



# **TRANSPARENCY REPORT**

**FOR THE YEAR ENDING 31 DECEMBER 2017**

**Belgrade, February 2018**

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## 1. BASIS FOR ISSUING THE REPORT

This REPORT is issued in accordance with the Article 20 of the Law on Auditing (Official gazette of the Republic of Serbia no. 62/2013), Article 54 of the Law on Capital Market (Official gazette of the Republic of Serbia no. 31/2011, 112/2015 and 108/2017) and Article 4 of the Rulebook on conditions for disclosing the audit of public entity financial statements (Official gazette of the Republic of Serbia no. 114/2013) and it refers to the data about the company's activities for the year ending 31 December 2017.

## 2. REGISTERED ACTIVITY

Auditing, financial, tax and accounting company EuroAudit doo, Belgrade was founded in July 2001 based on the license issued by the Federal Ministry of Finance no. 5/2-03-0004/01 to perform:

- Auditing of financial statements,
- Auditing of business operations,
- Special auditing of the balance sheets,
- Assessment of creditworthiness,
- Consulting in the field of accounting and finances,
- Asset and equity valuations,
- Services which refer to the application of regulations for tax calculation and payment, etc.

The Company registered for performing auditing, accounting, tax and financial consulting services. In accordance with the Law on Auditing (Official gazette of the Republic of Serbia 62/2013) reconciliation of normative acts, and based on human resources capacity and determined audit methodology, a license was granted by the Ministry of Finance of the Republic of Serbia for performing statutory audit of financial statements for large-sized and medium-sized companies no. 401-00-2369/2014-16 dated 23 July 2014.

The Company has significant reference based on performing the work of:

- statutory audit of financial statements,
- audit of consolidated financial statements,
- preparation of the project of calculating costs and effects (group 9),
- financial due diligence and assessment of creditworthiness,
- equity and/or asset valuation,
- auditing of international grant projects,
- auditing of mandatory investments in the privatization process, development projects (new investments) and employment,
- accounting consulting,
- financial consulting,
- restructuring of companies, preparation of pre-packaged administrative sales, etc.

Consultancy services and auditing services are agreed with international standards and legal regulations in the Republic of Serbia and they reflect the best professional practice.

Our mission is to perform our services with maximum quality in accordance with the legal regulations in Serbia, international standards and Code of Professional Ethics.

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### **3. LEGAL FORM AND OWNERSHIP STRUCTURE**

The Company was founded as limited liability company under the business name EuroAudit doo in Belgrade, at the business address 12/5 Bulevar despota Stefana, registered at the Business Register Agency, number of registration form 1-85054-00, Company ID number 17322290, VAT 100066150. Owners of the company are the following two individuals:

1. Prof. Milovan Filipovic, PhD, licensed certified auditor, resident of the Republic of Serbia, personal ID number 1807946710169 – 75% share in the Company,
2. Prof. Mirko Andric, PhD, certified auditor, resident of the Republic of Serbia, from Subotica, personal ID number 2202951150001 – 25% share in the Company.

### **4. MANNER OF MANAGING THE COMPANY**

Managing the Company is one-sided.

Company's bodies are the following:

- a) Assembly of the members of the Company, and
- b) Director of the Company.

Members of the Company decide at the Assembly on all issues pertaining, in accordance with the Law on Companies, to the competency of the Assembly of a limited liability company. The Company appoints the Director whose mandate is unlimited with unlimited authorization.

## 5. INTERNAL QUALITY CONTROL SYSTEM

In accordance with International Standards on Auditing, Code of Ethics for Professional Accountants and Law on Auditing in the Republic of Serbia (Official gazette RS no. 62/13), the Company adopted a general act prescribing the **Methodology of performing auditing of financial statements** that has been approved by the Chamber of Authorized Auditors, and based on which, aside from fulfilment of other requirements from Article 14 of the Law on Auditing, the Ministry of Finance of the Republic of Serbia has issued a License to perform auditing. The Company adopted and continually implements and maintains procedures and policies of the quality system in its operations as its top priority. Internally, all procedures of performing the auditing are developed (described) in detail, as well as corroborated with software, which we appreciate as the fundamental basis for the quality of our work.

The Company applies adopted policies and procedures of professional work quality as the top goal by implementing the continuous internal quality control system in accordance with the **Rulebook on quality control procedures** which includes an overview of key policies, positions and actions on the basis of which we aim to secure maximum service quality in performing auditing work in accordance with the Article 20 of the Law on Auditing and ISA.

The Company, in accordance with the International Standards on Quality Control (ISQC 1), set out and implements a quality control system based on its Rulebook for services it provides by defining quality policies and procedures, such as the following:

- management responsibility for the work quality of the company,
- application of relevant ethic requirements based of professional ethics,
- planning the execution of auditing by identifying all risks,
- accepting continuation of engagement for clients and specific engagements,
- training the staff and providing continuing education,
- annual quality control of each engagement partner,
- supervision/monitoring.

Systematization of jobs and job positions appointed the person whose responsibility it is to implement and monitor internal controls at the level of the Company. The person in charge of monitoring quality control of auditing engagements, especially for the audit of individual or consolidated financial statements of the public interest companies is not a team member and they are completely independent in relation to these engagements, and their work includes an objective control and assurance whether all auditing procedures, actions and assessments have been performed, and that an adequate auditor's opinion has been expressed.

The management assumed responsibility for maintaining the work quality of employees in the Company by encouraging and demanding continuously employees to be independent and competent in order to maintain the best work quality possible. Due to this, a position has been created of Assistant director for quality control, thus confirming that the work quality is prioritized.

In the same manner, the management insists on and monitors the integrity and objectivity in performing the work, as well as the ethical requirements by expertly and with due attention displaying professional knowledge and behavior, as well as by keeping the confidentiality of data during auditing.

The Company introduced procedures and actions of accepting and continuing work with clients by analyzing all potential risks thus determining the degree of acceptability of an engagement.

The Company set out a quality control system by efficiently identifying, monitoring and removing observed irregularities in accordance with International Standards on Auditing and general acts of the Company. For the purpose of confirming a larger degree of responsibility and professional dedication, the Company hired a permanent foreign consultant for quality control of work performed in terms of the statutory audit of financial statements.

## **6. HUMAN RESOURCES**

Human resources represent the key to successful performance of auditing. The choice of staff and personal development entails hiring associates capable of responding to the requirements of the work engagements with necessary professional specialization as a continuous process of knowledge acquisition. As part of the work requirements employees must attend numerous planned internal educations, courses, seminars, and other types of professional training, and our practice is to have professional consultations, exchange experiences, practical trainings, to give practical advice, directions, supervisions and reviews of work performed. Work of the employees is monitored and graded on an ongoing basis and annually, thusly qualifying their output, improvement and education, relationship with clients and colleagues, etc.

Adopted Methodology requires abiding by the procedures which give detailed instructions regarding the choice of the best way of its consistent application. Performance of work also requires additional effort from employees regarding monitoring of legal regulations, specific requirements, interpretations, using external data bases, additional information interpretations, expert literature etc.

Monitoring work quality represents part of determined procedures with the aim of continuous assurance that the policies and procedures referring to the quality control system applied by the employees are relevant, adequate, are efficient and that they are applied in accordance with the professional regulatory requests.

A good result in the development of professional practice is achieved with continuous engagement of the external consultant with the aim of achieving a higher level of practical education of employees, acquiring new skills, as well as controlling the work quality.

## 7. CONTROL OF OPERATIONS

External quality control is performed, in accordance with the Law on Auditing, at least once every three years.

The last external work quality control of the Company was performed by the Chamber of Authorized Auditors of the Republic of Serbia in November 2016 (three engagements from 2015, plus one engagement included in the internal quality controls within the Company).

The last internal quality control was performed ending with December 2017 for 21 auditing engagements for the year 2016.

Thusly, in 2017, quality of work of twelve licensed certified auditors was controlled.

Quality control has the aim of determining by objective verification of work papers whether quality procedures (work methodology) are applied properly, whether auditing procedures and actions were fulfilled, whether working procedures have been recorded, as well as to assess the performed audit and the expressed auditor's opinion.

## 8. CONCEPT OF INDEPENDENCE

The Company, in written form, secures each year an Independence confirmation, confirming its independence, the independence of licensed certified auditors, as well as other individuals employed at the company entrusted with performing the audit in relation to the Client who requested the audit. For this reason, the Company set out policies and procedures enabling the assurance that the Company, as well as the employees, is independent in performing the work in accordance with the Code of Ethics for Professional Accountants. Strict adherence to these policies and procedures of independence allows the Company to, in reasonable measure, identify and assess the circumstances and relations which can jeopardize its independence, and to take adequate measures to remove the threats or bring them down to an acceptable level.

An important aspect is that all individuals to which the said independence requirements refer to (partners, licensed and certified auditors and other individuals employed in the auditing) have central support with the request to examine and record each doubt regarding the company's independence during the phase of accepting a new client.

Circumstance and relationships which can jeopardize the independence are determined by International Standards on Auditing and the Code of Ethics for Professional Accountants.

Agreeing company's operations with the independence principles represents a continuous process which includes:

- written independence procedures,

- continuous training,
- annual internal monitoring and assessment of independence,
- responsibility and creating the culture which entails independence,
- disciplinary policies and procedures.

Notification that circumstances or relationships exist which could jeopardize the independence is performed in written form. Employees are required to, without delay, notify in written form about the existence of potential threats to the independence. Each identified threat will be reviewed and measures for its removal taken as soon as possible.

The Company secures annually the Statement of compliance with policies and procedures in terms of independence in written form from all employees that are, in accordance with the relevant ethical requirements, required to be independent.

- **Statement referring to procedures and independence of the Company**

In accordance with the point 7, paragraph 1, Article 20 of the Law on Auditing (Official gazette of the Republic of Serbia no. 62/2013), with this document we state that the Company EuroAudit doo, Belgrade has established procedures referring to the independence of the work of the auditing company and Company's employees in relation to the Client and auditing engagement and we confirm that internal review of adherence to the independence requirements was performed. Before the acceptance of auditing engagement in terms of provisions of the Law on Auditing, the director of the Company EuroAudit doo, Belgrade considers whether there are threats in relation to the independence of the auditing company in case of accepting the client. All members of the auditing team confirm with signature Annual statements of independence of the auditing team.

The Company continuously controls adherence to the determined independence procedure.

## **9. CONTINUOUS EDUCATION OF AUDITORS**

With the aim of acquiring and maintaining necessary knowledge, skills and abilities in performing the auditing of financial statements, the Company set out policies, plans and programs of continuous professional education. Education is achieved by holding seminars and internal meetings, exchanging experience with the aim of developing practice, unifying work process and consistently applying the quality standard. Organizing lectures, workshops and other forms of education, in order to enable the employees with emphasis on the application of the Code of Ethics to perform auditing in terms of improving the quality system, represents a continuous work practice.

The Company determined the communication channels and the responsibility thereof, that is, informing employees about current events within Company, changes, as well as management's notification in terms of work performance, specific new requirements to do with the application



of new standards and notifications, legal regulations, etc. Usual current communication channels in the Company happen in the following manner: work meetings, collegium, internal memos and employee notifications, internal information system (public), debates, workshops and discussions on certain issues, considering suggestions and propositions of employees for problem solution, etc.

Program of continuous professional education is implemented in several ways:

- internal seminars are organized with lecturers from a certain expert field that hold lectures to employees by analyzing examples from practice in order for employees to be additionally educated in acquisition of practical knowledge,
- additional external experts are engaged for certain fields, for example, specific discovery of significant errors or omissions, consistent application of audit methodology, procedures in auditing practice at the Client, Ethic Code of the executor of auditing work, choice of efficient expression of opinion in auditing, etc., forensic auditing, manners and flows of money laundering and other similar activities,
- at the beginning of the year at the latest, additions to the Auditing methodology are developed in accordance with the changes of laws, standards, directives, regulation and guides. A familiarization with and development of practical examples from auditing work are performed, as well as education in relation to the provision of services of asset and equity valuations, financial, accounting and tax consulting, preparation of transfer pricing studies, etc.
- Chamber of Authorized Auditors organizes at least once a year a continuous professional education mandatory for all licensed certified auditors in the Company,
- at the beginning of the year practice is often performed of organizing working meetings with accountants of all Clients in order to get familiarized with the changes of regulation in relation to the accounting practice, unique reporting practice in terms of notes to financial statements, public discussion is opened about practice problems and guidelines are given for performing work during the previous audit as a solid basis for preparation of financial statements, etc.
- monitoring and application of legal regulations are performed continuously, as well as contemporary information technology and software tools, professional literature is secured from the field of accounting and auditing,
- mandatory education is secured in relation to the preparation of transfer pricing studies and application of information tools (data bases) for performance of work of determining prices in accordance with the arm's length principle. The Company has been using for a while now **Amadeus TP Catalyst** public data base as support for the preparation of the transfer pricing studies.

- training and instructions for monitoring public and paid data basis and internet portals in relation to data gathering about clients and environments in which they operate are held.

Annual employee review answers whether professional education was sufficient for each employee on the basis of which new levels and fields of professional employee education is planned.

Special form of continuous employee education refers to the risk detection, assessment and managing risks of criminal acts and money laundering.

## 10. FINANCIAL INFORMATION

The Company has no related entities.

The Company in the past 2017 achieved the following results:

### TYPE OF BUSINESS REVENUE

<b>Audit of financial statements</b>	<b>RSD</b>
1) Revenue from large-sized legal entities	12.502.334
2) Revenue from public entities	12.079.004
3) Revenue from other companies	38.025.864
<b>Total statutory audit of financial statements</b>	<b>62.607.202</b>
 Revenue from other services	 <b>28.382.097</b>
<b>TOTAL REVENUE</b>	<b>90.989.299</b>

Average number of employees in the year 2017 was 28, and as of 31 December 2017 there were 28 employees.

## 11. LIST OF LICENSED CERTIFIED AUDITORS

1. Radmila Antonijević, BEcon	401-00-4388/2017-16
2. Prod. Milovan Filipović, PhD	401-00-298/2017-16
3. Jelena Krpić, MEcon	401-00-267/2017-16
4. Ljubinka Laković, BEcon	401-00-424/2017-16
5. Prof. Đoko Malešević, PhD	401-00-2024/2017-16
6. Tanja Mičić, MEcon	401-00-464/2018-16
7. Ljiljana Mladenović, BEcon	401-00-353/2018-16
8. Đorđe Radulović, MEcon	401-00-2308/2015-16
9. Nikolina Radusin, BEcon	401-00-670/2015-16
10. Prof. Jovan Rodić, PhD	401-00-297/2017-16
11. Miroslav Švedić, BEcon	401-00-4062/2017-16
12. Miloš Karajović, MEcon	153-00-61/2017-16

## 12. LIST OF PUBLIC INTEREST COMPANIES WHERE AUDIT WAS PERFORMED FOR THE YEAR 2016

### 1) LARGE-SIZED LEGAL ENTITIES CLASSIFIED IN ACCORDANCE WITH THE LAW ON ACCOUNTING

1. JP EPS "ELEKTROKOSMET" Priština	09016473	2016
2. "C.R.B.C. SRBIJA" BRANCH, Belgrade	29502447	2016
3. "CONTITECH FLUID SRBIJA" DOO, Subotica	20759704	2016
4. "INSTITUT ZA RATARSTVO" DP, Novi Sad	08055092	2016
5. IM "MATIJEVIĆ" DOO, Novi Sad	08588759	2016
6. "N SPORT" DOO, Belgrade	17067648	2016
7. "ROTOGRAFIKA" DOO, Subotica	08756627	2016
8. "SIMPO ŠIK" DOO, Kuršumlja	20609613	2016
9. JP EPS "TERMOELEKTRANE KOSOVO" Obilić	09016252	2016
10. "TRNAVA - PROMET" DOO, Donja Trnava	07364857	2016
11. JKP "VODOVOD I KANALIZACIJA" Kragujevac	07165439	2016
12. JP "VOJVODINA ŠUME" Petrovaradin	08762198	2016
13. "ZASTAVA ISTRABENC LIZING" DOO, Belgrade	17518844	2016
14. "SBD BROKER" AD, Subotica	08724792	2016
15. "KRUŠIK" AD, Valjevo	07096364	2016
16. „CHINA SHANDONG INTERNATIONAL ECONOMIC AND TECHNICAL“ BRANCH, Belgrade	29505381	2016
17. "EXING B & P" DOO, Belgrade	06001629	2016
18. "EURO GAS" DOO, Subotica	08701156	2016
19. JP "SRBIJA ŠUME" DP, Petrovaradin	07754183	2016
20. "MAT AGRO" DOO, Novi Sad	20801638	2016
21. "STRABAG" DOO, Belgrade	17382977	2016

## 2) PUBLIC ENTITIES CLASSIFIED IN ACCORDANCE WITH THE LAW ON CAPITAL MARKET

1. "AUTOPREVOZ JANJUŠEVIĆ" AD, Priboj	07155824	2016
2. PP "BEZDAN" AD, Bezdan	08246670	2016
3. "BIGZ PABLIŠING" AD, Belgrade	07006462	2016
4. PP "BORAC" AD, Šurjan	08057729	2016
5. "BUDUĆNOST" AD, Subotica	08067538	2016
6. "CHEMOS" AD, Palić	08067619	2016
7. "DVADESET PRVI MAJ" AD, Belgrade	17064134	2016
8. "GOŠA FOM" AD, Smederevska Palanka	07264348	2016
9. "GEOSONDA-MAŠINSKI CENTAR" AD, Belgrade	06969658	2016
10. "IMOS" AD, Šid	08119066	2016
11. "POLJOPROMET" AD, Ruma	08238111	2016
12. HTUP "PALISAD" AD, Zlatibor	07155930	2016
13. "YUMCO" AD, Vranje	07105720	2016
14. "PROLETER" AD, Arilje	07110839	2016
15. "PUTEVI" AD, Užice	07156332	2016
16. "NEOPROJEKT" AD, Belgrade	07040296	2016
17. PTK "PANONIJA" AD, Panonija	08056811	2016
18. "PUTEVI" AD, Požega	06991840	2016
19. "RAVNICA" AD, Bajmok	08049335	2016
20. "SENTA PROMET" AD, Senta	08720100	2016
21. "SIMPO" AD, Vranje	07105681	2016
22. UT "SLOGA" AD, Užice	07258682	2016
23. "STARI GRAD" AD, Čačak	07182538	2016
24. "STARI TAMIŠ" AD, Pančevo	08047731	2016
25. „SIGURNOST AS" AD, Belgrade	17452274	2016
26. "SIGURNOST-VRAČAR" AD, Belgrade	07064535	2016
27. "VOJVODINA PUT" AD, Subotica	08141711	2016
28. PP "ZLATICA" AD, Lazarevo	08035466	2016
29. PP "POBEDA" AD, Pobeda	08142599	2016
30. "STJENIK" AD, Čačak	07181868	2016
31. "FABRIKA OPRUGA" AD, Čačak	07290586	2016
32. "ŠUMADIJA TRANSPORT", Čačak	07182422	2016
33. "PUTEVI" AD, Čačak	17041975	2016
34. "SRBIJATRANSPORT" AD, Belgrade	07032137	2016
35. "BUDUĆNOST" AD, Čurug	08729573	2016
36. "ĐERDAP TURIST" AD, Kladovo	07129939	2016
37. "FARMACOOP" AD, Novi Sad	08041997	2016
38. „LUKA SENTA" AD, Senta	08052590	2016
39. "MAJEVICA HOLDING" AD, B. Palanka	08005613	2016
40. "MAJEVICA POLJOOPREMA" AD, B. Palanka	08005613	2016
41. "ROTOR" AD, Belgrade	07032013	2016
42. "SLOGA" AD, Kać	08247064	2016
43. "STUP" AD, Vršac	08009961	2016
44. "VOJVODINAPUT" AD, Subotica	08141711	2016

3) **RELATED LEGAL ENTITIES WITH PUBLIC ENTITIES WHERE THE AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR 2016 WAS PERFORMED**

- |    |   |   |
|----|---|---|
| 1. | <i>"PUTEVI" AD, Požega</i>                  | <ul style="list-style-type: none"> <li>- <i>"PUTEVI CENTAR" DOO, Belgrade</i></li> <li>- <i>"PUTEVI" AD, Užice</i></li> </ul>   |
| 2. | <i>"RAVNICA" AD, Bajmok</i>                 | <ul style="list-style-type: none"> <li>- <i>PP "JEDINSTVO" DOO, Kikinda</i></li> <li>- <i>PP "ZLATICA" AD, Lazarevo</i></li> <li>- <i>"PIONIR" AD, Srbobran</i></li> <li>- <i>PP "BEZDAN" AD, Bezdan</i></li> <li>- <i>"GALAD" DOO, Kikinda</i></li> <li>- <i>"MLINTEST" DOO, Šid</i></li> <li>- <i>"AGROVOJVODINA MEHANIZACIJA" DOO, Novi Sad</i></li> <li>- <i>IM "MATIJEVIĆ" DOO, Novi Sad</i></li> <li>- <i>"MAT AGRO" DOO, Novi Sad,</i></li> <li>- <i>"MAT PILE" DOO, Srpski Itebej,</i></li> <li>- <i>"MPZ AGRAR" DOO, Novi sad</i></li> <li>- <i>"MAT Real-Estate" DOO, Novi Sad</i></li> </ul> |
| 3. | <i>"VOJVODINA PUT" AD, Subotica</i>         | <ul style="list-style-type: none"> <li>- <i>"SDB BROKER" AD, Subotica</i></li> <li>- <i>"CHEMOS" AD, Palić</i></li> </ul>   |
| 4. | <i>"SIMPO" AD, Vranje</i>                   | <ul style="list-style-type: none"> <li>- <i>"SIMPO DEKOR" DOO, Vranje</i></li> <li>- <i>"SIMPO ŠIK" DOO, Kuršumlja</i></li> </ul>   |
| 5. | <i>"VOJVODINAPUT - PANČEVO" AD, Pančevo</i> | <ul style="list-style-type: none"> <li>- <i>"PUTEVI" AD, Čačak</i></li> <li>- <i>"STRABAG AG" Branch, Belgrade</i></li> <li>- <i>"STRABAG" DOO, Belgrade</i></li> </ul>   |

### 13. BASIS FOR AUDIT PARTNERS COMPENSATIONS

Compensation to partners – owners is paid, by rule, from the gain of the Company, taking into consideration the following elements:

- assumed degree of responsibility for Company's operations,
- based on achieved results,
- in accordance with normative acts of the Company.

Partners of the Company, aside from compensation from gain assigned at the end of the business year, achieve salaries based on Labor Contracts.

### 14. STATEMENT

To the best of our knowledge and assurance, information contained in this Report is true and in accordance with the requirements of the Article 54 of the Law on Capital Market (Official gazette RS no. 31/2011) and Article 4 of the Rulebook on conditions for disclosing the audit of public entity financial statements (Official gazette of the Republic of Serbia no. 114/2013)

Belgrade, 23 February 2018

Director,

Prof. Milovan Filipovic, PhD