ENERGOPROJEKT ENTEL a.d. BELGRADE

Consolidated Financial Statements as of and for the Year Ended 31 December 2015

and

Independent Auditor's Report

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This is an English translation of Independent Auditor's Report originally issued in Serbian language

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENERGOPROJEKT ENTEL a.d. BELGRADE

We have audited the accompanying consolidated financial statements of Energoprojekt Entel a.d. Belgrade and its consolidated subsidiaries (hereinafter: "Group") which comprise the consolidated balance sheet as of 31 December 2015, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 62/2013), 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.

Auditor's 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the consolidated financial statements 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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia based on the Law on Accounting.

Belgrade, 7 April 2016

Društvo za reviziju BDO d.o.o. Beograd

Igor Radmanovic
Certified Auditor

Completed by a legal entity - entrepreneur		
Identification number: 07470975	Business code: 7112	TIN: 100389086

Name: ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED

Seat : Bulevar Mihaila Pupina 12, BELGRADE

BALANCE SHEET

As at 31 December 2015

-in RSD thousand-

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
	ASSETS					
00	**A. UNPAID SUBSCRIBED CAPITAL**	0001				
	B. NON CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		2.144.522	1.915.603	1.243.422
01	I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	0003		13.289	9.994	7.770
010 and part of 019	1. Investment in development	0004				
011, 012 and part of 019	2. Concessions, patents, licenses, trade and service marks, software and other rights	0005		13.289	9.994	7.770
013 and part of 019	3. Goodwill	0006				
014 and part of 019	4. Other intangible assets	0007				
015 and part of 019	5. Intangible assets under construction	0008				
016 and part of 019	6. Advances for intangible assets	0009				
02, 021 and part of 029	II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	0010		1.198.806	1.140.774	708.008
020, 021 and part of 029	1. Land	0011				
022 and part of 029	2. Buildings	0012		919.367	896.443	514.770
023 and part of 029	3. Plant and equipment	0013		243.177	208.069	154.263
024 and part of 029	4. Investment property	0014		1.924	1.924	1.924
025 and part of 029	5. Other property, plant and equipment	0015				
026 and part of 029	6. Property, plant and equipment under construction	0016		34.338	34.338	34.338
027 and part of 029	7. Leasehold improvements	0017				
028 and part of 029	8. Advances for property, plant and equipment	0018				2.713
03	III. BIOLOGICAL ASSETS (020+021+022+023)	0019				
030, 031 and part of 039	1. Forests and plantations	0020				
032 and part of 039	2. Livestock	0021				
037 and part of 039	3. Biological assets under construction	0022				
038 and part of 039	4. Advances for biological assets	0023				
04 except 047	IV. LONG-TERM FINANCIAL INVESTMENTS (025+026+027+028+029+030+031+032+033)	0024		148.223	120.201	121.181
040 and part of 049	1. Equity investments in subsidiaries	0025				
041 and part of 049	2. Equity investments in associates and joint ventures	0026		92.142	84.419	72.750
042 and part of 049	3. Equity investments in other legal entities and other securities available for sale	0027				20.504

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
043 and part of 049	4. Long-term placements to parent companies, subsidiaries and other related parties in the country	0028				
044 and part of 049	5. Long-term placements to parent companies, subsidiaries and other related parties in the country abroad	0029				
045 and part of 049	6. Long-term placements domestic	0030				
045 and part of 049	7. Long-term placements foreign	0031				
046 and part of 049	8. Securities held to maturity	0032				
048 and part of 049	9. Other long-term financial placements	0033		56.081	35.782	27.927
05	**V. LONG-TERM RECEIVABLES** (0035+0036+0037+0038+0039+0040+0041)	0034		784.204	644.634	406.463
050 and part of 059	1. Receivables from parent companies and subsidiaries	0035				
051 and part of 059	2. Receivables for other related parties	0036				
052 and part of 059	3. Receivables from commodity loans	0037				
053 and part of 059	4. Receivables from finance lease agreements	0038				
054 and part of 059	5. Receivables based on guarantees	0039				
055 and part of 059	6. Bad and doubtful receivables	0040				
056 and part of 059	7. Other long-term receivables	0041		784.204	644.634	406.463
288	C. DEFERED TAX ASSETS	0042				
	D. CURRENT ASSETS (0044+0051+0059+0060+ 0061+0062+0068+0069+0070)	0043		3.688.219	3.177.364	3.070.378
Class 1	E. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044		10.302	9.444	7.818
10	1. Material, spare parts, tools and small inventory	0045				
11	2. Work in progress and services in progress	0046				
12	3. Finished products	0047				
13	4. Goods	0048				
14	5. Non-current assets held for sale	0049		3.462	3.462	
15	6. Advances paid for inventories and services	0050		6.840	5.982	7.818
20	II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	0051		1.337.843	1.859.303	1.153.757
200 and part of 209	1. Domestic - parent companies and subsidiaries	0052				16
201 and part of 209	2. Foreign - parent companies and subsidiaries	0053				
202 and part of 209	3. Domestic- other related parties	0054		1.528	2.770	3.782
203 and part of 209	4. Foreign - other related parties	0055			12.085	
204 and part of 209	5. Domestic receivables	0056		53.638	34.986	35.765
205 and part of 209	6. Foreign receivables	0057		1.282.677	1.809.462	1.114.194
206 and part of 209	7. Other trade receivables	0058				
21	III. Receivables from specific operations	0059				
22	IV. Other receivables	0060		9.872	956	1.371
236	V. Financial asset at fair value through profit and loss	0061				
(23 except 236)- 237	VI. Short-term financial placements (0063+0064+0065+0066+0067)	0062		1.201.140	796.376	1.230.282
230 and part of 239	1. Short-term loans and placements - parent companies and subsidiaries	0063				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
231 and part of 239	2. Short-term loans and placements - other related parties	0064				
232 and part of 239	3. Short-term domestic credits and loans	0065				
233 and part of 239	4. Short-term foreign credits and loans	0066				
234,235,238 and part of 239	5. Other short-term financial placements	0067		1.201.140	796.376	1.230.282
24	VII. CASH AND CASH EQUIVALENTS	0068		865.212	306.099	531.504
27	VIII. VALUE ADDED TAX	0069		2.958	5.855	2.397
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070		260.892	199.331	143.249
	F. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		5.832.741	5.092.967	4.313.800
88	**G. OFF BALANCE SHEET ASSETS**	0072		2.472.632	3.487.208	895.344
	EQUITY AND LIABILITIES					
	A. EQUITY (0402+0411 -0412+0413+0414+0415-0416+0417+ 0420-0421) >= 0 = (0071-0424-0441-0442)	0401		3.275.284	2.812.775	2.022.227
30	I. CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		173.223	173.223	173.166
300	1. Share capital	0403		173.223	173.223	173.166
301	2. Stakes in limited liability companies	0404				
302	3. Stakes	0405				
303	4. State owned capital	0406				
304	5. Socially owned capital	0407				
305	6. Stakes in cooperatives	0408				
306	7. Share premium	0409				
309	8. Other capital	0410				
31	II. SUBSCRIBED UNPAID EQUITY	0411				
047 and 237	III. REPURCHASED TREASURY SHARES	0412				
32	IV. RESERVES	0413		24.022	23.886	23.698
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	0414		372.031	364.461	78.111
33 except 330	VI. UNREALISED GAINS FROM SECRUTIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (credit balances of the accounts of group 33 except 330)	0415		72.650	120.352	54.049
33 except 330	VII. UNREALISED LOSSES FROM SECRUTIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (credit balances of the accounts of group 33 except 330)	0416				
34	VIII. RETAINED EARNINGS (0418+0419)	0417		2.633.358	2.130.853	1.693.203
340	1. Retained earnings from prior years	0418		2.109.749	1.640.154	1.298.870
341	2. Retained earnings from current year	0419		523.609	490.699	394.333
	IX. SHARE WITHOUT THE RIGHT TO CONTROL	0420				
35	**B. LOSS** (0422+0423)	0421				
350	1. Accumulated losses	0422				
351	2. Current year loss	0423				
	C. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	0424		619.754	560.190	740.141
40	I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		611.347	552.102	740.141
400	1. Provisions for costs during the warranty period	0426		409.955	338.589	588.052
401	2. Provisions for recovery of natural resources	0427				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
403	3. Provisions for restructuring costs	0428				
404	4. Provisions for compensations and employee benefits	0429		201.392	213.513	152.089
405	5. Provisions for costs of legal proceedings	0430				
402 and 409	6. Other long-term provisions	0431				
41	I. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		8.407	8.088	
410	1. Liabilities which can be converted into capital	0433				
411	2. Liabilities to parents and subsidiaries	0434				
412	3. Liabilities to other related parties	0435				
413	4. Liabilities on issued securities in the period exceeding one year	0436				
414	5. Long-term domestic loans and borrowings	0437				
415	6. Long-term foreign loans and borrowings	0438				
416	7. Finance lease liabilities	0439			8.088	
419	8. Other long-term liabilities	0440		8.407		
498	**C. DEFERRED TAX LIABILITIES**	0441		63.495	62.966	14.366
42 to 49 (except 498)	**D. SHORT-TERM LIABILITIES** (0443+0450+0451+0459+0460+0461+0462)	0442		1.874.208	1.657.036	1.537.066
42	E. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		3.374		
420	1. Short-term borrowings from parent companies and subsidiaries	0444				
421	2. Short-term borrowings from other related parties	0445				
422	3. Short-term domestic loans and borrowings	0446				
423	4. Short-term foreign loans and borrowings	0447				
427	5. Liabilities for non-current assets and discontinued operations held for sale	0448				
424,425, 426 i429	6. Other short-term financial liabilities	0449		3.374		
430	II. ADVANCES, DEPOSITS AND RETAINERS RECEIVED	0450		9.445	5.136	8.440
43 except 430	III. ACCOUNTS PAYABLE (0452+0453+0454+0455+0456+0457+0458)	0451		652.294	508.392	546.869
431	1. Trade payables - parent companies and subsidiaries	0452		9.075	9.471	9.053
432	2. Trade payables - parent companies and subsidiaries foreign	0453				
433	3. Trade payables - other related party domestic	0454		121	1.821	34.530
434	4. Trade payables - other related parties foreign	0455				
435	5. Domestic trade payables	0456		8.109	8.292	6.388
436	6. Foreign trade payables	0457		634.989	488.808	496.898
439	7. Other trade payables	0458				
44,45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459		505.736	512.287	468.629
47	V. VALUE ADDED TAX PAYABLE	0460				
48	VI. OTHER TAX LIABILITIES, CONTRIBUTIONS AND OTHER DUTIES	0461		641.350	584.774	482.977
49 except 498	VI. ACCRUALS AND DEFERRED INCOME	0462		62.009	46.447	30.151
	F. LOSS IN EXCESS OF NET ASSETS (0412+0416+0421 -0420-0417-0415-0414-0413- 0411 -0402) => 0 = (0441 +0424+0442-0071) => 0	0463				
	G. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) >= 0	0464		5.832.741	5.092.967	4.313.800

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
89	**H. OFF BALANCE SHEET LIABILITIES**	0465		2.472.632	3.487.208	895.344

Legal representative

In Belgrade

L.S.

On 8 March 2016

Completed by a legal entity - entrepreneur		
Identification number	Business code	TIN
07470975	7112	1003089086

Name: ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED

Seat : Bulevar Mihaila Pupina 12, BELGRADE

INCOME STATEMENT

for the period from 01 January to 31 December 2015

- In RSD thousand -

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
60 to 65, except 62 and 63	I. OPERATING INCOME (1002+1009+1016+1017)	1001		5.486.318	3.856.140
60	II. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	1002			
600	1. Income from the sale of goods to parent companies and subsidiaries on domestic market	1003			
601	2. Income from the sale of goods to parent companies and subsidiaries on foreign market	1004			
602	3. Income from the sale of goods to other related parties on domestic market	1005			
603	4. Income from the sale of goods to other related parties on foreign market	1006			
604	5. Income from the sale of goods on domestic market	1007			
605	6. Income from the sale of goods on foreign market	1008			
61	III. INCOME FROM THE SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009		5.480.255	3.856.041
610	1. Income from the sale of finished goods and services to parent companies and subsidiaries on domestic market	1010		160	158
611	2. Income from the sale of finished goods and services to parent companies and subsidiaries on foreign market	1011			
612	3. Income from the sale of finished goods and services to other related parties on domestic market	1012		4.149	43.795
613	4. Income from the sale of finished goods and services to other related parties on foreign market	1013			
614	5. Income from the sale of finished goods and services on domestic market	1014		170.536	129.775
615	6. Income from the sale of finished goods and services on foreign market	1015		5.305.410	3.682.313
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016			
65	IV. OTHER OPERATING INCOME	1017		6.063	99
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019-1020-1021 +1022+1023+1024+1025+1026+1027+ 1028+1029) >= 0	1018		5.105.577	3.747.143
50	I. COSTS OF GOODS SOLD	1019		845	
62	II. OWN-WORK AND GOODS CAPITALISED	1020			
630	III. INCREASE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS	1021			
631	IV. DECREASE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS	1022			
51 except 513	V. COSTS OF MATERIAL	1023		45.433	44.917
513	VI. OIL AND ENERGY	1024		78.097	57.121

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
52	VII. WAGES, SALARIES AND OTHER PERSONNEL EXPENSES	1025		3.221.476	2.334.117
53	VIII. COSTS OF PRODUCTIVE SERVICES	1026		808.922	636.108
540	IX. COSTS OF DEPRECIATION AND AMORTISATION	1027		68.483	57.761
541 to 549	X. LONG-TERM PROVISIONS	1028		121.839	56.322
55	XI. NON-MATERIAL COSTS	1029		760.482	560.797
	C. OPERATING INCOME (1001 -1018) >= 0	1030		380.741	108.997
	D. OPERATING LOSS (1018-1001) >= 0	1031			
66	E. FINANCE INCOME (1033+1038+1039)	1032		95.605	72.698
66 except 662, 663 i664	F. FINANCE INCOME FROM RELATED PARTIES AND OTHER FINANCE INCOME (1034+1035+1036+1037)	1033		77.325	54.044
660	1. Finance income from parent company and subsidiaries	1034			
661	2. Finance income from other related parties	1035		25	
665	3. Gains from associates and joint ventures profit sharing	1036		7.723	7.784
669	4. Other finance income	1037		69.577	46.260
662	II. INTEREST INCOME (FROM THIRD PARTIES)	1038		10.634	12.850
663 and 664	III. FOREIGN EXCHANGE GAINS AND POSITIVIE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039		7.646	5.804
56	G. FINANCE EXPENSES (1041+1046+1047)	1040		8.362	18.788
56 except 562, 563 and 564	H. FINANCE EXPENSES FROM RELATED PARTIES AND OTHER FINANCE EXPENSES (1042+1043+1044+1045)	1041		37	3
560	1. Finance expenses from parent company and subsidiaries	1042		9	
561	2. Finance expenses from other related parties	1043		28	
565	3. Losses from associates and joint ventures loss sharing	1044			
566 and 569	4. Other finance expenses	1045			3
562	II. INTEREST EXPENSES (TO THIRD PARTIES)	1046		1.056	2.952
563 i564	II. FOREIGN EXCHANGE LOSSES AND NEGATIVE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047		7.269	15.833
	E. FINANCE INCOME (1032-1040)	1048		87.243	53.910
	F. FINANCE LOSS (1040-1032)	1049			
683 i685	G. INCOME FROM FAIR VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1050			
583 and 585	H. EXPENSES FROM FAIR VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1051			
67 and 68, except 683 and 685	I. OTHER INCOME	1052		111.720	378.623
57 and 58, except 583 and 585	J. OTHER EXPENSES	1053		28.802	31.632
	K. OPERATING PROFIT BEFORE TAX (1030-1031 +1048-1049+1050-1051 +1052-1053)	1054		550.902	509.898
	L. OPERATING LOSS BEFORE TAX (1031 -1030+1049-1048+1051 -1050+1053-1052)	1055			
69 - 59	M. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND PRIOR YEARS' ERROR ADJUSTMENT	1056		16	5.045
59 - 69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND PRIOR YEARS' ERROR ADJUSTMENT	1057			
	O. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058		550.918	514.943
	P. LOSS BEFORE TAX (1055-1054+1057-1056)	1059			
	R. INCOME TAXES				
721	I. TAX EXPENSE OF THE PERIOD	1060		26.780	26.245

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
part of722	II. DEFERRED TAX EXPENSES OF THE PERIOD	1061		529	
part of 722	III. DEFERRED TAX INCOME OF THE PERIOD	1062			2.001
723	**S. BENEFITS PAID TO EMPLOYER**	1063			
	T. NET PROFIT (1058-1059-1060-1061 + 1062-1063)	1064		523.609	490.699
	U. NET LOSS (1059-1058+1060+1061-1062+1063)	1065			
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	1066			
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INTEREST	1067			
	III. NET LOSS ATTRIBUTABLE TO MINORITY INTEREST	1068			
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INTEREST	1069			
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		1.239	1.161
	2. Diluted earnings per share	1071			

Legal representative

In Belgrade

L.S.

On 8 March 2016

Completed by a legal entity - entrepreneur		
Identification number	Business code	TIN
07470975	7112	100389086

Name: ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED

Seat : Bulevar Mihaila Pupina 12, BELGRADE

STATEMENT OF OTHER COMPREHENSIVE INCOME

In the period from 01 January to 31 December 2015

- In RSD thousand -

Code of account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A: NET OPERATING RESULT				
	I. NET PROFIT (EDP 1064)	2001		523.609	490.699
	II. NET LOSS (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE INCOME OR LOSS				
	a) Items that will not be reclassified in Income Statement in future periods				
330	1. Changes of revaluation of intangible assets, property, plant and equipment				
	a) increase of revaluation reserves	2003			338.650
	b) decrease of revaluation reserves	2004			
331	2. Actuarial gains or losses on defined benefits plans				
	a) Gains	2005			
	b) Losses	2006			
332	3. Gains or losses on investment in equity instruments				
	a) Gains	2007			
	b) Losses	2008			
333	4. Gains or losses on the share in other comprehensive income or loss of associated companies				
	a) Gains	2009			
	b) Losses	2010			
	b) Items that may be reclassified subsequently in the Income Statement in future periods				
334	1. Gains or losses on translation of financial statements of foreign operation				
	a) Gains	2011		506.628	61.164
	b) Losses	2012		554.330	
335	2. Gains or losses on hedging instruments of net investments in foreign operations				
	a) Gains	2013			
	b) Losses	2014			
336	3. Gains or losses on cash flow hedging instruments				
	a) Gains	2015			
	b) Losses	2016			
337	4. Gains or losses on securities available for sale				
	a) Gains	2017			

Code of account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	b) Losses	2018			
	I. OTHER GROSS COMPREHENSIVE INCOME (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)) >= 0	2019			399.814
	II. OTHER GROSS COMPREHENSIVE LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) >= 0	2020		47.702	
	III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS OF THE PERIOD	2021			48.490
	IV. NET OTHER COMPREHENSIVE INCOME (2019-2020-2021) >= 0	2022			351.324
	V. NET OTHER COMPREHENSIVE LOSS (2020-2019+2021) >= 0	2023		47.702	
	V. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
	I. TOTAL NET COMPREHENSIVE INCOME (2001-2002+2022-2023) >= 0	2024		475.907	842.023
	II. TOTAL NET COMPREHENSIVE LOSS (2002-2001 +2023-2022) >= 0	2025			
	G. TOTAL NET COMPREHENSIVE INCOME OR LOSS (2027+2028) = 2027+2028) =EDP 2024 ≥ 0 or EDP 2025 > 0	2026			
	1. Attributed to majority shareholders	2027			
	2. Attributed to non-controlling shareholders	2028			

Legal representative

In Belgrade

L.S.

On 8 March 2016

Completed by a legal entity - entrepreneur		
Identification number	Business code	TIN
07470975	7112	100389086

Name: ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED

Seat : Bulevar Mihaila Pupina 12, BELGRADE

CASH FLOW STATEMENT

In the period from 01 January to 31 December 2015

- In RSD thousand -

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES I. Cash inflows from operating activities (1 to 3)	3001	6.564.425	3.859.033
1. Sales and advances received	3002	6.557.199	3.853.383
2. Interest received from operating activities	3003		
3. Other cash inflows from operating activities	3004	7.226	5.650
II. Cash outflows from operating activities (1 to 5)	3005	5.525.372	4.443.586
1. Payments to suppliers and advances paid	3006	2.245.000	1.781.089
2. Wages, salaries and other personnel expenses	3007	3.203.703	2.630.091
3. Interest paid	3008	421	4.666
4. Income tax	3009	50.900	20.973
5. Cash outflows for other taxes payable	3010	25.348	6.767
III. Net cash inflow from operating activities (I - II)	3011	1.039.053	
IV. Net outflow for operating activities (II - I)	3012		584.553
B. CASH FLOWS FROM INVESTING ACTIVITIES I. Cash inflows from investing activities (1 to 5)	3013	13.258	846.797
1. Sale of shares and stakes (net inflows)	3014		18.324
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	4.593	5.818
3. Other financial placements (net inflows)	3016		792.784
4. Interest received from investing activities	3017	8.665	25.271
5. Dividends received	3018		4.600
II. Other cash outflows from investing activities (1 to 3)	3019	74.637	94.085
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, property, plant, equipment and biological assets	3021	72.842	94.085
3. Other financial placements (net outflows)	3022	1.795	
III. Net cash inflow from investing activities (I - II)	3023		752.712
IV. Net cash outflow for investing activities (II - I)	3024	61.379	
C. CASH FLOWS FROM FINANCING ACTIVITIES I. Cash inflows from financing activities (1 to 5)	3025		
1. Increase of share capital	3026		
2. Long-term borrowings (net inflows)	3027		
3. Short-term borrowings (net inflows)	3028		

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 to 6)	3031	301.270	302.264
1. Acquisition of own shares and stakes	3032		
2. Long-term borrowings (net outflows)	3033		
3. Short-term borrowings (net outflows)	3034		1.838
4. Other liabilities (net outflows)	3035		
5. Finance lease	3036		
6. Dividends paid	3037	301.270	300.426
III. Net cash inflow from financing activities (I - II)	3038		
IV. Net cash outflow from financing activities (II - I)	3039	301.270	302.264
D. TOTAL CASH INFLOW (3001+3013+3025)	3040	6.577.683	4.705.830
E. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	5.901.279	4.839.935
F. NET CASH INFLOW (3040-3041)	3042	676.404	
G. NET CASH OUTFLOW (3041-3040)	3043		134.105
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3044	306.099	531.504
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3045	4.587	5.874
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3046	121.878	97.174
K. CASH AT THE END OF ACCOUNTING PERIOD (3042-3043+3044+3045-3046)	3047	865.212	306.099

Legal representative

In Belgrade

L.S.

On 8 March 2016

____

Completed by a legal entity - entrepreneur		
Identification number	Business code	TIN
07470975	7112	100389086
Name: ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED		
Seat : Bulevar Mihaila Pupina 12, BELGRADE		

STATEMENT OF CHANGES IN EQUITY

In the period from 01 January to 31 December 2015

- In RSD thousand -

No.	DESCRIPTION	Components of capital										Components of other result			
		EDP	30 Equity	EDP	31 Registered and unpaid capital	EDP	32 Reserves	EDP	35 Loss	EDP	47 and 237 Repurchased own shares	EDP	34 Retained earnings	EDP	330 Revaluation reserves
1	2		3		4		5		6		7		8		9
1.	Opening balance as of 1 January 2014														
	a) debit balance	4001		4019		4037		4055		4073		4091		4109	
	b) credit balance	4002	173.166	4020		4038	23.698	4056		4074		4092	1.701.434	4110	78.111
2.	Adjustment of material errors and change in accounting policy														
	a) adjustment to the debit side of the account	4003		4021		4039		4057		4075		4093		4111	
	b) adjustment to the credit side of the account	4004		4022		4040		4058		4076		4094		4112	
3.	Restated opening balance as of 1 January 2014														
	a) Adjusted debit of the account (1a + 2a - 2b) ≥ 0	4005		4023		4041		4059		4077		4095		4113	
	b) Adjusted credit side of the account(1b - 2a +2b) ≥ 0	4006	173.166	4024		4042	23.698	4060		4078		4096	1.701.434	4114	78.111
4.	Balance as of the end of the previous year														
	a) Turnover on the debit side of the account	4007		4025		4043		4061		4079		4097	306.731	4115	60.105
	b) Turnover on the credit side of the account	4008	57	4026		4044	188	4062		4080		4098	736.150	4116	346.455
5.	Balance as of the end of the previous year 31 December 2014														
	a) debit balance (3a + 4a - 4b) >= 0	4009		4027		4045		4063		4081		4099		4117	
	b) credit balance (3b - 4a + 4b) >= 0	4010	173.223	4028		4046	23.886	4064		4082		4100	2.130.853	4118	364.461

No.	DESCRIPTION	Components of capital										Components of other result			
		EDP	30 Equity	EDP	31 Registered and unpaid capital	EDP	32 Reserves	EDP	35 Loss	EDP	47 and 237 Repurchased own shares	EDP	34 Retained earnings	EDP	330 Revaluation reserves
1	2		3		4		5		6		7		8		9
6.	Adjustment of material errors and change in accounting policy														
	a) Adjustments on the debit side of the account	4011		4029		4047		4065		4083		4101		4119	
	b) Adjustments on the credit side of the account	4012		4030		4048		4066		4084		4102		4120	
7.	Restated opening balance of the current year as of 1 January														
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4013		4031		4049		4067		4085		4103		4121	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0	4014	173.223	4032		4050	23.886	4068		4086		4104	2.130.853	4122	364.461
8.	Changes in the current year 2015														
	a) Turnover on the debit side of the account	4015		4033		4051		4069		4087		4105	325.895	4123	1.013
	b) Turnover on the credit side of the account	4016		4034		4052	136	4070		4088		4106	828.400	4124	8.583
9.	Balance at the end of the current year as of 31 December														
	a) debit balance of the account (7a + 8a - 8b) >= 0	4017		4035		4053		4071		4089		4107		4125	
	b) credit balance of the account (7b - 8a + 8b) >= 0	4018	173.223	4036		4054	24.022	4072		4090		4108	2.633.358	4126	372.031

No.	DESCRIPTION	Components of capital											
		EDP	331 Actuarial gains or losses	EDP	332 Gains or losses from investments in equity instruments	EDP	333 Gains or losses from share in other gains or losses of associated companies	EDP	334 and 335 Gains or losses from foreign operations and translation of financial statements	EDP	336 Gains or losses from cash flow hedges	EDP	337 Gains or losses from securities available for sale
1	2		10		11		12		13		14		15
1.	Opening balance as of 1 January 2014												
	a) debit balance	4127		4145		4163		4181		4199		4217	
	b) credit balance	4128		4146		4164		4182	54.049	4200		4218	
2.	Adjustment of material errors and change in accounting policy												
	a) adjustment to the debit side of the account	4129		4147		4165		4183		4201		4219	
	b) adjustment to the credit side of the account	4130		4158		4166		4184		4202		4220	
3.	Restated opening balance as of 1 January 2014												
	a) Adjusted debit of the account (1a + 2a - 2b) ≥ 0	4131		4149		4167		4185		4203		4221	
	b) Adjusted credit side of the account(1b - 2a +2b) ≥ 0	4132		4150		4168		4186	54.049	4204		4222	
4.	Balance as of the end of the previous year												
	a) Turnover on the debit side of the account	4133		4151		4169		4187		4205		4223	
	b) Turnover on the credit side of the account	4134		4152		4170		4188	66.303	4206		4224	
5.	Balance as of the end of the previous year 31 December 2014												
	a) debit balance (3a + 4a - 4b) >= 0	4135		4153		4171		4189		4207		4225	
	b) credit balance (3b - 4a + 4b) >= 0	4136		4154		4172		4190	120.352	4208		4226	
6.	Adjustment of material errors and change in accounting policy												
	a) Adjustments on the debit side of the account	4137		4155		4173		4191		4209		4227	
	b) Adjustments on the credit side of the account	4138		4156		4174		4192		4210		4228	
7.	Restated opening balance of the current year as of 1 January												
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4139		4157		4175		4193		4211		4229	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0	4140		4158		4176		4194	120.352	4212		4230	

No.	DESCRIPTION	Components of capital											
		EDP	331 Actuarial gains or losses	EDP	332 Gains or losses from investments in equity instruments	EDP	333 Gains or losses from share in other gains or losses of associated companies	EDP	334 and 335 Gains or losses from foreign operations and translation of financial statements	EDP	336 Gains or losses from cash flow hedges	EDP	337 Gains or losses from securities available for sale
1	2		10		11		12		13		14		15
8.	Changes in the current year 2015												
	a) Turnover on the debit side of the account	4141		4159		4177		4195	47.702	4213		4231	
	b) Turnover on the credit side of the account	4142		4160		4178		4196		4214		4232	
9.	Balance at the end of the current year as of 31 December												
	a) debit balance of the account (7a + 8a - 8b) >= 0	4143		4161		4179		4197		4215		4233	
	b) credit balance of the account (7b - 8a + 8b) >= 0	4144		4162		4180		4198	72.650	4216		4234	

No.	DESCRIPTION	EDP	Total capital [Σ(row 1b col. 3 to col.15) - Σ(row 1a col. 3 to col.15)] ≥ 0	AOP	Loss in excess of net assets [Σ(row 1a col. 3 to col.15) - Σ(row 1b col. 3 to col.15)] ≥ 0
1	2		16		17
1.	Opening balance as of 1 January 2014				
	a) debit balance	4235	2.030.458	4244	
	b) credit balance				
2.	Adjustment of material errors and change in accounting policy				
	a) adjustment to the debit side of the account	4236		4245	
	b) adjustment to the credit side of the account				
3.	Restated opening balance as of 1 January 2014				
	a) Adjusted debit of the account (1a + 2a - 2b) ≥ 0	4237	2.030.458	4246	
	b) Adjusted credit side of the account(1b - 2a +2b) ≥ 0				
4.	Balance as of the end of the previous year				
	a) Turnover on the debit side of the account	4238		4247	
	b) Turnover on the credit side of the account				
5.	Balance as of the end of the previous year 31 December 2014				
	a) debit balance (3a + 4a - 4b) >= 0	4239	2.812.775	4248	
	b) credit balance (3b - 4a + 4b) >= 0				
6.	Adjustment of material errors and change in accounting policy				
	a) Adjustments on the debit side of the account	4240		4249	
	b) Adjustments on the credit side of the account				
7.	Restated opening balance of the current year as of 1 January				
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4241	2.812.775	4250	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0				
8.	Changes in the current year 2015				
	a) Turnover on the debit side of the account	4242		4251	
	b) Turnover on the credit side of the account				
9.	Balance at the end of the current year as of 31 December				
	a) debit balance of the account (7a + 8a - 8b) >= 0	4243	3.275.284	4252	
	b) credit balance of the account (7b - 8a + 8b) >= 0				

Legal representative

In Belgrade

L.S.

On 8 March 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Belgrade, 2016

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1. CORPORATE INFORMATION

Seat	Belgrade, 12, Bulevar Mihaila Pupina
Identification number	07470975
Industrial code and name	7112
Tax identification number	100389086

Relevant legal facts related to the history of the Parent Company are as follows:

The Parent Company was established in 1990, as a separate legal entity, registered with the register of the Commercial Court in Belgrade, on the registry insert no. 1-4706-00, pursuant to the decision Fi-425/90 dated 12 January 1990 and inscribed as the Joint Stock Company for Design, Consulting and Engineering of thermal power, nuclear power, electro-energetic and telecommunications facilities and systems “ENERGOPROJEKT ENTEL” with unlimited liability, Beograd. In accordance with the Decision of issue of internal shares and the Decision on the status change dated 13 June 1991, the Company operated as a joint-stock company. In accordance with the Decision IV.Fi.12129/02 dated 28 November 2002, the Parent Company operates as a joint-stock company.

The Company is registered with the Commercial Court in Belgrade, registry insert no. 1-4703-00. In addition, the Company is registered with the Business Registers Agency, in the Company Register under no. BD 8049 from 29 March 2005.

Privatisation of the Parent Company was initiated in accordance with the previously valid laws applicable at the time of SFRY, and based on the concluded Agreement on Changes in the System of Energoprojekt, when joint-stock companies were organised. In 1991, in accordance with the Law on amendments and supplement to the Law on Trade and Use of Socially-Owned Capital, the decision on the issuance of internal shares was passed, subsequent to which the company was registered with the appropriate register as a mixed joint-stock company.

Subsequent privatization of the company was initiated at the end of 2000 and completed in 2001 in accordance with the Law on Ownership Transformation – acquisition of shares based on subscription of shares – the first round.

The Ministry of Economics and Privatisation in the process of legality and privatization, in accordance with the Law on Privatisation, verified the process of privatization performed, and, subsequent to the receipt of the Decision, in accordance with the Law on Companies, the Company was registered with the relevant register as a joint stock company, while a portion of the capital expressed in shares was transferred to the Pension and Disability Fund and a remaining portion was transferred to the Share Fund. EP Holding was the majority shareholder with 51% interest.

By the end of 2006, the procedure of conversion had been finished. A number of shareholders (physical persons, Pension and Disability Fund and Share Fund) replaced their shares with the shares of EP Holding. Consequently, EP Holding acquired the ownership over 86.26% interest based on the conversion performed.

According to the registration with the Business Registers Agency, the core activity of the Parent Company is designing, consulting and engineering of the thermal power, nuclear power, electro-energetic and telecommunication facilities and systems.

According to the registration with the Business Registers Agency, the core activity of the Parent Company is ENGINEERING ACTIVITIES AND TECHNICAL CONSULTING

Subsidiaries of the Parent Company abroad are as follows:

- company ENERGOPROJEKT QATAR
- company ENERGOPROJEKT ENTEL OMAN L.L.C
- company ENERGO CONSULT UAE

The above mentioned companies make the group:

- **Energoprojekt Entel**

The percentage of ownership of the Parent Company in the above mentioned subsidiaries is presented in the table below.

Equity investments in subsidiaries	
Name	*% of ownership*
ENERGOPROJEKT QATAR	**100**
ENERGOPROJEKT ENTEL OMAN L.L.C	**100**
ENERGO CONSULT UAE	**100**
ENERGOPLAST DOO	**20**

In accordance with the criteria stipulated by the Law on Accounting and Audit, the Parent Company was classified as a middle size legal entity.
Shares of Energoprojekt Entel a.d. are listed and traded on the regulated market, on the "Open market" of the Belgrade Stock Exchange.
The annual consolidated financial statements which are the subject of these Notes are the consolidated financial statements of the Parent Company and were authorised by the BOARD OF DIRECTORS OF ENERGOPROJEKT ENTEL on 21 March 2016. The authorised financial statements may be subsequently amended, in accordance with the applicable regulations.

The Parent Company's average number of employees, according to the balance at the end of each month, amounted to:

- 2015: 185 and
- 2014: 185 employees

2. MANAGEMENT STRUCTURES

Key management personnel of the Parent Company in 2015 included the following persons:

MLADEN SIMOVIĆ	Director
GORDANA LISOV	Executive Manager for Finance and Accounting
JAROSLAV UROŠEVIĆ	Executive Project Manager,
JELICA JERKOVIĆ	Planning, Analysis and General Affairs Manager

3. OWNERSHIP STRUCTURE

According to the Records of the Central Securities Registry, the registered ownership of shares of Energoprojekt Holding a.d. as of 31 December 2015 is presented in Note 33.1.

4. BASIS FOR PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Law on Accounting ("Official Gazette of RS", no. 62/2014 – hereinafter: the Law).

In accordance with the Law, for recognition, valuation, presentation and disclosure of items in the financial statements, large legal entities, entities which have the obligation to prepare consolidated financial statements (parent companies), public companies or companies preparing to become public, irrespective of their size, apply International Financial Reporting Standards (hereinafter: IFRS). IFRS, for the purposes of the Law, are as follows:

- The Framework for the Preparation and Presentation of Financial Statements,
- International Accounting Standards – IAS,
- Interpretations adopted by the International Financial Reporting Interpretations Committee, subsequent amendments to these standards and related interpretations, approved by the International Accounting Standards Board, the translation of which was determined and published by the ministry responsible for finance.

The content and form of financial statements and the content of the positions in forms is prescribed by the Guidelines on the Content and Form of Financial Statements for Companies, Cooperatives and Entrepreneurs ("Official Gazette of RS", no. 95/2014 and 144/2014). These Guidelines, among other things, prescribe the form and content of items in the balance sheet, income statement, statement of other comprehensive income, cash flow statement, statement of changes in equity and notes to financial statements. According to the Guidelines, the amounts are entered into forms in thousands of dinars.

The form and content of the Statistical statement for companies, cooperatives and entrepreneurs set by the Guidelines on the form and content of the Statistical statements for companies, cooperatives and entrepreneurs ("Off. Gazette of RS", no. 95/2014).

In the preparation of the consolidated financial statements of the Parent Company, *inter alia*, the following laws and by-laws were applied:

- Corporate Income Tax Law (»Official Gazette of RS« number 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2014, 108/2014, 68/2014 - oth. law, 142/2014, 1/2015 – authentic interpretation and 112/2015);
- Value Added Tax Law (»Official Gazette of RS« number 84/2004, 86/2004 - amendment, 61/2005, 61/2007, 93/2012, 108/2014, 68/2014 - oth.law, 142/2014 and 83/2015);

- Guidelines on the Content of the Tax Balance and Other Issues Significant for the Manner of Determining Corporate Income Tax (»Official Gazette of RS« number 99/2010, 8/2011, 13/2012, 8/2013 and 20/2014- oth.rulebook);
- Guidelines on the Content of the Tax Return for the Calculation of Corporate Income Tax (»Official Gazette of RS« 24/2014, 30/2015);
- Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes (»Official Gazette of RS« number 116/2004 and 99/2010);
- Rule Book on transfer prices and methods applied in accordance with the "arm's length" principle in determining the price of transactions between related parties (»Official Gazette of RS« number 61/2014 and 8/2014); etc.

When legal acts that constitute the internal regulations of the Parent Company are in question, upon preparation of the consolidated financial statements, the current Rule Book on Accounting and Accounting Policies of the Parent compa ny was used, which was adopted on 14 December 2015 by the Board of Directors of ENERGOPROJEKT ENTEL AD on its 79th session. In addition, other internal acts of the Parent Company, such as the Collective Agreement of the Parent Company in the country and Rule Book on the work abroad of the employees with ENERGOPROJEKT ENTEL.
The principal accounting policies applied in the preparation of these financial statements are set out in Note 7.

Pursuant to the Capital Market Law ("Off. Gazette of RS", no. 31/2011 and 112/2015) stipulates that information should include annual, semi-annual and quarterly reports of public companies whose securities are traded on a regulated market.

Please note that in certain cases, upon preparation of the consolidated financial statements of the Parent Company, not all the relevant provisions of IAS/IFRS and Interpretations have been applied.

The accounting regulations prevailing in the Republic of Serbia, and, accordingly, the presented consolidated financial statements of the Parent Company, depart from IFRS in the following:

- Consolidated financial statements in the Republic of Serbia are presented in the format prescribed by the Guidelines on the Prescribed Form and Contents of the Financial Statements of Companies, Cooperatives and Entrepreneurial Ventures ("Official Gazette RS" number 95/2014 and 144/2014), which departs from the presentation and titles of certain items in the general purpose consolidated financial statements, as well as the manner of presentation of certain balance sheet items, as required under Revised IAS 1 – "Presentation of Financial Statements"; and
- Off-balance sheet assets and liabilities are presented on the consolidated balance sheet form, and these assets, according to the professional regulations, do not represent assets or liabilities.

In addition, departures arise as the result of the timing difference between the publication of the Standards and Interpretations, which are subject to permanent modifications, and the date when those Standards and Interpretations become effective in the Republic of Serbia. For example, departures from the professional regulations arise as a consequence of the fact that the published effective Standards and Interpretations, have not been officially translated and adopted in the Republic of Serbia; the result thereof is that the published Standards and Interpretations have not entered into force; or as a consequence of other reasons over which the Parent Company has no influence.

New standards, interpretations and amendments effective as of 31 December 2015 not yet officially translated and adopted in the Republic of Serbia

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, became effective as of 1 January 2015 or prior to that date, and are, as such, applicable to the accompanying financial statements, but have not been translated and published by the Ministry, and, therefore, have not been implemented by the Company:

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - "Investment Entities" (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) resulting from the annual improvement of standards, "2010-2012 Cycle", published by the IASB in December 2014, primarily through removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) as a result of annual improvements project standards, "2011-2014 Cycle", published by the IASB in December 2014, primarily through removing inconsistencies and clarifying text (effective for annual periods beginning on or after 1 July 2014); and
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014).

New Standards, Amendments and Interpretations not yet effective

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, but have not been applicable or officially translated and published by the Ministry, and, therefore, have not been implemented by the Parent Company:

- Amendments to various standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as a result of annual improvements project standards, "2012-2014 Cycle", published by the IASB in September 2014, primarily through removing inconsistencies and clarifying text (effective for annual periods beginning on or after 1 January 2016);
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 11 “Joint Arrangements” - Joint Arrangements: Accounting for Acquisitions of Interests (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture“ - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure initiative (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to IAS 28 “Investments in Associates and Joint Ventures”, IFRS 10 “Consolidated Financial Statements” and IFRS 12 “Disclosure of Interest in Other Entities” – Applying the Consolidation Exeption (effective for annual periods beginning on or after 1 January 2016).

Despite all the aforementioned potential non-conformities, the application of the aforementioned standards could have a significant impact on the financial position of the Parent Company and the results of its operations.

5. CONSOLIDATION

The consolidated financial statements are the financial statements of a group that reports presented as a single economic entity statements.

The consolidated financial statements shall be prepared using uniform accounting policies for similar transactions and events in similar circumstances. In the event that a member of the group, which is constituted by the parent company with all its subsidiaries, uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, appropriate adjustments shall be made in its financial statements (in accordance with the provisions of the Rule Book on accounting and accounting policies of the Company) in the preparation of the consolidated financial statements.

5.1. Subsidiaries

Subsidiary shall mean the company controlled by the Company (parent company).

The Company controls the company in which it invested, if and only if it has the following:

- power over the company in which it invested (has the current ability to direct the relevant activities, i.e., activities that significantly affect the yields of the company in which it invested);
- exposure, or rights to variable returns on the basis of its share in the company in which it invested and
- the ability to use its power over the company in which it invested in order to influence the amount of yield for investors.

The applied method of consolidation for these companies in accordance with IFRS 10 - Consolidated Financial Statements is the method of full consolidation. All internal relations and intra-group transactions are eliminated in the process of consolidation. Non-controlling stakes are listed separately.

5.2. Associates

Associated company is a company over which the Group has a significant influence but not control, or possession of any property and voting rights between 20% and 50%.

The applied method of consolidation of associates in accordance with IAS 28 - Investments in Associates and Joint Ventures was equity method. By applying this method equity investments are adjusted by the realized gain or loss for the year so as to reflect the share of the parent company in the net assets of associates. In the event that the cumulative loss exceeds the capital, the share in the capital is reduced to zero, and only exceptionally, if any irrevocable contractual obligations to cover losses exist, the difference of a higher loss in comparison with capital is recognized as an expense in the parent company.

Overview of subsidiaries and associates comprising, together with the parent company, Energoprojekt Entel a.d. the group for consolidation, is presented in Note 1.

6. ACCOUNTING PRINCIPLES

Upon preparation of the consolidated financial statements, the Parent Company applied the following principles:

- The going concern principle;
- The consistency principle,
- The prudence principle,
- The substance over form principle,
- The accrual principle and
- The item by item assessment principle.

Considering the **going concern principle**, the consolidated financial statements are prepared under the assumption that the proprietary position, financial position and business results of the Parent Company, as well as the economic policy of the country and of the environment, enable the Parent Company to operate for an unlimited period („Going Concern" principle).

The consistency principle means that assets and changes in assets, liabilities, capital, income, expenses and business results are evaluated in the same manner over a longer period. If, for example changes are implemented, due to compliance with the legislation and professional regulations, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The prudence principle means applying a certain level of caution when preparing financial statements of the Parent Company so that the property and income are not overstated and obligations and expenses are not understated. The Prudence principle should not imply conscious, unrealistic decrease in income and capital of the Parent Company or conscious, unrealistic increase of expenses and liabilities of the Parent Company. Namely, the framework for the preparation and presentation of financial statements clearly states that the prudence principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of income, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **substance over form principle** means that, when recording the Parent Company's transactions, and consequently in preparing the financial statements, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

Considering the **accrual principle**, recognition of effects of transactions and other events in the Parent Company is not related to the point in time when cash or cash equivalents are received or paid based on these transactions or events, but to the point in time when they occurred. This approach provides that the users of financial statements are informed not only about past transactions of the Parent Company that resulted in payments or reception of cash, but also about liabilities of the Parent Company to pay cash in the future and resources that represent cash to be received by the Parent Company in the future.

In other words, the **accrual principle provides** information on past transactions and other events in the manner most useful to users for reaching commercial decisions.

The **item by item assessment principle** means that possible group valuations of various balance items (for example, property or liabilities) for the purpose of rationalization derive from separate valuation of items.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Significant accounting policies applied to the financial statements that are the subject of these Notes, discussed below, are primarily based on the Rule Book on Accounting and Accounting Policies of the Parent Company. If certain accounting aspects have not been clearly specified by the Rule Book, the accounting policies based on the current legal, professional and internal regulations have been applied.

Regarding general data, please note that, in accordance with IAS 21, **the functional currency and the presentation currency in the consolidated financial statements** is Dinar. In addition to the current year data, the Parent Company's consolidated statements include the data from the consolidated financial statements for the year ended 31 December 2015 **as comparative figures**.

In the preparation of the consolidated financial statements the relevant provisions of IAS 10 have been followed, which relate to events occurring from the balance sheet date to the date when the consolidated financial statements were authorised for publishing. Specifically, **for the effects of events underlying the consequences that existed as of the balance sheet date,** the amounts already recognised in the consolidated financial statements of the Parent Company were adjusted, in order to reflect the adjusting events subsequent to the balance sheet date; and **for the effects of the events that reflect the circumstances occurring subsequent to the balance sheet date**, no adjustments to the recognised amounts were made. If there were any, these Notes would disclose the nature of events and the valuation of their financial effects.

7.1 Estimates

The preparation and presentation of the consolidated financial statements in accordance with both the requirements of the professional regulations and the requirements of current legal regulations prevailing in the Republic of Serbia, requires the Parent Company management to use the best possible estimates and reasonable assumptions. Although, understandably, the actual future events may differ, estimates and assumptions are based on information available as of the balance sheet date.

The most significant estimates relate to the determination of impairment of financial and non-financial assets, recognition of deferred tax assets and liabilities, determination of provisions for guarantees and defining the actuarial assumptions for the calculation of long-term retirement benefits.

In the context of the assessment, the Parent Company's business policy is to disclose, if the fair value is materially different that the carrying value, the information on fair value of assets and liabilities. In the Republic of Serbia, there is a common problem with the realisable estimate of **fair value** of assets and liabilities due to an underdeveloped financial market, the lack of stability and liquidity at the sale or purchase of, for example, financial assets and liabilities, and due to the fact that the market information are not always available. That said, these issues have not been neglected by the Parent Company, the management makes continuous assessments, taking into account the risks, and, when it estimates that the recoverable (fair value or value in use) value of the assets in the Parent Company's books of account is overstated, the allowance for impairment is established.

7.2 Effects of the foreign exchange rates

Transactions in foreign currency, at initial recognition, are recorded in the RSD counter value, by application of the official median exchange rate prevailing as of the date of transaction.

In accordance with the provisions of IAS 21 – The Effects of Changes in Foreign Exchange Rates, at each balance sheet date the monetary items in foreign currency (foreign currency assets, receivables and payables) are translated using the prevailing foreign exchange rate, i.e., the official median exchange rate as of the balance sheet date.

Foreign currency gains/losses arising from the transactions in foreign currency (except for the foreign currency gains/losses arising from monetary items that are a part of net investments of the Parent Company into foreign operations, which are accounted for in accordance with the requirements of IAS 21) are recognised as income or expenses of the Parent Company in the period they arise.

The official median exchange rates of the National Bank of Serbia as of the balance sheet date, for the foreign currencies used for the translation of the monetary items of foreign currencies into the RSD counter value, are presented in the table below.

Official median exchange rates of the National Bank of Serbia

Currency	*31 December 2015*	*31 December 2014*
	RSD amount	
1 EUR	121.6261	120.9583
1 USD	111.2468	99.4641
1 QAR	30.5623	27.3253
1 OMR	289.0661	258.3262
1 AED	30.2864	27.0780

7.3 Income

In accordance with IAS 18**, Income** - Income pertains to inflows of economic benefits during a given period, resulting in an increase in capital, other than increases relating to contributions from owners of capital; and are measured at fair value of fees received or receivable.

Income includes: operating revenues, financial revenues and other revenues (including the income from property value reconciliation) and profit from discontinued operations, effect of the change in the accounting policy and prior period errors.

Within **operating income,** the most significant is income from the sale of goods, products and services, and other income may also include: own goods and services capitalised, increase in inventories of unfinished and finished products and services (if during the year there was a decrease in the above mentioned inventories, by the amount of the decrease the total income is reduced), income from premiums, subsidies, grants, donations, etc.; and other operating income.

For financial reporting purposes, under operating income in the income statement revenues from own goods and services capitalised are not presented, as well as income from the change in value of inventories of finished and unfinished products and services (increase or decrease in inventories of finished and unfinished products and unfinished services), but operating expenses in the income statement are adjusted by these amounts.

Sales of goods are recognized when the following conditions are cumulatively satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of products and goods;
- The Company does not reserve participation in the management of the products and goods sold to the extent that is normally associated with ownership, retains control over the products and goods sold;
- the amount of revenue can be reliably measured;
- the inflow of economic benefits to the Company associated with the transaction is likely and
- the costs incurred or to be incurred in a given transaction can be measured reliably.

The income from rendering of services, in accordance with the relevant provisions of IAS 18 - Revenue, *income related to a certain transaction is recognized in accordance with the percentage-of-*

completion of these transactions as of the balance sheet date. The result of the transaction can be reliably measured: when the amount of income can be reliably measured, when the inflow of economic benefits associated with that transaction into the Parent Company is probable, when the percentage-of-completion of that transaction as of the balance sheet date can be reliably measured and when the costs incurred in the given transaction and the costs of completing that transaction can be reliably measured.

Financial income includes financial income from subsidiaries and other associates, foreign exchange gains, interest income and other types of financial income.

Dividend income is recognized when it is right to receive payment is established.

Within **other income** (including the income from the fair value adjustment of other assets measured at fair value through profit and loss), in addition to other revenues, gains which may, but need not arise from the ordinary activities of the Parent Company are recorded. Gains represent increases in economic benefits of the Parent Company and, as such, by nature, are no different from other income. Gains include, for example, gains on the sale of property, plant and equipment; at a value exceeding the book value at the time of the sale.
As part of the **gain from discontinued operations, the effects of changes in accounting policies, previous periods error adjustments and the transfer of revenue**, gains are recorded according to the account titles of this group and the transfer of total revenues at the end of the period, which, for the purposes of financial reporting are presented in the net effect after deducting the relevant expenses.

7.4 Expenses

Expenses represent the outflow of economic benefits during the relevant period which results in a decrease of the Parent Company’s capital, except for the decreases related to the allocation of profit to owners or decreases as a consequence of withdrawal of capital from the business by the owner. Expenses are reflected through the outflow of assets, decrease in the value of assets or increase of liabilities.

Expenses include operating expenses, financial expenses, other expenses (including expenses on impairment of other assets, which are measured at fair value through profit and loss) and a loss from discontinued operations, the effects of changes in accounting policies, prior periods error adjustments and the transfer of expenses.

Within operating expenses the following are stated: cost of goods sold, costs of material, salaries, costs of productive services, non-material costs, costs of depreciation and amortization, provisions, etc.

For financial reporting purposes, an adjustment to operating expenses in the income statement by the amounts of income from own goods and services capitalised and income from the changes in the value of inventories of finished goods and unfinished services and goods (increase or decrease in inventories of finished and unfinished products and services).

Financial expenses include financial expenses of related parties, foreign currency losses, interest expenses and other financial expenses.

Within **other expenses** (which include expenditures on impairment of other assets, measured at fair value through profit or loss), in addition to other expenses, losses that may, or may not, arise from the ordinary activities of the Parent Company are recorded. Losses (for example, shortages or losses on disposals of assets at the lower than the carrying value) represent a decrease in economic benefits and, as such, by their nature, are not different from other expenses.

As part of the losses from discontinued operations, the effects of changes in accounting policies and previous periods error adjustments expenses according to the account titles of this group and the transfer of total revenues at the end of the period, which, for the purposes of financial reporting are presented in the net effect after deducting the relevant expenses, are recorded.

7.5 Income taxes

Income taxes are accounted for as the sum of:
- Current tax and
- Deferred tax.

Current tax is the amount of the liability for the payable (recoverable) tax relating to the taxable profit (tax loss) for the period. In other words, the current tax is the income tax payable determined in the tax return for the income tax in accordance with the tax regulations.

Deferred tax is manifested in the form of:
- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is accounted for based on the relevant provisions of IAS 12 – Income Taxes, which, *inter alia*, specify that *deferred tax assets and deferred tax liabilities are not discounted.*

Deferred tax assets are the amounts of income tax recoverable in the future periods which relate to:
- Deductible temporary differences;
- Unutilized tax losses carried forward to the future period and
- Unutilised tax credit carried forward to the future period.

Deductible temporary difference arises when in the balances of the Parent Company, under certain conditions, expense is already presented, which will be recognised, from the tax aspect, in the future periods. Typical cases arise when the deductible temporary difference are as follows: tax value of assets subject to depreciation exceeds the carrying value of assets; from the tax aspect certain provisions are not recognised (IAS 19, issued guarantees and warranties), impairment of assets (goods, materials, etc.) and impairment of investment properties; from the tax aspect expenses on unpaid public revenues not depending on the result of operations are not recognised and losses arising when securities are measured at fair value through profit and loss.

For assets subject to depreciation, deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets subject to depreciation and their tax base (the value assigned to those assets for tax purposes). The deductible temporary difference exists when the carrying value of the asset is less than its tax base. In that case deferred tax assets are recognized, provided that it is estimated that in the future periods taxable profit will exist against which the Parent Company will be able to utilise the deferred tax ass.

The amount of the deferred tax assets is determined by applying the prescribed (or announced) rate on the income tax of the Parent Company to the amount of the deductible temporary difference which was determined as of the balance sheet date.

If at the end of last year, the deductible temporary difference is deductible, based on which deferred tax assets are recognised, and, at the end of the current year, based on the same assets, temporary difference is taxable, the reversal of the previously established deferred tax assets as a whole is performed, while recognizing deferred tax liabilities in the amount determined at the balance sheet date.

Deferred tax assets arising from the unutilised tax losses are recognised only if the management estimates that in the future period the Parent Company will generate taxable profit, which it will be able to reduce based on the unused tax losses.

Deferred tax asset arising from the unutilised tax credit for investments into fixed assets is recognized only to the extent for which it is probable that in the future period taxable profit shall be realized in the tax balance, i.e., the calculated income tax against which the unutilized tax credit may be used.
Deferred tax assets may be recognised under other bases for which the Parent Company determines that the amounts of income tax shall be recoverable in future periods (for example, for provisions for the undue retirement benefits, which are determined in accordance with the relevant provisions of IAS 19– Employee benefits).

Deferred tax liabilities include income tax payable in future periods in against the taxable temporary differences.

Taxable temporary difference arises in cases when a certain expense is recognised from the tax aspect, while it will be recognised from the accounting aspect in the books of account of the Parent Company in the future periods.

In terms of assets subject to depreciation, deferred tax liabilities are recognised whenever there is a taxable temporary difference between the carrying value of assets subject to amortization and their tax base.

The taxable temporary difference arises in the cases when the carrying value of assets exceeds their taxable base.

Taxable temporary difference is determined as of the balance sheet date and is determined by applying the prescribed (or expected) income tax rate of the Parent Company on the amount of temporary taxable differences.

At each balance sheet date, the deferred tax liabilities are reduced to the amount determined based on temporary differences at that date. If at the end of last year, temporary differences were taxable, based on which the deferred tax liabilities are recognised, and at the end of the current year, based on the same assets, temporary difference is deductible, reversal of the previously established deferred tax liabilities as a whole is performed, while recognizing deferred tax assets of the Parent Company in the amount determined at the balance sheet date.

Deferred tax liabilities can be recognised on other grounds for which the Parent Company determines that the amounts of income taxes will be payable in the future periods against the taxable temporary differences.

7.6 Intangible assets

Intangible assets are assets without physical substance, which can be identified, such as: licenses, concessions, patents, licence, investments in development, trademarks, etc.

Assets meet the criteria of the possibility of identification when they are: separable, i.e., when they can be separated from the Parent Company and sold, transfer, license, rent or exchange, whether individually or together with the binding agreement, property or liability; or it occurs based on the contractual or other legal rights, regardless of whether these rights are transferable or separable from the Parent Company or from other legal rights or obligations.

In order to recognize an intangible asset, it is necessary for the requirements prescribed under IAS 38 – Intangible Assets to be met, i.e.:

- That it is certain that the future economic benefits, associated with the assets, shall flow into the Parent Company;
- That the Parent Company has the control over such assets and
- The cost can be reliably measured.

If one of the requirements is not met, expenditures for intangible assets are recognized against expenses in the period in which the expenditure was incurred.

Accounting recognition of internally generated intangible assets is determined by an assessment of whether the resultant is:

- A research phase or
- A development phase.

Intangible assets resulting from *research, or the internal research project*, are not recognized as intangible assets. Expenses arising from research or expenses arising in the research phase of an internal project are recognized as an expense in the period in which they arise.

The cost of internally generated intangible assets arising from *development* (or the development phase of an internal project) includes all the directly attributable costs necessary to create, produce and prepare the assets for functioning in the manner provided for by the Parent Company management.

The initial measurement of an intangible asset is carried out at cost.

The subsequent measurement of an intangible asset, subsequent to the initial measurement is performed at cost less accumulated amortization and impairment losses (in accordance with the relevant provisions of IAS 36 – Impairment of Assets).

7.7 Property, plant and equipment

P**roperty, plant and equipment** are tangible assets: used in production, for the delivery of goods, for providing services, for leasing to others or for administrative purposes; expected to be used for more than one accounting period.

The above mentioned general principle for the recognition of property, plant and equipment shall not apply only upon recognition of assets with lower value (for example, spare parts and servicing equipment), carried on inventories. The total value of an asset is transferred to current expenses when the item is first put in service.

Properties, plant and equipment are recognized as an asset: if it is probable that the future economic benefits associated with this asset will flow into the Parent Company and if its cost can be reliably measured.

Initial measurement of property, plant and equipment is carried out at cost, which includes: cost and all attributable costs of acquisition, i.e., all directly attributable costs of bringing the asset into the condition for its intended use.

Property, plant and equipment are divided into the following group:

a) land;
b) buildings;
c) plant and equipment; and
d) other.

Subsequent measurement of the group "Buildings "is carried at fair (fair) value, which implies market value, or the most likely value that can realistically be obtained at the market at the balance sheet date. The fair value is determined by an appraisal, carried out by a qualified appraiser, based on market evidence. When there is no evidence of fair value in the market, due to the specific nature of the asset and because such items are rarely sold, except as part of a continuing business, it may be necessary that the Company estimate fair value using the income approach or a depreciated replacement cost approach. Change in the fair value of buildings is recognized in total equity, within revaluation reserves.

The subsequent measurement of property, plant and equipment, except for the buildings**,** is carried out at cost less accumulated depreciation and accumulated impairment losses (according to IAS 36).

Measurement of subsequent expenditure on property, plant and equipment is carried out when:

- they are investments that extend the useful life of assets;
- they increase capacity;
- they improve the asset, whereby the quality of products is improved or
- they reduce production costs in comparison with the costs before the investment.

Costs of servicing, technical maintenance, minor repairs, etc., do not increase the value of assets but represent expenses of the period.

Leasehold improvements are stated and recognised on a special account, if it is probable that future economic benefits associated with the asset will flow into the Company. Depreciation on leasehold improvements is performed based on the useful life of these assets, which can be equal or shorter than the lease agreement term.

7.8 Amortisation and depreciation of intangible assets, property, plant and equipment

By **amortization and depreciation** the amount of assets (intangible assets, property, plant and equipment) which is amortised/depreciated is allocated over their estimated useful lives.

The useful life is determined in the Company by applying the time method, so that the useful life of assets can be understood as a time period over which it is expected that the asset will be available to the Company for its use.

The amount to be amortised/depreciated, i.e., cost or another amount substituting that amount in the financial statements of the Parent Company, decreased by the residual value is systematically allocated over the estimated useful life of assets.

Residual value is the estimated amount that the Company would receive today if it sold the asset, after deducting the estimated costs of disposal and assuming that the asset at the end of useful life and in the condition expected at the end of useful life.
Residual value of intangible assets is always assumed to be zero, except in the cases:

- When there is a third party's obligation to buy intangible assets at the end of their useful life or
- When there is an active market for intangible assets, assuming that such a market will exist at the end of the life of the asset, when the residual value can be determined by reference to that market.

The residual value and useful life of assets are reviewed at each financial year by the competent appraiser. If the new estimates differ from previous estimates, the change is treated as the change in accounting estimates and is accounted for on the basis of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Residual value as a result of the assessment of the asset may increase to an amount equal to the carrying value of the asset or greater. In this case, the depreciation charge will, in the remaining useful life of the asset amount to zero, unless, as a result of subsequent appraisals, the residual value is reduced to an amount lower than the carrying value.

Depreciation is carried out using the **straight-line method** (proportional method), and **the depreciation commences** when an assets becomes available for use, i.e., when the asset is at the location and in the condition ready for use in the manner provided for by the Company.

Amortisation of intangible assets is conditioned by the assessment if their useful lives are definite or indefinite. Intangible assets not subject to depreciation if it is estimated that they have an indefinite useful life, that is, if, based on an analysis of all relevant factors the end of the period when it is expected that the intangible assets will generate an inflow of net cash flows to the Company can be predicted.

Depreciation is not calculated for assets which do not lose their value over time (e.g., the artwork) of assets that have an indefinite useful life (e.g., land).

For an asset acquired through financial leasing, depreciation is calculated as for other assets, except when it is not known whether the Company will acquire ownership of the asset, the asset is fully depreciated over the shorter of the lease term or the useful life.

The calculation of depreciation ceases when the asset is derecognised (ceases to be recognized as an asset) and reclassified as a non-current asset held for sale or as part of discontinued operations. Therefore, the depreciation is calculated when the asset is not in use, or when not in active use, if the asset is not reclassified as a non-current asset held for sale or as part of discontinued operations.

For the purposes of the tax balance, i.e., tax purposes, depreciation of assets is carried out in accordance with the applicable tax regulations.

Assets which, according to IFRS 5 - Non-current assets held for sale and discontinued operations are classified as held for sale at the balance sheet date are classified as current assets and valued at the lower of the carrying value and fair value (fair) value less costs to sell.

7.9 Impairment of intangible assets, property, plant and equipment

At each balance sheet date competent persons from or outside the Parent Company, review assets to determine whether there is an indication that the carrying value of an asset (intangible assets, property, plant and equipment) is impaired, i.e., to determine whether the carrying amount exceeds the recoverable amount of that asset.

If there are indications that the assets have been impaired, in accordance with the provisions of IAS 36, the assessment of the recoverable amount of such assets is performed.

The recoverable amount is the higher of:
- the fair value less costs to sell; and
- the value in use.

Fair value less costs to sell is the expected net realisable price of that asset, i.e., the amount that can be acquired by selling an asset in an arm's length transaction between knowledgeable, willing parties, less costs to sell.

The value in use is the present value of the estimated future cash flows that are expected to arise from the continued use of assets through their useful life, and their sale at the end of the useful life. The discount rate used at determining the present value reflects the future market value of money, as well as risks inherent to that asset.

The recoverable amount is estimated for each separate asset or, failing that, for the cash generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets which generates cash inflows that are independent to the greatest extent from the cash inflows of other assets or groups of assets.

If it is determined that the value of assets was impaired, the carrying value is reduced to its recoverable amount. Impairment loss is accounted for as follows:

- in case that previously for that asset revaluation reserve has been established, by reducing the revaluation reserves; and
- in case that previously for that asset the revaluation reserve has not been established, as an expense of the period.

7.10 Investment properties

Investment property is the property held by the owner or lessee in the financial lease in the aim of generating income from lease, or an increase in capital or both, and not for:

- the use in production, at acquiring goods and services, or for administrative purposes; or
- the sale within the course of regular operations.

Investment property is, in accordance with the provisions of IAS 40 – Investment Property, recognized as an asset: if it is probable that the future economic benefits associated with investment property will flow to the Group; and if its cost can be reliably measured.

The initial measurement of investment property at acquisition (purchase) is performed at cost, whereat the acquisition costs are included in cost.

Subsequent expenditure relating to the already recognized investment property is attributed to the carrying account of investment property if it meets the requirements to be recognized as a fixed asset, i.e., if the useful life of the expenditure exceeds an accounting period, if it is probable that the future economic benefits associated with that expenditure shall flow into the Company and if the cost of that expenditure can be reliably measured.

After the initial measurement, **the subsequent measurement of the investment property** is carried at fair value. Fair value implies its market value, i.e., the most probable value which can be realistically achieved on the market, as of the balance sheet date.

The change in fair value of investment property a specific period is included in the result of the period in which the increase/decrease has occurred.

Investment property *is not subject to depreciation and impairment reviews.*

Investment property is derecognized on disposal or when it is no longer used and no future benefits from its disposal are expected. Gains or losses on the sale or disposal of investment property are recognized in the income statement in the year when the asset is sold or disposed.

7.11 Non-current assets held for sale

The Parent Company recognizes and presents the non-current assets (or the available group of assets) as **assets held for sale** in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, if their carrying value can be primarily recovered through a sale transaction, not through further use. In order to consider this requirement met:

- an asset (or a group for sale) has to be available for immediate sale in its present condition, exclusively under the conditions customary for the sale of such assets (or the group held for sale); and
- the sale of such assets has to be highly likely.

A non-current asset recognised as an asset held for sale is **measured** (stated) at the lower of:
- the carrying value and
- fair value less costs to sell.

The carrying value is the present value stated in the Parent Company's books of account.

Fair value is the amount at which the asset may be exchanged between knowledgeable and willing parties in an arm's length transaction, i.e., market value as of the date of sale.

Costs to sell are costs directly attributable to the sale of assets.

Non-current assets held for sale are not depreciated.

Written-off assets, as well as assets whose carrying value is insignificant, shall not be recognized as assets held for sale.

7.12 Financial instruments

Financial instruments include financial assets and liabilities which are recorded in the Parent Company's balance sheet on the date upon which the Parent Company becomes counterparty to the contractual provisions of a specific financial instrument, until the Parent Company loses control of the contractual rights governing such instruments (by realization, expiry, ceding, etc.), i.e., until the Parent Company settles or cancels the financial liability or when it expires.

Financial assets and financial liabilities, according to the provisions of IAS 32, can have a large number of manifestations, such as: cash, equity instrument of another entity, contractual right to receive cash, other financial assets or an exchange of financial assets and liabilities with another entity which are potentially favourable for the Parent Company; the contractual obligation to give cash or another financial asset to another entity, or the right to exchange a financial asset or financial liability with another entity at potentially unfavourable conditions for the Parent Company, etc.

Recognition and accounting for financial instruments is subject to their classification which is, according to the characteristics of a financial instrument, performed by the Parent Company's management.

Upon classification of each individual financial instrument, the Parent Company management may classify it in one of the four possible types of financial instruments specified by the provisions of IAS 39, such as:
- the financial asset or financial liability at fair value through profit or loss,
- investments held to maturity,
- loans and receivables and
- financial assets available for sale.

A financial asset or liability at fair value through profit or loss includes financial assets and liabilities whose changes in fair value are credited or debited as appropriate to the income statement.

Financial asset or liability classified into this category should meet any of the following conditions:
- to be classified as an asset or liability held for trading or
- subsequent to the initial recognition it is indicated that in the Parent Company it is classified and recognized as a financial asset (liability) through profit or loss.

Financial asset or financial liability is classified as held for trading if: it was acquired or created primarily for sale or repurchase in the near future, a part of portfolio of identified financial instruments managed jointly and for which there is evidence on the recent model of short-term realization of profit, or a derivative (except for the derivatives which are hedging instruments).

The Company may indicate that the instrument shall be recorded through profit or loss only when it results in more relevant information, as it eliminates or substantially removes the measurement or recognition inconsistencies that would arise otherwise due to the measurement of assets or liabilities, or recognition of gains or losses on different grounds; or a group of financial assets, financial liabilities or both, is managed and their performances are evaluated based on fair value in accordance with the documented risk management or investment strategy, and the information of the group is internally prepared accordingly and presented for the key management of the Parent Company.

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities the Parent Company definitively intends to hold until maturity, except for those the Company recognizes at fair value through profit or loss subsequent to the initial recognition, or as available for sale and those that meets the definition of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed on an active market, except for:
- assets which the Company intends to sell immediately or within a short-period that would then be classified as assets held for trading;
- assets the Company records subsequent to the initial measurement at fair value through profit or loss;
- assets indicated as available for sale by the Company subsequent to the initial measurement, or
- assets for which the holder cannot to a significant extent recover its total initial investment, which will be classified as available for sale.

Financial assets available for sale are non-derivative financial assets recognized as available for sale and have not been classified into the above mentioned types of financial instruments.

At **initial measurement** of a financial instrument, the Company performs the measurement at fair value increased by transaction costs which can be directly attributed to acquisition or issuance of the financial asset or liability, in case the financial instrument is not designated for measurement at fair value with the changes of fair value through profit or loss.
Subsequent measurement of the financial instrument is carried out at fair value, without deduction of transaction costs which may arise from sales or other disposals, except for the following financial assets:
- loans and receivables, which are measured at amortised cost using the effective interest method;

- investments held to maturity, which are measured at amortised cost using the effective interest method; and
- investments into equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured, which are measured at cost.

Fair value of assets is the amount at which the asset can be exchanged or the liability can be settled by knowledgeable, willing parties in an arm's length transaction. If there is an active market for the financial instrument, its fair value is determined in accordance with the information available from that market; and if there is no active market for such instrument, fair value is determined by valuation techniques specified by the relevant provisions of IAS 39. Positive (negative) effects of changes in fair value for financial instruments stated at fair value through profit or loss, are stated as gains (losses) in the period the change has occurred; and when financial instruments available for sale are in question, they are stated within unrealized gains/losses arising with respect to securities available for sale until the moment of sales, when the effects are transferred to profit (loss). The exception to the foregoing are the costs of permanent impairment and foreign exchange gains (losses) which are recognized in profit (loss) immediately for the financial instruments classified as available for sale.

Amortised cost is the present value of all the expected future cash payments or receipts during the expected useful life of a financial instrument. Upon the calculation of amortised cost of a financial instrument, the discount method applying the effective interest rate is used. Positive (negative) effects of the changes in amortised cost of an instrument are recognized at the moment of derecognition of a financial instrument, except in the case when the value of an instrument has been impaired, when the loss is recognized immediately.

7.13 Cash and cash equivalents

The most liquid forms of the financial asset of the Parent Company are **cash and cash equivalents**, which are measured at nominal, i.e., fair value. Within cash and cash equivalents of the Parent Company, the following are presented: securities, cash on hand in RSD and foreign currency, cash and cash equivalents on RSD and foreign currency accounts with banks, allocated cash for the open letters of credit in the country, foreign currency letters of credit, short-term highly liquid placements which can readily converted into cash without a significant risk of a decrease in their value, cash shoes use is restricted or value diminished, etc.

The criteria by which the assets of the Parent Company are classified as part of cash and cash equivalents are specified under the relevant provisions of IAS 7 - Cash Flow Statement, by which:

- Cash includes cash and demand deposits, and
- Cash equivalents are short-term, highly liquid investments that can be quickly converted to known amounts of cash and are not subject to significant risk of changes in value, including investments that have a short maturity (three months or less).

7.14 Short-term receivables

Short-term receivables include receivables from the sale of products, goods and services to related companies and other legal entities and individuals at home and abroad as well as receivables on other grounds (interest and dividends receivable, receivables from employees, receivables from state bodies and organizations, receivables for overpaid taxes and contributions, etc.), which are expected to be realised within the period of 12 months after the balance sheet date.

Short-term trade receivables are measured at the original invoice amount and subsequently at invoiced value net of allowance for impairment of uncollectible receivables. If the amount in the invoice is stated in a foreign currency, translation into the functional currency is performed at the median exchange rate prevailing as of the date of transaction. Changes in the foreign exchange rate from the date of transaction to the date of collection of receivables are stated as foreign exchange gains or losses and credited/debited as appropriate, to income and expenses. Receivables denominated in foreign currency as of the balance sheet date are translated at the prevailing median exchange rate, and foreign currency gains/losses are recognized as income or expenses of the period.

In the Company, as of the balance sheet date, each individual receivable is estimated in terms of reality, as well as the probability of collection, i.e., each individual receivable is reviewed for impairment.

On **assessment of impairment of receivables**, it is considered that the Parent Company suffered impairment losses if there is objective evidence (for example, major financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) of impairment as a result of an event after the initial recognition of assets and that loss has an impact on the future cash flows from the financial asset or a Company of financial assets which can be reliably measured. If there is no objective evidence, the assessors shall use their experience and judgement to assess the collectability of receivables.

If it is estimated that the short-term receivables have been impaired, the:

- allowance for impairment; or
- direct write-off.

Allowance for impairment against the expenses of the Parent Company is carried out through the allowance account. The Decision on the allowance for impairment through the allowance account is passed by the Parent Company's Board of Directors subsequent to the deliberation and the proposal of the Commission for the inventory count of payables and receivables within the regular inventory count, or on the proposal of professional services during the year.

Allowance for impairment is carried out based on the Parent Company management's estimate if the uncollectability is almost entirely certain (in case of receivables obsoleteness, bankruptcy of the debtor, etc.). The Decision on direct write-off is passed by the Parent Company's Board of Directors subsequent to the deliberation and the proposal of the Commission for the inventory count of payables and receivables within the regular inventory count, or on the proposal of professional services during the year.

Allowance for impairment and direct write-off is performed only based on relevant circumstances and balances as of the balance sheet date.

Losses expected as a result of future events, i.e., events after the balance sheet date, regardless of their probability, are not recognized, but disclosed in the Notes to the financial statements.

7.15 Financial placements

Short-term financial placements include loans, securities and other short-term financial placements with the maturity date of one year after the balance sheet date.
Within short-term financial placements a portion of long-term loans of the Parent Company is presented, whose collection is expected within a year after the balance sheet date.

As for the other assets that are classified as short-term, securities of the Parent Company whose realization (payment) is expected in the period of one year from the balance sheet date are stated within short-term financial placements. Thus, for example, securities classified as securities held to maturity – portion due within a year are stated as short-term financial placements.

Different types of investments are stated within **long-term financial placements,** such as: equity investments and other securities available for sale, long-term loans, and long-term securities held to maturity, repurchased treasury shares and other long-term financial placements.

Equity investments in subsidiaries and other related parties, based on relevant statutory provisions of IAS 27 – Consolidated and Separate Financial Statements, are accounted for by the Company according to the cost method. However, if it is, as required under IAS 36 – Impairment of Assets, determined that the recoverable value of the equity investment is lower than cost, the Company reduces the value of the investment to its recoverable amount, and the reduction of the investment (impairment) is stated as an expense of the period the impairment was established.

When subsequent measurement of long-term financial placements is concerned, the classification the Parent Company performs in accordance with the character of the financial instrument (financial asset or liability at fair value through profit or loss, investment held to maturity, loans and receivables and financial assets available for sale is relevant).

7.16 Liabilities

A liability is the result of past transactions or events, whose settlement usually implies the waiver of economic benefits (resources) of the Parent Company in order to satisfy the claim of another party.

In the **valuation of liabilities** pursuant to the Framework for the preparation and presentation of financial statements, the liability is stated in the balance sheet:

- if there is a probability that an outflow of resources embodying economic benefits will result in the settlement of present liabilities and
- the settlement amount may be reliably measured.

In addition, the *prudence principle* is applied. This means applying caution in the valuation to prevent overstatement of the property and income and understatement of liabilities and expenses. The prudence principle should not result in establishing substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), the financial statements to become impartial and therefore unreliable.

Liabilities include: long-term liabilities (payables to related parties; long-term loans and loans in the country and abroad, liabilities from long-term securities, liabilities arising from finance lease and other long-term liabilities), short-term financial liabilities (short-term borrowings and loans from related parties, short-term borrowings and loans in the country and abroad, a portion of long-term loans and borrowings, as well as other liabilities due within one year and other short-term financial liabilities), short-term accounts payable (trade and other payables) and other short term liabilities.

Short-term liabilities se include liabilities expected to be settled within a year after the balance sheet date, including portions of long-term liabilities that meet the above mentioned requirements, while *long-term liabilities* include liabilities expected to be settled over a longer period of time.

For liabilities denominated in foreign currencies, as well as liabilities tied to the foreign currency clause translation into the functional currency at exchange rates prevailing at the dates of the transactions is performed. Exchange rate fluctuations until the date of settlement are recorded as foreign exchange gains (losses). Liabilities in foreign currency on the balance sheet date are translated according to the current exchange rate, and foreign exchange differences are recognized as income or expense.

Decrease of liabilities under court decisions, out of court settlements, etc.; is established by direct write-off.

7.17 Provisions, contingent liabilities and contingent assets

A provision, in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, represents a liability with an uncertain maturity period or amount.

The Company recognizes a provision if the following three conditions are met:

- when a Parent Company has a present obligation (legal or constructive) as a result of past events,
- when it is probable that the outflow of resources embodying economic benefits shall be required to settle the liability and
- when the amount of the liability can be reliably estimated.

Substantially, provisions are established only for liabilities which are the result of past events, which exist independently of the future Parent Company’s activities. Therefore, provisions are not recognized for future operating losses.

For the purpose of recognizing provisions, it is deemed that it is probable that the required settlement of the Parent Company’s liabilities shall cause the outflow of resources embodying economic benefits, when it is more probable than not, that the outflow of resources shall occur, i.e., that the likelihood of settling these liabilities of the Parent Company shall cause the outflow or resources is higher than the likelihood that it will not.

Provisions can be established on different grounds, such as: for costs of the warranty period, for costs of recovery of natural resources, for retained deposits and retainers, for restructuring costs, for employee benefits and other employee benefits and on other grounds.

Upon measurement of provisions, the amount recognized as provision is the best estimate of the expenses of the Parent Company required to settle the present liability as of the balance sheet date. In other words, that is the amount the Parent Company would pay on the balance sheet date to settle the liability or to transfer that liability to the third party.

Provisions for expenses and risks are monitored by type, reviewed at each balance sheet date and adjusted to reflect the best possible present estimate. When the outflow of the economic benefits is no longer probable, provisions are derecognised. Derecognition is credited to income.

When the effect of the time value of money is significant, the amount of provision is the present value of the outflows required to settle the liabilities. Upon calculation of the present value discount rates are used, i.e., pre-tax discount rates which reflect the current market estimates of the time value of money and risks inherent to the liability.

A contingent liability is:

• possible liability arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Parent Company; or

• a present liability that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits of the Parent Company will be required to settle the liability or the amount of the liability cannot be reliably estimated.

A contingent liability is constantly re-evaluated (at least on the balance sheet date). When the outflow of economic benefits for contingent liabilities becomes probable, provisions and expenses are recognized in the financial statements of the Parent Company during the period in which the change in probability occurs (except in the rare circumstances where no reliable estimate can be made).

Contingent assets are possible assets arising from past events whose existence shall be confirmed only by the occurrence or the lack of occurrence of one or more uncertain future events which are not entirely under the Parent Company’s control.

Contingent assets are not recognized in the financial statements of the Parent Company, but, in the event that an inflow of economic benefits is probable, it is disclosed.

Contingent assets are continuously reviewed (at least as of the balance sheet date) in order to ensure that the financial statements reflect appropriately the development of the underlying event. If it becomes certain that the inflow of economic benefits arising from contingent assets will occur, assets and income associated with them are recognized in the consolidated financial statements of the Parent Company in the period in which the change has occurred.

7.18 Employee benefits

From the **standpoint of taxes and mandatory taxes and contributions** for mandatory social insurance, in accordance with the regulations prevailing in the Republic of Serbia, the Parent Company has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and the employer, in an amount calculated by applying the legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds.

These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise. The Company, subsequent to the retirement of employees, is not obliged to pay any post-employment benefits.

For the assessment of provisions arising from employee benefits and other employee benefits, the relevant provisions of IAS 19 – Employee Benefits are used. Provisions for employee benefits and other employee benefits include, for example: provisions for outstanding retirement benefits and provisions paid as the result of the Parent Company's decision to terminate an employee's employment before the normal retirement date or the decision of the employee to voluntarily accept that he/she is redundant in exchange for a severance pay.
Upon making estimates of the liabilities upon the termination of employment, based on the relevant provisions of IAS 19, the discount rate used is generally determined in accordance with the market yields as of the balance sheet date for the high-quality corporate bonds. Alternatively, as specified under IAS 19, until such time when in the Republic of Serbia there is a developed market for corporate bonds, for the evaluation of the Parent Company's liabilities upon termination of employments market yields (as of the balance sheet date) of government bonds shall be used. The currency and the maturity period of corporate or government bonds should be in accordance with the currency and the estimated maturity period for post-employment benefits. If the Parent Company uses for the assessment of liabilities upon termination of employment, due to the underdeveloped market of government bonds, as a benchmark it uses the yield of government bonds whose maturity period is shorter than the estimated maturity date of payments based on the underlying benefits, the discount rate is determined by estimating the yield on the benchmark securities on long-term basis.

Retirement benefits are payable in the Parent Company in accordance with the new provisions of the Collective Bargaining.

7.19 Information on business segments

An operating segment is a part of the assets and business operations that provide products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment provides products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

8. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT IN THE PARENT COMPANY

Uncertainty regarding the future events is one of the main specifics of operation under the conditions of market-oriented commercial environment, which is reflected in several possible, i.e., potential outcomes. Due to the uncertainty about which of the potential events will actually take place, legal entities are exposed to various risks in their operations, which may affect their future market position.

From the standpoint of the Parent Company, there is a large number of potential risks which can have an adverse impact on the Parent Company's results and operations with different intensity. Some (specific) risks are caused by internal factors, such as, for example: *concentration risk*, which in the case of the Parent Company may be manifested by exposure to an individual or a smaller group of customers and suppliers; *operational risk*, which is manifested in the possibility of the occurrence of adverse effects due to unintended and deliberate oversights in the work of employees, inadequate internal procedures and processes, inadequate management of information systems in the Parent Company, etc.; *reputational risk*, which comprises the possibility of deterior ation of the Parent

Company's position due to the loss of confidence or creating a negative image in the public (state institutions, suppliers, customers, etc.) regarding the Parent Company's operations; *legal risk*, which is manifested in the possibility of the occurrence of adverse effects due to penalties and sanctions arising from legal actions due to the failure to meet contractual or legal obligations, etc.

As most of these, as well as certain other unmentioned risks, are the subject of other parts of these Notes or other internal acts of the Parent Company (for example, mitigation of the operational risk, through the adopted procedures and work instructions, *inter alia*, are the subject the Rule Book on Accounting and Accounting Policies of the Parent Company), the emphases in the further text shall be on the consideration of the financial risk, which, primarily, includes:

- credit risk,
- market risk and
- liquidity risk.

Financial risks are significantly conditioned by the (external) factors which are not directly controlled by the Parent Company. Therefore, the amount of financial risk is significantly affected by the Parent Company's environment, which is not determined only by the development of the economic environment, but also by legal, financial and other relevant aspects which determine the amount of system risks.

In general, as compared to the markets of developed economies, the markets on which the Parent Company operates, both underdeveloped in terms of economic development and macroeconomic stability and high illiquidity, such as the Republic of Serbia, are significantly exposed to financial risks. In addition, insufficient development of the financial market prevents the use of a wide range of hedging instruments which are characteristic for developed markets. For example, the Parent Company operating in the Republic of Serbia does not have the ability to use a larger number of derivative financial instruments in financial risks management, due to the fact that such instruments are not widely used and there is no organized continuous market of financial instruments.

Financial risk management is a comprehensive and reliable system of governance geared towards minimizing the potential negative impact on the financial condition and operations of the Parent Company, in terms of the unpredictability of financial markets.

Recognising the limitations in the financial risks management specific to the operations on the Serbian market, the need to approach these matters adequately is clear, which is recognized by the Parent Company management. Essentially, the Parent Company's financial management should ensure that the risk profile of the Parent Company should always be in compliance with the Parent Company's propensity to risks, i.e., in accordance with the acceptable structure and levels of risk the Parent Company intends to take in order to achieve its business strategy and objectives.

The analysis of the Parent Company's operations in the prior period, as well as the structure of the balance sheet and income statement items, it can be concluded that the Parent Company is significantly exposed to different types of risks.

We shall present below:

- the Parent Company's financial risk profile, i.e., the assessment of the structure and the level of financial risk the Parent Company is exposed to in its operations;
- measures for the identified Parent Company's financial risks management and
- capital risk management, which, although it does not belong to any of the individual types of financial risk, affects the amount of each of the deliberated types of risk significantly.

8.1 Credit risk

Credit risk is the risk of the possibility of the occurrence of adverse effects to the financial result and the capital of the Parent Company due to the debtor's failure to settle, in the specified deadlines, its liabilities to the Parent Company.
The credit risk does not only include the debtor-creditor relations arising from the sales of the Parent Company's products, but also those credit risks arising from other financial instruments, such as, for example, the Parent Company's receivables arising from long-term and short-term financial placements.
The Parent Company has significant concentrations of credit risk of the collection of receivables from customers, which have a very long credit period extended by the Parent Company due their lack of liquidity.
The tables below present:

- the structure of short-term receivables which have not been impaired,
- the ageing structure of short-term receivables which have not been impaired,
- the structure of short-term receivables which have not been impaired.

The structure of short-term receivables which have not been impaired	*in RSD 000*	
	2015	*2014*
Trade receivables:		
DOMESTIC RECEIVABLES		
ELEKTROPRIVREDA SRBIJE	50,614	34,427
ENERGOPROJEKT POVEZANA PRAVNA LICA	1,528	2,770
OTHER IN THE COUNTRY	3,024	12,644
FOREIGN RECEIVABLES		
OMAN	191,690	214,312
EMIRATES	274,953	413,983
KAHRAMA QATAR	463,508	646,120
OTHER QATAR	352,526	535,047
Other	-	-
Total	***1,337,843***	***1,859,303***
Receivables from specific operations and other receivables:	10,698	956
Dividends receivable	-	-
Other		
Total	*10,698*	*956*
TOTAL	***1,348,541***	***1,860,259***

The Parent Company has no collaterals issued.

The ageing structure of short-term receivables which have not been impaired	*In RSD 000*	
	2015	*2014*
Related parties:		
a) Current		
b) Up to 30 days	157	1,563
c) 30 - 60 days	33	98
d) 60 - 90 days	65	98
e) 90 - 365 days	1,221	970
f) Over 365 days	52	41
Total	***1,528***	***2,770***
Domestic receivables:		
a) Current		
b) Up to 30 days	27,033	14,301
c) 30 - 60 days	14,258	8,199
d) 60 - 90 days	119	-
e) 90 - 365 days	600	300
f) Over 365 days	11,628	12,186
Total	***53,638***	***34,986***
Foreign receivables:		
a) Current		
b) Up to 30 days	418,694	910,303
c) 30 - 60 days	116,772	125,500
d) 60 - 90 days	159,096	135,952
e) 90 - 365 days	264,177	327,199
f) Over 365 days	323,938	322,594
Total	*1,282,677*	*1,821,547*
TOTAL	***1,337,843***	***1,859,303***

8.2 Market risk

Market risk is the risk of adverse effects on the financial result and the capital of the Parent Company due to losses within the balance sheet positions, arising as the result of negative market price movements and other relevant financial parameters.
Market risk includes three types of risks:

- foreign currency risk,
- interest rate risk and
- price risk

8.3 Interest rate risk

Interest rate is the risk of adverse effects to the Parent Company's result and capital due to negative fluctuations of interest rates. The Parent Company is exposed to this kind of risk across the positions of borrowings taken with the potentially variable interest rates (Belibor, Euribor), as well as due to the measurement of penalty interest due to delinquency in payments.

The major suppliers, according to the balance of payables as of the balance sheet date are presented in the table below.

The structure of trade payables	In RSD 000	
	2015	2014
Domestic trade payables (related and other legal entities):		
a) ENERGOPROJEKT HOLDING	9,075	9,471
b) ENERGOPROJEKT OPREMA	-	1,560
c) ENERGOPROJEKT ENERGODATA	121	261
d) ITEN ENGINEERING DOO	-	3,024
e) OTHER	8,109	5,268
g)		
Total	*17,305*	*19,584*
Foreign trade payables (related and other parties):		
AGENT RES.OPTIMUM	70,463	31,464
SPONZOR	184,784	107,637
Suppliers for the rentals	100,406	101,805
Consultants	114,611	100,643
Other	164,725	147,259
Total	*634,989*	*488,808*

The Parent Company has no collaterals issued.

The strucutre of trade payables	In RSD 000	
	2015	2014
Related parties:		
a) Current	9,196	9,196
Total	*9,196*	*9,196*
Domestic payables:		
a) Current	8,109	8,292
Total	*8,109*	*8,292*
Foreign payables:		
a) Current		
b) Up to 30 days	260,280	199,337
c) 30 - 60 days	135,698	101,805
d) 60 - 90 days	113,658	111,618
e) 90 - 365 days	55,478	31,464
f) Over 365 days	69,875	44,584
Total	*634,989*	*488,808*
TOTAL	***652,294***	***506,296***

8.4 Price risk

The price risk is the risk that the fair value or future cash flows of a financial instrument shall fluctuate due to changes in market prices (other than those arising due to interest rate or foreign currency risk), whether due to factors specific to individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

8.5 Liquidity risk

Liquidity risk is the risk that the Parent Company will have difficulties in settling liabilities when they fall due, while maintaining an adequate amount and structure of current assets and preserving good credited worthiness.

The most significant liquidity ratios of the Parent Company are presented in the table below, as follows:

- current liquidity ratio (ratio of current assets and current liabilities), indicating the amount of RSD of current assets covering each RSD of current liabilities;
- quick liquidity ratio (ratio of liquid assets, including total current assets minus inventories and prepayments and accrued income; and current liabilities), which indicates the amount of liquid assets in RSD covering each RSD of current liabilities;
- cash liquidity ratio (ratio of cash increased by cash equivalents and current liabilities), which indicates the amount of cash assets in RSD covering each RSD of current liabilities; and
- net current assets (the difference in value between current assets and current liabilities).

Drawing conclusion on the liquidity ratios, derived based on the ratio analysis, inter alia, includes their comparison with the satisfactory general standards, which are also presented in the table below.

Liquidity ratios	**Satisfactory general**	***2015***	***2014***
Current liquidity ratio	2 : 1	1.97 : 1	1.92 : 1
Quick liquidity ratio	1 : 1	1.96 : 1	1.91 : 1
Cash liquidity ratio		0.46 : 1	0.18 : 1
Net current assets (in RSD thousand)		**1,814,011**	**1,520,328**

8.6 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and to provide returns for shareholders.
Although there are various criteria by which conclusions on the viability of the assumption on the Parent Company's long-term existence can be drawn, it is certain that profitable operations, as well as the satisfactory financial structure, are among the fundamental criteria.

The best representation of **profitability** is the return rate on average own capital, which indicates the return on one RSD of deployed average own resources. Upon calculation of this profitability ratio, the average own capital is defined as the arithmetic mean value of capital at the beginning and end of year.

Profitability indicators	*in RSD 000*	
	2015	*2014*
Net profit/loss	523,609	490,699
Average capital:		
a) Capital - beginning of the year	2,812,775	2,022,227
b) Capital - end of year	3,275,284	2,812,775
Total	*3,044,030*	*2,417,501*
Yield rate - end of the year	***17.20%***	***20.30%***

The adequacy of financial structure is reflected in the amount and character of the indebtedness.
The following tables present the most important indicators of the Parent Company's financial structure, as follows:

- the share of borrowings in the total sources of funds, which indicates the amount by which one RSD of the Parent Company's assets is financed from the borrowed sources; and
- the share of long-term sources of assets in the total sources of assets, which indicates the amount by which one RSD of the Parent Company's assets is financed from the long-term sources.

Financial structure indicators	*In 000*	
	2015	*2014*
Liabilities	1,882,615	1,665,124
Total assets	5,832,741	5,092,967
Share of borrowing in total sources of assets	*0,32:1*	*0,36:1*
Long-term assets:		
a) Capital	3,275,284	2,812,775
b) Long-term provisions and long-term liabilities	683,249	623,156
Total	*3,958,533*	*3,435,931*
Total assets	5,832,741	5,092,967
Share of long-term in total sources of assets	**0.68 : 1**	**0.67 : 1**

Net debt ratio indicates the amount by which each RSD of net debt of the Parent Company is covered by the Parent Company's equity.

Net indebtedness shall mean the difference between:
- total (long and short-term) financial liabilities of the Parent Company (total liabilities minus capital, long-term provisions and deferred tax assets of the Parent Company); and
- cash and cash equivalents.

The parameters for calculating the net debt ratio to total capital	*In RSD 000*	
	2015	*2014*
Net debt:		
a) Liabilities	1,882,615	1,665,124
b) Cash and cash equivalents	865,212	306,099
Total	*1,017,403*	*1,359,025*
Capital	3,275,902	2,812,775
Net debt to total capital ratio	**1 : 3.22**	**1 : 2.07**

9. PRIOR PERIOD ERRORS, ERROR MATERIALITY AND OPENING BALANCE ADJUSTMENT

Prior period errors are omitted or misstated data from the consolidated financial statements of the Parent Company for one or more periods resulting from disuse or misuse of reliable information available when the consolidated financial statements were authorised for publishing and for which it was reasonable to expect to be obtained and taken into consideration in the preparation and presentation of these consolidated financial statements.

Material error detected in the current period, which refers to the prior period is an error that has a significant impact on the financial statements of one or more prior periods and due to which the consolidated financial statements can no longer be considered reliable.

The Parent Company performs a retrospective adjustment of *material errors* in the first set of the consolidated financial statements authorised for publishing subsequent to the detection of such errors, by restating the comparative figures for the presented prior years' period(s) in which the errors occurred; or, in case the error had occurred prior to the earliest prior period presented, or by restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

If it is impracticable to determine the effect of the prior years' error to the comparative figures for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which the retrospective adjustment of data is practicable (this may be the current period).

Subsequently *established errors that are not materially significant are adjusted against expenses*, i.e., credited to the income of the period in which errors have been identified.

Error materiality is estimated in accordance with the relevant provisions set forth in the Framework for preparation and presentation of the consolidated financial statements, pursuant to which materiality implies that omission or incorrect accounting records of business transactions may influence the economic decisions of the users taken on the basis of the consolidated financial statements.

In the Parent Company the materiality shall be determined in accordance with the amount of error in comparison with the total revenue. An error which, in the individual amount or in a cumulative amount with other errors **exceeds 1.5% of the realised total revenue of the Parent Company in the prior year shall be considered a material error**.

INCOME STATEMENT

10. OPERATING INCOME

10.1 Sales of goods and services

Breakdown of income from the sale of products and services	*In RSD 000*	
	2015	*2014*
Income from the sale of products andservices to parents and subsidiaries on domestic market	4,309	43,953
Income from the sale of oproducts and services on domestic market	170,536	129,775
Income from the sale of products and services on foreign market	5,305,410	3,682,313
TOTAL	***5,480,255***	***3,856,041***

10.2 Income from premiums, subsidies, grants, donations and other operating income

Structure from premiums, subsidies, grants, donations and etc. and other operating income	*In RSD 000*	
	2015	*2014*
b) Rentals from other legal entities in the country	6.063	99
Total	*6.063*	*99*
TOTAL	***6.063***	***99***

11. COST OF GOODS SOLD

Structure of costs of goods sold	*In RSD 000*	
	2015	*2014*
Cost of goods sold:		
a) Cost of goods sold to parents, subsidiaries and other related parties	845	-
Total	*845*	*0*
TOTAL	***845***	***0***

12. COSTS OF MATERIAL, FUEL AND ENERGY

Strucuture of costs of material, fuel and energy	*In RSD 000*	
	2015	*2014*
Costs of material:		
a) Processing material	-	-
b) Other material (overhead)	43.173	40.001
c) Costs of spare parts	-	-
d) Costs of one-off write-down of tools and inventory	2.260	4.916
Total	*45.433*	*44.917*
Fuel and energy:		
a) Fuel	49.313	34.896
b) Electric and thermal energy	28.784	*22225*
Total	*78.097*	*57.121*
TOTAL	***123.530***	***102.038***

13. SALARIES, COMPENSATION AND OTHER PERSONAL EXPENSES

Structure of salaries, compensations and other personal expenses	*In RSD 000*	
	2015	*2014*
Gross salaries	3.091.767	2.206.336
Payroll taxes and contributioins payable by the employer	49.656	50.026
Autorship agreements	5.888	1.460
Occasional and periodical job contracts	5.396	5.078
Remunerations to physical persons arising with respect to other agreements	1.593	3.421
Remunerations to the Board of Directors and Supervisory Board members	1.079	908
Other personnel expenses and remunerations	66.097	66.888
TOTAL	***3.221.476***	***2.334.117***

Other personal expenses amounting to RSD 66,097 thousand relate to:

- costs of solidarity aid 211
- costs of transportation to work 4,576
- travel expenses 12,339
- food allowance abroad 43,882

14. COSTS OF PRODUCTIVE SERVICES

Breakdown of the costs of productive services	*In RSD 000*	
	2015	*2014*
Own-work and goods capitalised	139.176	76.556
Transportation costs	277.940	226.086
Maintenance	26.360	61.134
Rental expenses	327.509	245.600
Fairs	7.314	5.622
Advertising and marketing	5.862	8.499
Research		
Other services	24.761	12.611
TOTAL	***808.922***	***636.108***

Own goods and services capitalised relate to sub-contractors engaged on engagements we do not have staff for or for specialised engagements only specific companies perform.
Rental costs are primarily related to the lease of apartments in our foreign companies.
Advertising and marketing mostly relate to:
promotion costs, advertising costs, including the cost of market research, as well as the cost of making brochures and publications and
As part of the cost of other services, the most important part is related to:
The cost of procurement tenders and the cost of copying and licenses

15. DEPRECIATION, AMORTISATION AND PROVISIONS

Breakdown of depreciation/amortisation	*In RSD 000*	
	2015	*2014*
Depreciation and amortisation:		
a) Amortisation charge (Note 23)	4,336	4,041
b) Depreciation charge (Note 24)	64,147	53,720
Total	*68,483*	*57,761*
e) Provisions for compensations and other employee benefits	121,839	56,322
Total	*121,839*	*56,322*
TOTAL	***190,322***	***114,083***

As of 31 December 2015, the estimate of the residual value of the remaining useful life of property and equipment with the significant carrying value was performed, and in comparison with the estimate as

of 31 December 2014, there have been relevant changes in the estimate of the residual value of the building, and the depreciation cost was increased accordingly.
Provision for warranty period costs amounting to RSD 104,410 thousand was established within provisions for the project Phasa 11.

16. NON-MATERIAL COSTS

Breakdown of non-material costs	*In RSD 000*	
	2015	*2014*
Costs of non-productive services	484,160	305,329
Entertainment	17,646	18,579
Insurance premium costs	61,991	47,574
Bank charges	31,646	43,572
Membership fees	660	1,030
Taxes	35,084	24,111
Contributions		
Other non-material costs	129,295	120,602
TOTAL	***760,482***	***560,797***

In costs of **non-productive services** the following costs are presented: professional education of employees, health care services, lawyers' fees, consulting fees, audit of financial statements, etc.

Entertainment costs relate to catering, gifts to business partners, costs of promotional samples, etc.

The major portion of **insurance premium costs** relates to the costs of property and personal insurance.

Out of the total presented bank **charges and bank services**: the amount of RSD 2,274 relates to payment operations in 2015, and the amount of RSD 28,225 relates to costs of bank services (costs of issuing bank guarantees) in 2015.

Membership fees almost entirely relate to the membership fees to the Chamber of Commerce of Serbia which represent the liability on the employee salaries paid.

Within **taxes**, the following costs are presented: property taxes, city development land fee, etc. The major portion of these costs relates to the property tax and city development land amounting in 2015 to RSD 2,460 thousand.

Other non-material costs relate to: taxes (administrative, court, etc.), costs of professional literature, advertisements costs, tenders, etc. and Holding costs.

17.1 FINANCIAL INCOME AND EXPENSES

17.2 Financial income

Breakdown of financial income	*In RSD 000*	
	2015	*2014*
Financial income from parents and subsidiaries	-	-
Financial income from related parties	25	7,784
Other financial income:		
a) Dividends		
b) Other financial income	77,300	46,260
Interest income (from third parties)	10,634	12,850
Foreign exchange differences and income arising from the effects of foreign currency clause	7,646	5,804
TOTAL	***95,605***	***72,698***

The major part of interest income on other grounds is the consequence of bank interests for funds on accounts and deposits.

Income from participation in subsidiaries' profit in 2015 in the amount of RSD 7,723 thousand is the income from the attributable dividend for 2015 for the purchased 20% of share of ENERGOPLAST DOO.

Other financial income (in 2015 amounting to RSD 69,577 thousand; represent 20% of the profit of the company "Perl garden", which rents villas for the account and on behalf of the owners.

17.3 Financial expenses

Breakdown of financial expenses	*In RSD 000*	
	2015	*2014*
Financial expenses from transactions with parents and	9	
Financial expenses from transactions with other related parties	28	
Other financial expenses	-	3
Total	*37*	*3*
Interest expense (to third parties)	1,056	2,952
Foreign exchange losses and expenses arising from effects of foreing exchange clause (to third parties)	7,269	15,833
Total	***8,362***	***18,788***

Expenses arising from the **effect of the foreign currency clause relate to negative effects** with respect to invoices to customers with the foreign currency clause.

18. OTHER INCOME AND EXPENSES

18.1 Other income

Breakdown of other income	*In RSD 000*	
	2015	*2014*
Gains from the sale of equity instruments and securities		-
Reversal of provisions	73.915	325.226
Other sundry income	37.033	51.440
Value adjustment of intangible assets		
Value adjustment of property, plant and equipment	772	*1.957*
TOTAL	***111.720***	***378.623***

The item of other sundry income - reversal of provisions in the amount of RSD 73.915 thousand occurred due to the reversal of provision in the company in the United Arab Emirates. Reversal of the provision for the work that has been successfully completed.

18.2 Other expenses

Breakdown of other expenses	*In RSD 000*	
	2015	*2014*
Losses on the sale and disposal of intangible assets, property, plant and equipment	1.348	2.092
Losses on the sale and disposal of equity investments and	-	3.544
Direct write-off of receivables	3.121	3.573
Other sundry expenses	24.333	22.423
TOTAL	***28.802***	***31.632***

The major portion of **other sundry expenses** relates to the expenses for humanitarian, cultural and health purposes in 2015 amounts to RSD 21,151 thousand.

19. NET GAIN/ LOSS FROM DISCOUNTINUED OPERATIONS, EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERROR ADJUSTMENTS

Breakdown of the net gain/loss from discontinued operations, effects of the changes in accounting policies and prior period error adjustments	*u 000 dinara*	
	2015	*2014*
Net gain of discontinued operations, effect of changes in accounting policies and prior years error adjustments	16	5.045
TOTAL	***16***	***5.045***

20. PROFIT BEFORE TAX

Structure of the gross result	*In RSD 000*	
	2015	*2014*
Operating income	5,486,318	3,856,140
	5,105,577	3,747,143
Operating result	**380,741**	**108,997**
Financial income	95,605	72,698
Financial expenses	8,362	18,788
Financial result	**87,243**	**53,910**
Other income	111,720	378,623
Other expenses	28,802	31,632
Result of other income and expenses	**82,918**	**346,991**
Net gain from discontinued operations, changes in accounting policies and prior period error adjustments	16	5,045
TOTAL INCOME	**5,693,659**	**4,312,506**
TOTAL EXPENSES	**5,142,741**	**3,797,563**
GAIN/LOSSES BEFORE TAX	***550,918***	***514,943***

21. INCOME TAX AND NET PROFIT

Breakdown of income tax and net profit	*In RSD 000*	
	2015	*2014*
Profit/(loss) before tax	550,918	514,943
Capital gains/(losses) stated in the Income Statement	0	3,544
Reconciliation and adjustment of income/expenses in the tax balance	24,099	-296,813
Taxable profit/ (loss)	**575,017**	**221,674**
Remaining portion of taxable profit	**575,017**	**221,674**
Capital gains/(losses) calculated in accordance with the law	0	5,216
Remaining portion of the capital gain	0	5,216
Tax base	**575,017**	**226,890**
Calculated tax (15% of the tax base)	86,253	34,034
Total decrease of the calculated tax	26,190	13,097
Total reduction of the calculated tax	**60,063**	**20,937**
Profit/loss before tax	550,918	514,943
Tax expense of the period	26,780	26,245
Deferred tax expense/income of the period	-529	2,001
Net profit/(loss)	***523,609***	***490,699***

22. EARNINGS PER SHARE

Indicator	*In RSD 000*	
	2015	*2014*
Net profit	523.609	490.699
Average number of shares during the year	422.495	422.495
Earning per share (in RSD)	***1.239***	***1.161***

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares for 2015 amounts to 422,495, so that the earnings per share amount to RSD 1,239.

BALANCE SHEET

23. INTANGIBLE ASSETS

				In RSD 000
Breakdown of intangible assets	Concessions, patents, licenses, trade and service marks, software and other rights	Intangible assets under construction	Advances for intangible assets	Total
Cost				
Balance as of 1 January 2014	34.511			**34.511**
Transfer from one form to another	5.307			**5.307**
Foreign exchange differences	5.196			**5.196**
Balance as of 31 December 2014	**45.014**	**0**	**0**	**45.014**
Adjustment to the opening balance				**0**
Transfer from one form to another	6.666	-6.666		**0**
New additions	0	6.666		**6.666**
Sales and disposals				**0**
Foreign exchange differences	4.256			**4.256**
Other				**0**
Balance as of 31 December 2014	**55.936**	**0**	**0**	**55.936**
Accumulated depreciation				
Balance as of 1 January 2014	26.741			**26.741**
Adjustment to the opening balance				**0**
Depreciation	4.041			**4.041**
Foreign exchange differences	4.238			**4.238**
Other				**0**
Balance as of 31 December 2013	**35.020**	**0**	**0**	**35.020**
Adjustment to the opening balance				**0**
Depreciation	4.336			**4.336**
Foreign exchange differences	3.291			**3.291**
Balance as of 31 December 2014	**42.647**	**0**	**0**	**42.647**
Carrying value				
31 December 2014	**9.994**	**0**	**0**	**9.994**
31 December 2015	***13.289***	**0**	**0**	***13.289***

24. , PROPERTY, PLANT AND EQUIPMENT

24.1 Property, plant and equipment, without investment property

In RSD 000

Breakdown of property, plant and equipment	Buildings	Plant and equipment	Construction in progress	Total
Cost				
Balance as of 1 January 2014	**615.820**	**292.536**	**37.051**	**945.407**
Adjustment to the opening balance	5			**5**
New additions during the year		88.778	88.778	**177.556**
Transfer to non-current assets held for sale	-4.628	23.652		**19.024**
Other transfers from / (to)	-23.652	0	-91.491	**-115.143**
Sales and disposal		-67.589		**-67.589**
Gains/(losses) included in "Other result" (account 330)	324.431	0		**324.431**
Foreign exchange differences	56.822	45.148	0	**101.970**
Other increases / (decreases)	-72355			**-72.355**
Balance as of 31 December 2014	**896.443**	**382.525**	**34.338**	**1.313.306**
New additions during the year	0	66.175	66.175	**132.350**
Transfer to non-current assets held for sale	0	0	-66.175	**-66.175**
Sales and disposals	0	-55.915	0	**-55.915**
Foreign exchange differences	44.573	35.922	0	**80.495**
Balance as of 31 December 2015	**941.016**	**428.707**	**34.338**	**1.404.061**
Allowance for impairment				
Balance as of 1 January 2014	**78.343**	**160.980**		**239.323**
Depreciation	0	53.720		**53.720**
Sales and disposals	0	-56.006		**-56.006**
Transfer to non-current assets held for sale	-1.167	0		**-1.167**
Other transfers from / (to)	-946	946		**0**
Foreign exchange differences	0	14.816		**14.816**
Other increases / (decreases)	-76.230	0		**-76.230**
Balance as of 31 December 2014	**0**	**174.456**	**0**	**174.456**
Depreciation	21.649	42.498		**64.147**
Sales and disposals		-49.376		**-49.376**
Foreign exchange differences		17.952		**17.952**
Balance as of 31 December 2015	**21.649**	**185.530**	**0**	**207.179**
31 December 2014	***896.443***	***208.069***	***34.338***	***1.138.850***
31 December 2015	***919.367***	***243.177***	***34.338***	***1.196.882***

As of 31 December 2015, the assessment of the residual value and the remaining useful life of property and equipment with significant carrying values. From the standpoint of depreciation charges, in comparison with the prior year, there were no relevant changes in 2015.

The fair value of buildings is usually determined by an assessment carried out by independent qualified appraisers based on market evidence. The fair value of buildings is usually their market value, which is determined by evaluation.

When there is no evidence of fair value in the market, due to the specific nature of the subject and because such items are rarely sold, the Company estimates the fair value using the income approach or a depreciated replacement cost approach.

The Parent Company has in its books of account the following “buildings” stated at revalued amount a of the appraisal date:

Office building Energoprojekt

Office building Energoprojekt is stated at revalued amount as of 31 December 2015, in the amount of RSD 521,870 thousand, in accordance with the evaluation performed by the external independent qualified appraiser using

The residual value of the above mentioned building, prior to the appraisal performed as of 31 December 2015 is not lower than its cost, so, in 2015, depreciation costs were not recorded. The useful life of the above mentioned “building” is 100 years (the remaining useful life is 66 years).

The Company uses fully depreciated property, plant and equipment amounting to RSD 45,624 thousand (in the country - RSD 13,428 thousand; in Qatar – RSD 14,395 thousand; in Oman - RSD 6,594 thousand ; in the Emirates – RSD 11,207 thousand.

24.2 Investment property

Investment property	*In RSD 000*	
	2015	*2014*
Balance as of 1 January	1.924	1924
Foreign exchange differences		
Balance as of 31 December	***1924***	***1924***

25. LONG-TERM FINANCIAL PLACEMENTS

Structure of long-term financial placements	*In RSD 000*	
	2015	*2014*
Equity investments into associate and joint ventures	92.142	84.419
Equity investments in other legal entities and other securities available for sale		
Long-term placements abroad	55.256	34.919
Securities held to maturity		
Other long-term financial placements	825	863
Total	*148.223*	*120.201*
Allowance for impairment		
TOTAL	***148.223***	***120.201***

25.1 Equity investments

Equity investments pertain to shares and stakes as presented in the following table:

Equity investments represent long-term financial investments in shares and stakes in subsidiaries, associated companies and joint ventures, banks, insurance companies (securities available for sale) and other legal entities.

Equity investments in subsidiaries, associated companies and joint ventures are valued according to the historical cost method. Parent Company recognizes revenue only to the extent to which the Company is entitled to receive its share from the distribution of the undistributed net income of the investee, which is obtained after the date on which the Parent Company has acquired it.

The Parent Company has a 20% stake in u Enegoplast doo, amounting to 92,142

25.2 Other long-term financial placements

Within other long-term financial placements, a portion of an interest free loan amounting to RSD 863 thousand granted to the Company's employee for the purposes of resolving the housing needs was recorded. The loan principal is adjusted twice a year. This loan is repayable in monthly installments, for the period of 30 years.

26. LONG-TERM RECEIVABLES

Structure of long-term receivables	*In RSD 000*	
	2015	*2014*
Other long-term receivables	784.204	644.634
Allowance for impairment		
TOTAL	**784.204**	**644.634**

When long-term receivables for retention are concerned, the stated trade receivables for retention mostly amount to 10% of the invoiced value. It cannot be collected prior to the end of all works on the project it relates to.
The breakdown of receivables for retention as of 31 December 2015, by company, is as follows:
Company ENERGOPROJEKT ENTEL Qatar RSD 695,895 thousand
Company ENERGOPROJEKT ENTEL OMAN L.L.C RSD 88,309 thousand'

27. INVENTORIES

Structure of inventories	*In RSD 000*	
	2015	*2014*
Non-current assets held for sale	3.462	3.462
e) Advances paid for services	6.840	5.982
Total	*6.840*	*5.982*
Allowance for impairment		
TOTAL	***10.302***	***9.444***

The management of the Parent Company approved a plan to sell the apartment in the local community, Block 20 Bežanijska Kosa on 15 December 2015. The Sales Agreement was signed on 29 January 2016.

28. TRADE RECEIVABLES

Breakdown of trade receivables	In RSD 000	
	2015	2014
Domestic - parent and subsidiaries		-
Domestic - other related parties	1.528	2.770
Domestic trade receivables	53.638	34.986
Foreign trade receivables	1.282.677	1.821.547
TOTAL	**1.337.843**	**1.859.303**

The carrying value of receivables from sales classified as loans and receivables, approximates their fair value.
The Parent Company has no collateral arising from sales.

29. OTHER RECEIVABLES

Breakdown of other receivables	In RSD 000	
	2015	2014
c) Receivables for contracted and default interest from other legal entities	2	
Total	*2*	*-*
Receivables from employees	993	
Receivables for overpaid income taxes	8.544	
Receivables for refundable salary compensations	333	395
Other short-term receivables	-	561
TOTAL	***9.872***	***956***

30. SHORT-TERM FINANCIAL PLACEMENTS

Breakdown of short-term financial placements	In RSD 000	
	2015	2014
Other short-term financial placements:		
a) Short-term fixed deposits		
b) Other short-term financial placements	1.201.140	796.376
Total	*1.201.140*	*796.376*
Allowance for impairment		
TOTAL	***1.201.140***	***796.376***

Other short-term placements include deposited funds with domestic and foreign commercial banks **- overnight deposit.**

31. CASH AND CASH EQUIVALENTS

Breakdwon of cash and cash equivalents	In RSD 000	
	2015	2014
Current account	1.203	1.392
Cash on hand	314	
Foreign currency account	863.329	304.235
Cash on hand in foreign currency	366	472
TOTAL	***865.212***	***306.099***

Within the **current RSD and foreign currency accounts of** the Parent Company, the following funds are present:

- Held with commercial banks in the country (Raiffaisen bank, Erste Banka and Alpha banka)
- Foreign currency accounts (Doha banka, ADCB Bank Dubai and Abu Dhabi and Bank Oman)

32. VALUE ADDED TAX, PREPAYMENTS AND ACCRUED INCOME

32.1 Value added tax

Breakdown of value added tax	In RSD 000	
	2015	2014
Value added tax	2.958	5.855
TOTAL	***2.958***	***5.855***

32.2 Prepayments and accruals

Structure of prepayments and accrued income	*In RSD 000*	
	2015	*2014*
Prepaid expenses:		
d) prepaid rental expenses	251.357	174.551
e) Prepaid insurance premiums	7.570	24.505
g) Other prepaid expenses	1.857	78
Total	*260.784*	*199.134*
b) Other prepayments and accrued income	108	197
Total	*108*	*197*
TOTAL	***260.892***	***199.331***

BALANCE SHEET

33. EQUITY

DESCRIPTION	Basic capital	Reserves	Revaluation reserves	Unrealised gains/losses from securities	Retained earnings	Total
Balance as of 1 January 2014	*173.166*	*23.698*	*54.212*	*54.049*	*1.697.671*	*2.002.796*
Net profit for the year					490.699	490.699
b) Revaluation			347.135			347.135
c) Other - levelling of the carrying value, IAS 12, etc.			-48.490			-48.490
Total - other comprehensive income			298.645			298.645
total comprehensive income for 2013	173.166	23.698	352.857	54.049	2.188.370	2.792.140
Adjustments		188	11.604		249.215	261.007
Increase in the basic capital	57			66.303		66.360
Distribution of profit					-306.732	-306.732
Balance as of 31 December 2014	***173.223***	***23.886***	***364.461***	***120.352***	***2.130.853***	***2.812.775***
Net profit for the year					523.609	523.609
Total comprehensive income for 2014	173.223	23.886	364.461	120.352	2.654.462	3.336.384
Adjustments		136	7.570	-47.702	286.472	246.476
Distribution of profit					-307.576	-307.576
Balance as of 31 December 2015	***173.223***	***24.022***	***372.031***	***72.650***	***2.633.358***	***3.275.284***

33.1 Core capital

The registered amount of share capital of the Parent Company at the Business Registers Agency (the registration number 8049/2005 from 30 March 2005) amounts to RSD 173,223 thousand.

According to the records of the Central Securities Depository ISIN RSEPEN41315, the registered balance of ownership of shares of ENERGOPROJKET ENTEL AD as of 31 December 2015 is presented in the following tables: show, if possible, from the website of the Central Registry.

Breakdown of core capital	*In RSD 000*	
	2015	*2014*
Share capital:	173.223	173.223
a) Share capital - parent, subsidiaries and other related parties ENERGOPROJEKT HOLDING 86,26	149.426	149.426
b) Share capital - external OTHER SHAREHOLDERS	23.797	23.797
TOTAL	***173.223***	***173.223***

Share capital consists of 422,495 ordinary shares with a nominal value of RSD 173,223 thousand), i.e., individual net book value of RSD 410.00.

Share capital - ordinary shares include the founding and shares with voting rights issued during operations, with the right to a share in the profit of the parent company and in the portion of the bankruptcy estate in accordance with the founding act or the decision on issue of shares.

Shares of the parent company are traded on the regulated market on the "Open Market" of the Belgrade Stock Exchange.

33.2 Reserves

Breakdown of reserves	*In RSD 000*	
	2015	*2014*
Legal reserves	22.744	22.744
Statutory and other reserves	1.278	1.142
TOTAL	***24.022***	***23.886***

33.3 Revaluation reserves arising from revaluation of intangible assets, property, plant and equipment

Breakdown of revaluation reserves arising from revaluation of intangible assets, property, plant and equipment	*In RSD 000*	
	2015	*2014*
a) Revaluation reserves from revaluation of property - Energoprojekt building	345,467	339,728
b) Revaluation reserves from revaluation of other property	17,212	15,381
Total	*362,679*	*355,109*
Revaluation reserves from revaluation of investment property	867	867
Other revaluation reserves	8,485	8,485
TOTAL	***372,031***	***364,461***

Other revaluation reserves amounting to RSD 8,485 thousand represent 20% of revaluation reserves of ENERGOPLASTA DOO.

33.4 Unrealised gains from securities available for sale and other components of other comprehensive result (debit accounts of account 33 except 330)

Breakdown of non-revaluated gains from securities and other components of other comprehensive income (debit accounts of account 33 except 330)	*In RSD 000*	
	2015	*2014*
Gains or losses from translation of financial statements from foreign operations	72.650	120.352
TOTAL	***72.650***	***120.352***

33.5 Retained earnings

Breakdown of retained earnings	*In RSD 000*	
	2015	*2014*
Retained earnings from prior years:		
a) Balance as of 1 January	2,130,853	1,693,203
c) Other adjustments (IAS 12, etc.)	0	8,231
d) foreign exchange differences	286,472	245,452
e) Distribution of profit	-307,576	-306,732
Total	2,109,749	1,640,154
Retained earnings of the current year	523,609	490,699
TOTAL	***2,633,358***	***2,130,853***

Allocation of retained earnings was carried out according to the Decision of the General Meeting of the Company made at the 24th ordinary session under the item 5 of the agenda, held on 4 June 2015).

34. LONG-TERM PROVISIONS

Breakdown of long-term provisions	Warranty period expenses	Compensations and other employee benefits	Litigation	Other provisions	TOTAL
Balance as of 1 January	223.048	152.089			375.137
Additional charge	115.541	90.529			206.070
Utilised during the year	0	-27.707			-27.707
Reversal of unused amounts		-1.398			-1.398
Balance as of 31 December 2014	*338.589*	*213.513*	*0*	*0*	*552.102*
Additional provisions - FX differences	147.082	7.919			*155.001*
Utilised during the year		-20.040			*-20.040*
Reversal of unused amounts	-75.716	0			*-75.716*
Balance as of 31 December 2015	***409.955***	***201.392***	***0***	***0***	***611.347***

a. Provisions for employee benefits and other employee benefits

Provisions for employee benefits and other employee benefits (provisions for undue retirement benefits), are stated in accordance with the actuarial calculation of the experts team from the Energoprojekt system.

Upon the projections of the calculation of provisions under IAS 19, the deductive approach was used, i.e., all companies from the Energoprojekt system were viewed as a whole, and based on general principles, and using the employees "as the key", the allocation to the specific legal entities has been performed. Taking into account that in all the subsidiaries the same legal entity is the majority shareholder, the applied approach is objective and the results of projections cannot be acknowledge as expected.

The decrease in the amount of provisions (by 0.46%), in the balance sheet as of 31 December 2015, in comparison with 31 December 2014, is the consequence of the change in several factors, as follows:

- On one hand, the change in certain factors affects the increase of the amount of provisions (increase in the number of employees by 0.09%); and
- On the other hand, the change in certain factors affect the decrease of the amount of provisions (decrease in the average expected retirement benefits by 0.11%).

Furthermore, the change in the structure of provisions by specific company is the result of the allotted portion of the participation of the number of employees employed in the whole Company.

The procedure of projection of provisions, taking into account the relevant provisions of IAS 19, would be performed in a several steps, as follows:

- first, according to gender, total years of service and service in the Company; taking into account the expected annual rate of fluctuation and mortality (estimated annual fluctuation and mortality rate), the number of employees who will use the right to the retirement benefit is estimated, as well as the period when the employees will receive the above mentioned benefits;
- second, taking into account the provisions of the Parent Company's Collective Bargaining, the amount of the retirement benefit for each year of service, prevailing as of the balance sheet date was estimated; and
- third, reduction to the carrying value of the expected outflows for retirement benefits was carried out using the discount factor, being the ratio of the discount rate and the expected growth of salaries.

Retirement benefits are payable in the Parent Company, in 2015, in accordance with Article 57 of the Collective Bargaining, which stipulates that the Employer is liable to pay to the employee the retirement benefits in the amount of two average gross salaries in the Republic of Serbia according to the last published information of the competent state authority for statistics. In accordance with the current legal regulations, the above mentioned amount is not taxable.

Since for determining of the carrying value of (undue) retirement benefits the information on the annual discount rate is required, as well as the information on the average annual increase in salaries in the Republic of Serbia, the above mentioned values will be specified in the text below. For the **annual discount rate the accepted rate is 8%.**

In paragraph 78, IAS 19, as well as the paragraph BC 33 in the Base for conclusion of IAS 19, it is stated explicitly that the rate used for discounting should be determined in accordance with the market yields as of the Balance Sheet date for the high-quality corporate bonds. In the countries where there is no developed market for such bonds, market yields (as of the Balance Sheet date) of government bonds should be used. The currency and the term of bonds should be in compliance with the currency and the estimated maturity of liabilities for post-employment benefits.

Since the financial market in Serbia is underdeveloped, the most realistic is to use as a benchmark for determining the discount rate as of the balance sheet date the real annual return realised by purchasing government bonds (foreign currency savings bonds) guaranteed by the Republic of Serbia. Accordingly, the discount rate is determined in accordance with the annual yield on the bonds issued on 4 December 2015, by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. The above mentioned bond was issued with the annual interest rate of 4.40%. Since EURO security is in question, taking into consideration the estimated inflation in the Euro Zone (Source: Government of the Republic of Serbia "Fiscal strategy for 2016 with projections for 2017 and 2018), with the extrapolation of the yield curve over the long-term period (considering that the maturity date of the relevant securities is shorter (10 years) than the average estimated maturity date of income that is the subject of this calculation), which is required under paragraph 81, IAS 19, the realistic annual yield amounting to 4% was adopted.

The annual growth of salaries in the Republic of Serbia is planned at the level of **5%.**

The annual discount rate and the annual growth of salaries are dependent on the inflation rate.

By the Memorandum of the National Bank of Serbia on the targeted inflation rates until 2016, which was adopted on the session of the Executive Board of the National Bank of Serbia on 18 October 2013 (by the Memorandum of the National Bank of Serbia, adopted on 13 August 2015, adopted by the Executive Board of the National Bank of Serbia, previously determined inflation targets for 2016 were not changed), *inter alia*, the targeted inflation rate for 2015, amounting to 4% was determined, with a tolerance (positive and negative) of 1.5 percentage points. Accordingly, and taking into account the significant decrease in inflation during 2016, the most realistic is to plan the inflation for the next year, within the allowable limits provided for by the Memorandum.

Therefore, the provision will be estimated in accordance with the planned annual inflation of 4%. From the foregoing it can be derived that in the Republic of Serbia the long-term growth of real salaries of 1%, which is, considering the projected growth in GDP in the future period (Source: Government of the Republic of Serbia "Fiscal Strategy for 2016 with projections for 2017 and 2018), realistically achievable. If, in the future, there was a change in the inflation rate, the applied logic would result in the changes in the nominal salaries and the discount rate, at the same time (which is predominantly determined by the inflation rate), so that such change would not lead to the change in the results presented herein. The methodology applied, which has as its result the planned annual increase in salaries in the Republic of Serbia of 5% and the long-term annual discount rate of 8%, assumes the same inflation in the whole future period. In addition, this assumption is required under paragraph 75, IAS 19.

b. Long-term provisions for warranty costs

Provisions for warranty costs are calculated based on the management's best estimate and based on the historical experience, and it is expected to be payable in the period of less than 5 years. The final amount of the liability to be paid may differ from the amount of provision, depending on the future developments. These provisions are not discounted since the effects of discounting are not material.

The provision amounting to RSD 75,716 thousand was removed from the above mentioned position.

35. LONG-TERM LIABILITIES

Breakdown of long-term liabilities	*Interest rate*	*In RSD 000*	
		2015	*2014*
Finance lease liabilities	5%	8.407	8.088
TOTAL		***8.407***	***8.088***

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for the orderly settlement of liabilities arising from finance lease, the Company deposited the checks-cash in the amount of RSD 8,088 thousand.

36. SHORT-TERM LIABILITIES

Breakdown long-liabilites	*Interest rate*	*In RSD 000*	
		2015	*2014*
Finance lease liabilities	5%	3.374	
TOTAL		***3.374***	

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%.
The amount of RSD 3,374 thousand is a portion of liabilities due within one year.

37. RECEIVED ADVANCES, DEPOSITS AND RETAINERS

Breakdown of received advances, deposits and retainers	*2015*	*2014*
Advances received from other legal entities in the country	9.445	5.136
TOTAL	***9.445***	***5.136***

38. ACCOUNTS PAYABLE

Breakdown of accounts payable	In RSD 000	
	2015	2014
Suppliers - parent and subsidiaries in the country	9.075	9.471
Suppliers - other related parties ostala povezana pravna lica u zemlji	121	1.821
Suppliers - other related parties abroad		
Domestic trade payables	8.109	8.292
Foreign trade payables	634.989	488.808
Other accounts payables		
TOTAL	***652.294***	***508.392***

Trade payables are non-interest bearing.
The Company's management deems that the stated value of trade payables approximated their fair value as of the balance sheet date.
The ageing structure of trade payables is presented in Note 8.3.
Trade payables as of 31 December 2015 in the amount of RSD 634, thousand are denominated in foreign currency, Qatar - RSD 499,972 thousand, Oman RSD 101,511 thousand and Emirates RSD 33,506 thousand.

39. OTHER SHORT-TERM LIABILITIES

Breakdown of short-term liabilities	In RSD 000	
	2015	2014
Payables from specific activities		
c) Payables from specific activities - other related parties	16,174	116,166
Total	*16,174*	*116,166*
Liabilities for salaries and compensations	473,201	383,455
Other liabilities:		
b) Dividends	11,308	10,209
d) Liabilities to employees	4,960	2,295
e) Liabilities to the director and members of the management and supervisory board	57	57
f) Liabiilities to physical persons under contracts	36	105
h) Other liabilities	-	-
Total	*16,361*	*12,666*
TOTAL	***505,736***	***512,287***

Liabilities for salaries and other liabilities mostly relate to liabilities (net, taxes and contributions, payables to Chambers) for the December salary, paid in the Parent Company in January the following year.
Liabilities for unpaid dividends (due to the failure of shareholders to open accounts for their securities).
Payables from specific activities mostly relate to the liability to the partner arising from the agreement for Phase VII and MESAID in Qatar (for the unpaid retention and unpaid to the partner (in 2015, RSD 116,166 thousand, and in 2013, RSD 95,071 thousand).
The Parent Company management deems that the stated value of other short-term liabilities reflects their fair value as of the balance sheet date.

40. VALUE ADDED TAX PAYABLE, OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES AND ACCRUALS AND DEFERRED INCOME

a. Value added tax

Value added tax payable	*In RSD 000*	
	2015	*2014*
Tax liability from the result	641,350	584,774
TOTAL	***641,350***	***584,774***

Income tax liability from the result of the company in Qatar amounting to RSD 641,350 thousand arises from the liability for non-deductible expenses of HO by the local tax authority.

b. Accruals and deferred income

Other tax liabilities and other duties	*In RSD 000*	
	2015	*2014*
Other accruals and deferred income	62.009	46.447
TOTAL	***62.009***	***46.447***

41. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	*In RSD 000*	
	2015	*2014*
Deferred tax liabilities	63.495	62.966
TOTAL	***63.495***	***62.966***

Deferred tax liabilities stated as of 31 December relate to *taxable temporary differences* between the carrying value and assets subject to depreciation and their tax base. Namely, due to different provisions based on which the depreciation for accounting purposes in the Parent Company is determined (in accordance with the provisions of the professional regulations; IAS and IFRS, etc.) and provisions based on which depreciation for tax purposes is determined (In accordance with the Corporate Tax Income Law), the Parent Company shall, in the future period, pay a higher amount of income tax than it would pay if it was recognised, from the tax legislation standpoint, the actual stated depreciation for tax purposes. Consequently, the Parent Company recognises a deferred tax liability, representing the income tax payable when the Parent Company "recovers" the carrying value of assets.

The amount of deferred tax liabilities is calculated by multiplying the amount of the taxable temporary difference at the year end with the income tax rate (15%).

Movements in deferred tax liabilities during the year were as follows:

In RSD 000

Deferred tax liabilities	Carrying value of assets derpeciated exceeds the value of assets for tax purposes		Capital gains from investment property and non-current assets held for sale	Other	Total
	Property	Intangible assets, plant and equipment			
Balance as of 1 January 2014	12.407			1.062	13.469
Debited/credited to the income statement	-5.022			0	-5.022
Directly against capital	54.519				54.519
Balance as of 31 December 2014	**61.904**	**0**	**0**	**1.062**	**62.966**
Na teret/u korist bilansa uspeha	529			0	529
Directly against capital	0				0
Balance as of 31 December 2015	**62.433**	**0**	**0**	**1.062**	**63.495**

Recapitulation of changes in deferred tax assets/liabilities of the Parent Company is presented in the table below.

Balance and movements in deferred tax liabilities	*In RSD 000*	
	2015	*2014*
Balance of diferred tax liabilities at the end of the prior year	62.966	14.366
Balance of deferred tax liabilities at the end of the current year	63.495	62.966
Promena stanja odloženih poreskih sredstav (obaveza) neto efekat	**(529)**	**(48.600)**

Movements in deferred tax liabilities	*In RSD 000*	
	2015	*2014*
Deferred tax income (expenses) of the period	(529)	3.960
Revaluation reserves	-	(60.105)
Retained earnings of the prior year	**0**	7.545
TOTAL	**(529)**	**(48.600)**

Based on the changes in deferred tax assets and liabilities in 2015, it can be concluded that, in the net effect, there was an increase in the balance of deferred tax liabilities in comparison with the prior year in the amount of RSD .529 thousand.

42. RECONCILIATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Parent Company has performed the **reconciliation of accounts receivable** with the balance as of 31 December 2015.

All receivables and payables are reconciled.

43. MORTGAGES CREDITED/DEBITED TO THE GROUP - DOHA BANK

The subsidiary - company “Energoprojekt Entel” Doha, Qatar has the right to dispose and the right to usufruct over the immovable property, with the total residential area of 4,488 m2, located on cadastral plots no. 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 with the area of 10,736 m2, in Doha - Qatar, Zone 44, East Al Naija, Al Mumtaza Street Doha Qatar, which is owned by a local physical person as presented in the Land Register.

The registered owner has constituted a mortgage against the property in favour of Doha Bank in accordance with the agreement no. 52973 as collateral for receiving bid bonds and success guarantees in favour of Energoprojekt Entel Doha.

44. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Pursuant to the legal provisions (Guidelines on the Prescribed Form and Contents of the Consolidated Financial Statements of Companies, Cooperatives and Entrepreneurial Ventures), in its consolidated financial statements the Parent Company has stated the off-balance sheet assets and liabilities. Items presented in the off-balance sheet assets and liabilities, shown in the table below, represent neither assets nor liabilities of the Parent Company, but primarily serve as information to the user of the consolidated financial statements.

Breakdown of off-balance sheet assets and liabilities is presented in the table below.

Breakdown of off-balance sheet assets and liabilities	*In RSD 000*	
	2015	*2014*
Sureties, guarantees and other rights	2.472.632	3.487.208
TOTAL	***2.472.632***	***3.487.208***

1. The amount of RSD 1,932,253 thousand is the amount for the bid guarantees issued and performance guarantees in the Entel's companies in Qatar, Oman and Emirates.

2. Entel acts as the guarantor to ENERGOPROJEKT NISKOGRADNJA for the performance bond in the amount of RSD 1,541,694 thousand.

45. LITIGATION

Overview of court cases in Serbia is presented in the table.

The Company is involved in litigation in Qatar with the Ministry of Finance. The subject of the dispute is unrecognized consulting costs with the Head Office, relating to 2008, 2009 and 2010. The amount of the damage claim is RSD 639,408 thousand.

No.	Plaintiff	Defendant	Basis	Amount of claim in RSD	Competent court	Phys. or legal entity	Degree of procedure	Expected completion of disputes	Prediction of outcome
1.	Marko Martinoli	EP Entel a.d.	Cancellation of the standalone financial statements		Commercial Court in Belgrade	Physical person	Second degree	Prvostepenom presudom odbijen tužbeni zahtev	
2.	Vladimir Grabež,Marko Martinoli,Activist d.o.o.,Activeast management ltd.	EP Entel a.d.	Purchase of shares upon request of a non-consenting shareholder	452,071,063.00	Commercial Court in Belgrade	Physical and legal persons	First degree	2016.	Neosnovano, prvostepenom presudom odbijen tužbeni zahtev, tužioci uložili žalbu
3.	Siniša Kisić	EP Entel a.d.	Purchase of shares upon request of a non-consenting shareholder	104,803,172.80	Commercial Court in Belgrade	Physical person	First degree	2016.	Neosnovano, prvostepenom presudom odbijen tužbeni zahtev, tužilac uložio žalbu
4.	EP Entel a.d.	JP EPS (RB Kolubara)	Debt payments on accounts	11,628,000.00	Commercial Court in Belgrade	Legal entity	First degree	2016.	Osnovano

46. RELATED PARTY TRANSACTIONS

In accordance with the requirements of IAS 24 – Related Party Disclosures, the disclosure of relations, transactions, etc., between the Parent and related parties is presented below. Related parties are, from the standpoint of the parent company, as follows: subsidiaries of the Parent Company and key management personnel (persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors, regardless of whether they are executive or not) and their close family members.

From the aspect of **related parties**, transactions resulting in the disclosed income and expense in the income statement and payables and receivables in the balance sheet are presented below.

Breakdown of income and expenses from related parties	*In RSD 000*	
	2015	*2014*
Income:		
Other related parties		
· EP OPREMA	-	33,201
· EP HOLDING	160	334
· EP GARANT	62	61
· EP INDUSTRIJA	911	7,905
· EP VISOKOGRADNJA	322	316
· EP HIDROINŽENJERING	2,879	2,548
· EP ENERGONIGERIJA	-	9,709
Total income	***4,334***	***54,074***
Expenses:		
Other related parties		
· EP OPREMA	7,997	4,742
· EP HOLDING	91,295	95,047
· EP ENERGODATA	5,373	4,492
· EP GARANT	302	293
· EP VISOKOGRADNJA	267	323
· EP HIDROINŽENJERING	54	29
· EP ARHITEKTURA I URBAN	-	1,118
· EP INDUSTRIJA	218	451
Total expenses	***105,506***	***106,495***

Receivables and liabilities from related parties	*In RSD 000*	
	2015	*2014*
Other related parties		
EP VISOKOGRADNJA	375	287
EP INDUSTRIJA	67	2,136
EP HIDROINŽENJERING	1,080	340
GARANT	6	6
Total	***1,528***	***2,769***
Obaveze:		
· EP OPREMA	-	32,050
· EP HOLDING	9,075	9,471
· EP ENERGODATA	121	261
Total	*9,196*	*41,782*

Receivables from related parties arise from the services provided and fall due in 90 days after the date of provision of services, they are not collateralized and bear no interest.

47. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events subsequent to the reporting date, which would have a significant impact on the fairness of the consolidated financial statements.

In Belgrade,
20 March 2016

Responsible for the preparation of the financial statements

Director

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