,169)	(1,169)
FX on translation of financial statements	(10)	-	38	28
Balance as at 31 December 2018	7,139	-	31,843	38,982
Net book value as at 31 December 2017	7,092	-	5,690	12,782
Net book value as at 31 December 2018	6,591	171,842	13,608	192,041



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Notes to the Consolidated Financial Statements as at 31 December 2018

20 PROPERTY, PLANT AND EQUIPMENT

In thousands of RSD	Equipment	Property, plant and equipment under constructio n	Leasehold improvements	Other fixed assets	Total
Cost or valuation					
Balance as at 1 January 2017	169,381	5,713	21,289	2,178	198,561
Additions during the year	64,513	-	5,779	152	70,444
Transfers	4,875	(4,875)	-	-	-
Sales	(2,244)	-	-	-	(2,244)
Disposal	(2,324)	-	-	-	(2,324)
FX on translation of financial statements	8,502	-	(2,690)	(64)	5,748
Balance as at 31 December 2017	242,703	838	24,378	2,266	270,185
Additions during the year	18,997	9,295	4,869	104	33,265
Transfers	9,306	(9,306)	-	-	-
Sales	(4,244)	-	-	-	(4,244)
Disposal	(7,089)	-	-	-	(7,089)
FX on translation of financial statements	(4,433)	(1)	(417)	(15)	(4,866)
Balance as at 31 December 2018	255,240	826	28,830	2,355	287,251
Accumulated depreciation/amortization					
Balance as at 1 January 2017	79,098	-	3,909	1,207	84,214
Depreciation/amortization for the current year	42,283	-	762	256	43,301
Sales	(1,636)	-	-	-	(1,636)
Disposal	(2,132)	-	-	-	(2,132)
FX on translation of financial statements	4,567	-	(64)	(48)	4,455
Balance as at 31 December 2017	122,180	-	4,607	1,415	128,202
Depreciation/amortization for the current year	32,170	-	5,574	678	38,422
Sales	(1,486)	-	-	-	(1,486)
Disposal	(6,106)	-	-	-	(6,106)
FX on translation of financial statements	5,424	-	(257)	(9)	5,158
Balance as at 31 December 2018	152,182	-	9,924	2,084	164,190
Net book value as at 31 December 2017	120,523	838	19,771	851	141,983
Net book value as at 31 December 2018	103,058	826	18,906	271	123,061



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Notes to the Consolidated Financial Statements as at 31 December 2018

21 INVESTMENT PROPERTY

Movements in investment property are presented in the table below:

In thousands of RSD	2018
Cost or valuation	
Balance as at 1 January 2017	44,031
Purchases during the year	-
Balance as of 31 December 2017	44,031
Purchases during the year	-
Balance as of 31 December 2018	44,031
Provision	
Balance as at 1 January 2017	(3,412)
Depreciation during the year	(1,103)
Balance at 31 December 2017	(4,515)
Depreciation during the year	(1,101)
Balance at 31 December 2018	(5,616)
Net book value as at 31 December 2017	39,516
Net book value as at 31 December 2018	38,415

As at 31 December 2018 the Group has a mortgage over investment properties in the amount of RSD 34,009 for loan taken from Banca Intesa (Note 32).

Per available information, management assessed that the fair value of the investment property as at 1 January 2018 amounts to RSD 59,806 thousand.

22 LONG-TERM FINANCIAL INVESTMENTS

In thousands of RSD	2018	2017
Short term financial placements	659	889
- Portion of long-term financial investments maturing within 1 year	(339)	(285)
	320	604
Available-for-sale securities	294	295
Other long-term financial investments	62,247	62,881
Less: Allowance for impairment	(202)	(202)
Balance as at 31 December	62,659	63,578

On 31 December 2018 The Group has long-term receivables based on rental deposit in the amount of RSD 62,224 thousand (NOK 5,241 thousand).

23 LONG-TERM RECEIVABLES

In thousands of RSD	2018	2017
Other long-term receivables	9,125	8,979
Balance as at 31 December	9,125	8,979



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Notes to the Consolidated Financial Statements as at 31 December 2018

24 ADVANCES GIVEN

In thousands of RSD	2018	2017
Advances given for services	61,224	44,136
Balance as at 31 December	61,224	44,136

25 RECEIVABLES

In thousands of RSD	2018	2017
Trade receivables		
Trade receivables - domestic		
- other related parties (Note 38)	721	671
- third parties	797,018	610,405
Trade receivables - foreign		
- third parties	2,669,163	2,754,187
Less: Allowance for impairment	(79,042)	(91,020)
Other trade receivables	87,656	59,170
Balance as at 31 December	3,475,516	3,333,413
Other receivables		
Interest receivables	2,258	1
Receivables for overpaid income tax	43,297	33,489
Receivables for refunded salary compensation	3,999	5,815
Receivables From Employees	5,130	6,292
Receivables from government authorities and organizations	-	6
Receivables for overpaid taxes and contributions	807	3,846
Other short-term receivables	3,721	5,751
Balance as at 31 December	59,212	55,200

26 SHORT-TERM FINANCIAL INVESTMENTS

In thousands of RSD	2018	2017
Short-term domestic loans and borrowings	379	-
Short-term loans and borrowings- foreign	156	-
Portion of long-term financial investments maturing within 1 year	339	285
Financial assets measured at fair value through profit and loss	81	79
Balance as at 31 December	955	364



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Notes to the Consolidated Financial Statements as at 31 December 2018

27 CASH AND CASH EQUIVALENTS

In thousands of RSD	2018	2017
Current account	78,499	41,622
Special purpose cash funds	105,578	106,933
Foreign currency account	476,878	243,055
Cash in hand - foreign currency	-	845
Other cash funds	707	118
Balance as at 31 December	661,662	392,573

28 VALUE ADDED TAX

In thousands of RSD	2018	2017
Value added tax	161,224	130,411
Balance as at 31 December	161,224	130,411

29 PREPAYMENTS AND DEFERRED EXPENSES

In thousands of RSD	2018	2017
Prepaid expenses	218,380	294,348
Uninvoiced income	527,436	366,802
Deferred expenses for liabilities	742	577
Other prepayments and deferred expenses	9,551	560
Balance as at 31 December	756,109	662,287

Prepaid expenses in the amount of RSD 218,380 thousand primarily relate to accrued expenses incurred in 2018 in providing services for projects for which conditions had not been met for income recognition.

Uninvoiced income in the amount of RSD 527,436 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 396,485 thousand.



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31 LONG-TERM PROVISIONS

a) Structure of long term provisions is as follows:

In thousands of RSD	2018	2017
Provisions for benefits compensation and other employee benefits	345	345
Provisions for costs of restructuring	-	-
Provisions for costs of court cases	-	-
Balance at 31 December 2018	345	345

In thousands of RSD	Employee benefits	Costs of restructuring	Costs of court cases	Total
Balance as at 1 January 2017	345	20,832	-	21,177
Used provisions	-	(20,832)	-	(20,832)
Reversal of provisions	-	-	-	-
Balance as at 31 December 2017	345	-	-	345
Used provisions	-	-	-	-
Reversal of provisions	-	-	-	-
Balance as at 31 December 2018	345	-	-	345

32 LONG-TERM FINANCIAL LIABILITIES

In thousands of RSD	2018	2017
Received borrowings from the owner (Note 38)	173,804	99,421
Long-term loans and borrowings- domestic	312,778	229,259
Finance leasing liabilities	-	622
Financial liabilities	486,582	329,302
Other long-term liabilities (Note 5)	36,341	72,135
Total	522,923	401,437
Less Current portions of long-term liabilities		
- long-term loans and borrowings- domestic	(174,224)	(29,618)
- borrowings taken from owner	(57,324)	-
- long-term financial lease liabilities	-	(412)
- other long-term liabilities	(36,341)	(12,022)
Balance as at 31 December	255,033	359,385



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Overview of domestic long-term loans:

Creditor/Bank	Interest rate	Approved in currency	Carrying amount in TRSD
Banca Intesa	3m EURIBOR + 3.9%	EUR	66,484
Media Pool Beograd	1%	RSD	133,016
Erste banka Beograd	3m EURIBOR + 4.3%	RSD	113,278
Total			312,778

Overview of received borrowings from the owner (Note 38):

Creditor/Bank	Interest rate	Approved in currency	Carrying amount in TRSD
Srdjan Šaper	-	EUR	173,804
Total			173,804

The long-term loan from Banca Intesa is secured with mortgage over the Group's investment properties whose net book value as at 31 December 2018 amounts to RSD 34,009 thousand (Note 21).

As at 31 December 2018 other long-term liabilities in the amount of RSD 36,341 thousand (2017: RSD 72,135 thousand) relate to deferred compensation for the purchase of the subsidiary company Brandlab As, Norway (Note 5). Short-term liabilities for the deferred contribution for the purchase of the subsidiary company Brandlab As, Norway, are reported under other short-term liabilities (Note 35).

33 SHORT-TERM FINANCIAL LIABILITIES

In thousands of RSD	2018	2017
Current maturities:		
- long-term loans and borrowings	174,224	29,618
- borrowings taken from owner	57,324	-
- financial leasing	-	412
Short-term loans and borrowings from owner	30,588	67,529
Short-term domestic loans and borrowings	309,132	93,618
Short-term loans and borrowings- foreign	99,794	40,430
Other short-term financial liabilities	1,826	2,481
Balance as at 31 December	672,888	234,088

Overview of short-term loans from the owner (Note 38):

Creditor/Bank	Interest rate	Approved in currency	Carrying amount in TRSD
Srdjan Šaper	-	DKK	30,588
Total			30,588



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Overview of domestic short-term loans:

Creditor/Bank	Interest rate	Approved in currency	Carrying amount in TRSD
Media Pool	1%	RSD	72,000
Prva Televizija	6%	RSD	82,610
Erste bank	1m EURIBOR + 3.85%	EUR	92,183
Raiffeisen bank	1m BELIBOR+ 3%	RSD	13,083
Banca Intesa	2.86%	EUR	49,256
Total			309,132

Overview of foreign short-term loans:

Creditor/Bank	Interest rate	Approved in currency	Carrying amount in TRSD
Addiko bank d.d., Croatia	6m E +3.75%	EUR	14,342
Raiffeisen bank d.d., Croatia	3.60%	HRK	49,982
Raiffeisen bank d.d., B&H	4.57%	BAM	29,520
Komercijalna banka AD, Montenegro	7.79%	EUR	2,403
Komercijalna banka AD, Montenegro	7.50%	EUR	3,546
Total			99,794

34 OPERATING LIABILITIES AND ADVANCED RECEIVED

In thousands of RSD	2018	2017
Advances received	63,079	26,943
Trade payables – related parties:		
- other domestic related parties (Note 38)	42,454	34,306
Trade payables - domestic	1,174,392	727,764
Trade payables - foreign	1,850,365	2,039,840
Other operating liabilities	42,855	30,508
Total operating liabilities	3,110,064	2,832,418
Balance as at 31 December	3,173,142	2,859,361



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35 OTHER SHORT-TERM LIABILITIES

In thousands of RSD	2018	2017
Liabilities for net salaries and salary compensation, except for refunded salary compensation	38,045	49,576
Liabilities for tax on salaries and salary compensation charged to employee	42,615	47,279
Liabilities for contributions on salaries and salary compensation charged to employee	26,598	29,533
Liabilities for taxes and contributions on salaries and salary compensation charged to employer	3,594	1,794
Liabilities for refunded net salary compensation	27	30
Liabilities for taxes and contributions on refunded salary compensation charged to employee	-	-
Liabilities for interest and financing costs	1,197	861
Liabilities for profit sharing	-	-
Other liabilities towards employees	37,120	54,437
Liabilities toward private individuals for contractual fees	4,795	4,056
Other liabilities	-	2,472
Deferred contribution (Note 5)	36,341	12,022
Balance as at 31 December	190,332	202,060

On 31 December 2018 The Company has liabilities in the amount of RSD 36,341 thousand for short-term portion of liabilities for deferred contribution for purchase of subsidiary Brandlab As, Norway (Note 5).

36 LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES

In thousands of RSD	2018	2017
Income tax liabilities	3,949	958
Liabilities for taxes charged to expenses	63	413
Other liabilities for taxes, contributions and other duties	4,709	5,489
Balance as at 31 December	8,721	6,860

37 ACCRUALS

In thousands of RSD	2018	2017
Accrued expenses	622,031	495,674
Income collected in advance	315,762	316,322
Deferred income and received donations	769	2,738
Other accruals	97	-
Balance as at 31 December	938,659	814,734

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Accrued expenses in the amount of RSD 622,031 thousand (2017: RSD 495,674 thousand) primarily relate to accrued costs of received services, as well as to provisions for discounts granted to customers for the service of rental of media time.

Income collected in advance in the amount of RSD 315,762 thousand (2017: RSD 316,322 thousand) relates to funds received for marketing services that have not been completed.

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:

	2018	2017
Operating income on domestic market – other related parties		
- Movens Plus Beograd (Note 6)	2,132	-
Other operating income – other related parties		
- Movens Plus Beograd (Note 7)	4,429	6,031
Expenses – other related parties		
- Movens Plus Beograd	93,219	124,013
- Srdjan Šaper	630	653
Trade receivables – other related parties		
- Movens Plus Beograd (Note 25)	721	671
Advances given		
- Movens Plus Beograd	458	555
Long-term financial liabilities		
- Srđan Šaper (Note 32)	173,804	99,421
Short-term financial liabilities		
- Srđan Šaper (Note 33)	30,588	67,529
Trade payables – other domestic related parties		
- Movens Plus Beograd (Note 34)	42,454	34,306
Advances received		
- Movens Plus Beograd	186	219
Accruals		
- Movens Plus Beograd	8,242	-
Prepayments and deferred expenses		
- Movens Plus Beograd	11	-



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Key management personnel salaries and other remuneration in 2018 amounted to RSD 453,007 thousand (2017: RSD 545,896 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 2018 and 31 December 2017.

40 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Court cases

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 labour issues, 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 2018 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 2018 the Group did not make any provisions for contingent losses which could result from these claims.

On 23 July 2018 the subsidiary McCann Zagreb d.o.o. received the County Court of the Republic of Croatia. According to this decision the company was pronounced a fine that was largely recharged to the previous owners, as specified in the SPA signed on 31 July 2015 between the Company as purchaser, and the Interpublic Group Deutschland GmbH as the seller. The difference that had not been recharged was recorded as an expense and was not material to the financial statements of the subsidiary McCann Zagreb d.o.o.

b) Sureties and guarantees

As at 31 December 2018 the Group has no issued any sureties and guarantees.



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Notes to the Consolidated Financial Statements as at 31 December 2018

41 UNDERTAKEN COMMITMENTS

As at 31 December 2018 and 2017 the Company does not have any commitments undertaken.

42 SUBSEQUENT EVENTS

As at 1 January 2019 the Group carried out internal restructuring whereby the subsidiary companies Drive Oslo AS, Norway, and McCann AS, Norway, were merged. Furthermore, business optimization measures were undertaken, where the number of employees in certain agencies was reduced, with payment of statutory compensation. Namely, ending with 2019 costs of termination benefits in this respect amounted to RSD 23,167 thousand, out of which the amount of RSD 19,132 thousand relates to subsidiaries in Sweden, while RSD 4,015 thousand relates to subsidiaries in Norway.

Besides the above stated, Group management holds that there are no significant subsequent events which could affect the financial statements for 2018 or that would require separate disclosure.

Belgrade, 26 July 2019

Legal Representative

Maja Anđelić, Director

L.S.