

**JOINT STOCK COMPANY „TIGAR“  
PIROT**

**REPORT  
ON THE CONDUCTED AUDIT OF 2015 CONSOLIDATED  
FINANCIAL STATEMENTS**

**Belgrade, May 20th 2016**

**JOINT STOCK COMPANY "TIGAR" PIROT ,  
PIROT**

**REPORT  
ON THE CONDUCTED AUDIT OF 2015 CONSOLIDATED  
FINANCIAL STATEMENTS**

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**Audit and Consulting company STANIŠIĆ AUDIT, LLC**  
**32 Danijelova St, Phone: (011) 3093211; 3093212, 3093-213; FAX: 3093-214**

## **INDEPENDENT AUDITOR'S REPORT**

TO THE SHAREHOLDERS OF JOINT STOCK COMPANY "TIGAR", PIROT

We have been engaged to audit the accompanying consolidated financial statements of the joint stock company "TIGAR" Pirot (further referred to as: the Group) which comprise the consolidated balance sheet as of December 31, 2015, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity for the year then ended, as well as the summary of the significant accounting policies and other explanatory notes.

### *Management's responsibility*

Management of the Group is responsible for preparation and fair presentation of these consolidated financial statements in accordance with the Law on accounting and other accounting regulations applicable in the Republic of Serbia, as well as for such internal control that management determines as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the submitted consolidated financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing and RS Law on Accounting. Due to the significant issues presented within the below given paragraph *Basis for Disclaimer of Opinion*, we could not collect enough suitable audit evidence that provide the grounds for the expression of auditor's report.

### *Basis for Disclaimer of Opinion*

Group's consolidated financial statement for the year ended on December 31st 2014, were audited by another auditor who issued a Disclaimer of Opinion for financial statements as of June 12th 2015 with respect to the impairment of non-material investments, adequacy of assessment methodology and stated effects of investment properties, devaluation of inventories, on-consolidation of all subsidiaries and calculation of cumulated reserves by turning assets and liabilities into the reporting currency, and minority interest. Due to the significant limitations with reference to the opening balance sheet, which are taken into account for the calculation of results for the year ended on December 2015, we could not make sure whether there is a potential influence on the comparative financial information and the adequate effect on the consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on December 2015.

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### *Basis for Disclaimer of Opinion*

On December 31st 2015, the Group stated non-material investments in the amount of 268.544 thousand RSD. Within the position »non-material investments«, the Group also stated capitalized development costs. Based on the submitted documentation, we could not ensure, by audit or any other alternative methods, whether the criteria for the capitalization of development costs was fulfilled at the moment of the initial recognition. We were not provided with any analysis on how and in what time period these non-material investments would generate possible future economic benefits.

Although the Group has conducted impairment in the total net amount of 322.675 thousand RSD ( as of December 31st 1024 in the net amount of 242.952 thousand RSD, as of December 31st 2015 in the net amount of 79.723 thousand RSD), there is an indication that non-material investments were stated in the amount higher than their recoverable value, which would be against the requirements of IAS 36 – Impairment of Assets.

As the Group has significant current and accumulated losses, it is necessary to perform an analysis for the further impairment of non-material investments.

As of December 31st 2015, total inventories of the Group were stated in the amount of 1.167.149 thousand RSD. Inventories on which there was no movement for a period longer than one year, and on which there was no correction of value, amount at least 237.210 thousand at that date. Because of the lack of suitable analysis of these inventories, we could not make sure that there was no unacknowledged recognition of inventories value as of December 31<sup>st</sup> 2015 and no effects on the consolidated income statement and consolidated cumulated losses.

Due to the lack of communication and lack of financial information from the dependant entity, the Group did not consolidate the data of the subsidiary „Tigar Americas“, Florida, USA, owned by joint stock company “Tigar” in 100%, as of December 31<sup>st</sup> 2015. During 2015, the Managing Authority brought a Decision of the closure of the subsidiary and the Group took the measures pursuant to the Decision.

We were not able to assess what is the impact of these facts on the consolidated financial statements.

Pursuant to the data from the Companies register, filed within Serbian Business Registers Agency, we have determined that there is a discrepancy in the amount of Group's founding capital and the amount stated in the business books. Discrepancies were determined in „Tigar

Incon“ LLC, “Tigar Inter Risk“ LLC, “Ti-Car” LLC, “Tigar Security “ LLC and “Tigar Tours” LLC.

We were not able to assess what is the impact of these facts on the consolidated financial statements.

Pursuant to the Law on Companies, Article 589, the Group is obliged to perform the harmonization of capital in the business books with the capital registered within Serbian Business Registers Agency.

The auditor was not presented with the adequate calculation of cumulated reserve from turning assets and liabilities into the reporting currency, stated in the amount of 84.716 thousand RSD, and minority interest stated in the amount of 91.147 thousand RSD, which were presented within the capital. We could not be sure about the fairness and objectivity of these amounts and their effects on consolidated accumulated losses as of December 31<sup>st</sup> 2015 and 2014.

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### **Disclaimer of Opinion**

Due to the relevance of issues disclosed in the paragraph entitled Basis for Disclaimer of Opinion, we were not able to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base the audit opinion. Therefore, we do not express our opinion on consolidated financial statements of the joint stock company "Tigar", Pirot, as of December 31, 2015.

*We draw attention to the following matters:*

As stated in Note 2.3 to consolidated financial statements, the Group has disclosed net loss in the amount of 576.608 thousand RSD for the year ended on December 31, 2015. Short-term liabilities of the Group are lower than the current assets stated as of December 31, 2015 for 362.414 thousand RSD. The Group has certain liquidity issues (net cash outflow). Total debt-to-equity ratio is negative. Loss above the equity value is stated in the amount of 2.077.431 thousand RSD.

Such situation indicates the existence of materially significant uncertainty that can cause considerable doubt as to the ability of the Group to further its business operations.

The Group has officially entered the debt restructuring process in accordance with the plans enacted by the creditors. The consolidation of the Company's business operations is ongoing.

At the extraordinary session of the Shareholders Assembly held on April 14, 2014, the decision was made on submitting the proposal for initiating the bankruptcy proceedings via reorganisation, with the pre-pack reorganisation plan (PPRP). Pre-pack reorganisation plans for the joint stock company "Tigar" and "Tigar Footwear" Ltd. have been submitted to the Commercial Court in Niš on May 29, 2014.

Voting after which the plan was adopted by major creditors was held on September 18, 2014 for the joint stock company "Tigar", and on September 23, 2014 for "Tigar Footwear" Ltd. No appeals were made against the plan of "Tigar Footwear" Ltd., thus making it fully effective on November 26, 2014, and the starting date for the plan implementation is December 11, 2014. Repayment to direct creditors of the company "Tigar Footwear" Ltd. started as of January 11, 2015. Commercial Bank a.d Belgrade in bankruptcy submitted an appeal against the adopted plan for the joint stock company "Tigar" ad Pirot. According to the decision of the Commercial Court of Appeal in Belgrade as of December 31, 2014, the corrections of the plan were deemed necessary.

Corrections of the plan were done and the modified text of the Pre-pack Reorganisation Plan (PRP) was submitted to Court on February 20, 2015. At the hearings held at the Commercial Court in Niš on April 07, 2015, the majority of creditors adopted the Pre-Pack Reorganisation Plan (PRP) for the joint stock company "Tigar" Pirot.

On June 01, 2015, the Pre-pack Reorganisation Plan (PRP) of the joint stock company "Tigar" Pirot became fully valid and effective. As of June 16, 2015, all activities regarding the implementation of the plan were initiated. Accordingly, the decisions on adopting the Contract on acquisition of subsidiary companies "Tigar Footwear" Ltd., "Tigar Technical Goods" Ltd, and "Tigar Chemical Products" Ltd., as transferors, to the parent joint stock company "Tigar", as acquirer, were made on August 06, 2015. The date of the status change of acquisition is September 11, 2015.

Besides the aforementioned, the management of the Group was actively involved in restructuring of Tigar Group, as well as drafting and adoption of plans and strategies of financial and business consolidation in order to overcome the financial and business difficulties and create a more efficient business system. Accordingly, the Group has prepared the enclosed financial statements following the going concern principle.

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### *Other issues*

The Group is responsible for preparing the Annual Report, in accordance with the principles of the Law on Accounting of the Republic of Serbia (" Official Gazette of the RS" No. 61/2013). Our responsibility is to express an opinion on compliance of the annual report with financial statements for the year 2015. Therefore, our activities are carried out in accordance with the *International Standard on Auditing (ISA) 720 (Revised)- The auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, and we are limited to the compliance assessment of annual business reports with financial reports.

In our opinion, the annual report is in compliance with the audited consolidated financial statements of the Group.

In Belgrade,  
May 20, 2016

Certified auditor

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