

Separate Financial Statements for the Year ended 31 December 2019 and Independent Auditor's Report

„JP Elektroprivreda BiH d.d.“ Sarajevo

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Independent Auditor's Report

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Public Enterprise „JP Elektroprivreda BiH d.d.“ - Sarajevo

Qualified opinion

We have audited the separate financial statements of the Public Enterprise “JP Elektroprivreda BiH d.d.” Sarajevo (hereinafter: “the Company”), which comprise the separate statement of financial position as at 31 December 2019, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters disclosed in the Basis for qualified opinion section, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for qualified opinion

1. As disclosed in Note 12 to the separate financial statements, property, plant and equipment are stated in the amount of BAM 2.334.261 thousand as at 31 December 2019. This amount includes property, plant and equipment in preparation in the amount of BAM 176.532 thousand. As at 31 December 2019, the Company conducted an impairment test of assets, according to which and in accordance with the provisions of the International Accounting Standard 36 “Impairment of Assets”, the Company is considered as a whole, that is, all production subsidiaries as an individual unit that generates cash inflows, since the thermal power plants comprise the basic (and majority) production, while the hydropower plants cover a variable part of the electricity demand diagram. Also, according to the current organization of the electricity market, the Company's Management does consider the distribution activity as a separate unit. According to the conducted test, there are no indications of impairment of assets.

Furthermore, by conducting audit procedures, we determined that a part of property, plant and equipment in preparation (excluding capital investments) in the amount of BAM 9.999 thousand refers to dates from previous periods. Current capital investments are stated in the amount of BAM 124.061 thousand. The value of current capital investments, which have not changed during 2019, is stated in the amount of BAM 31.773 thousand. According to information obtained from the Company, current investments are recorded according to investment decisions, there are assets ready for use when all investment decisions for the project have been implemented, and that there are functional assets, but putting into use is not completed due to formal reasons.

Accordingly, based on available documentation and information, we have not been able to confirm that the Company tested current investments to impairment as at 31 December 2019, when conducting the impairment test in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets".

Furthermore, when conducting audit procedures, we identified that there are investments that have been completed, but they have not been put into use in accordance with International Accounting Standard 16 "Property, Plant and Equipment" and the Rulebook on accounting and accounting policies of the Company.

By conducting audit procedures, we could not confirm the stated amount of current investments, nor potential adjustment effects of the stated value of investments in progress on the separate financial statements as at and for the year ended 31 December 2019.

2. As disclosed in Note 14 to the separate financial statements, given advances are stated in the net amount of BAM 133.487 thousand as at 31 December 2019. This amount includes given advances to subsidiaries in the amount of BAM 170.437 thousand (amount including VAT). During 2019, the Company adjusted receivables based on given advances in the amount of BAM 45.256 thousand, of which at the expense of the results of the current period in the amount of BAM 38,584 thousand (see note „Other operating expenses“). These advances relate to prepaid coal to related legal entities. Based on conducted audit procedures and records available to the Company, it was determined that advances given to subsidiaries in the amount of BAM 91.831 thousand are older than one or more years and that, accordingly, there is a material risk of their irrecoverability. Available data and information did not allow us to make our own estimates and to determine the amount of additional provisions based on value adjustments of advances with reasonable certainty, which could have a significant effect on the Company's results of operations and financial position as at and for the year ended 31 December 2019.
3. As disclosed in Note 16 to the separate financial statements, the Company stated investments in subsidiaries in the amount of BAM 402.372 thousand as at 31 December 2019. Investments are recognized at cost of their acquisition. As at 31 December 2019, the Company did not conduct an impairment test in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets", despite the existence of objective indications of impairment of these investments. Due to the complexity of this matter, we were not able to make our own estimates and determine the amount of necessary adjustments to the recorded balance of these investments as at 31 December 2019 with reasonable certainty, which could have a significant effect on the Company's results of operations and financial position as at and for the year ended 31 December 2019.
4. As disclosed in Note 19 to the separate financial statements, the Company's inventories are stated in the amount of BAM 82.074 thousand as at 31 December 2019. Since our appointment as the Company's auditor was made after 31 December 2019, we were not able to attend the inventory taking as at 31 December 2019. Having in mind that the balance of inventories affects the determination of the Company's results of operations and cash flows, we were not able to determine whether adjustment of the stated balance of inventories were necessary, nor the potential impact on the result of the current period and net cash flows.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements relevant to our audit of the separate financial statements in the Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

- As disclosed in Note 29 „Contingent liabilities and commitments“ to the separate financial statements, the value of litigation in which the Company is a defendant is stated in the amount of BAM 78.525 thousand as at 31 December 2019. This value of litigation includes the arbitration proceedings of the Consortium Strabag AG Austria and Končar d.d. Zagreb in the amount of BAM 39.267 thousand. The Company's Management assessed the outcome of litigation and made provisions in the total amount of BAM 17.052 thousand. According to the Company's statements, the provision was made in accordance with the best estimate.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a basis for a separate opinion on these matters.

1. Key audit matter	Applied audit procedures
<p>Recognition of revenue from sales of electricity (see Note 5)</p> <p>Revenue from sales of electricity in the amount of BAM 981.880 thousand relate entirely to revenue from sales of electricity on the domestic and foreign markets. The Company recognizes revenue on a monthly basis after the delivery of electricity. The electricity price is defined by decisions and agreements.</p> <p>Revenue from sales of electricity were selected as a key audit matter since there is a significant risk of recognition of revenues from sales of electricity by the Company as well as a risk of reporting revenues in the period in which they arose.</p>	<p><i>Our procedures included the following:</i></p> <p>As part of the audit procedures, we tested internal controls established by Management.</p> <p>Based on samples, we tested the calculation of delivered electricity in accordance with the prices defined by decisions and agreements.</p> <p>Based on samples, we tested revenue recognition in the period in which they actually incurred.</p> <p>Based on conducted audit procedures, we did not identify significant findings with respect to the accuracy of recording revenues in accordance with agreements and decisions, as well as recording revenues in the period in which they actually incurred .</p>
<p><i>Risk of management override of controls</i></p> <p>In accordance with IAS and our audit methodology, management override of controls is considered to be a significant risk in any audit</p>	<p>We tested the adequacy of records in the general ledger by examining those involved in the financial reporting process about inappropriate and unusual activities, and tested the postings. We assessed</p>

<p>engagement. Management may directly or indirectly manipulate accounting records and prepare false financial statements by overriding controls that are otherwise effective.</p>	<p>whether there is evidence of management bias in significant accounting estimates and opinions relevant to the separate financial statements. Additionally, we assessed the general environment of the Company in terms of controls, and spoke with senior management.</p>
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Responsibilities of management of those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the IFRS and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

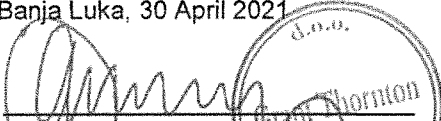
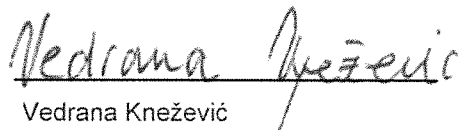
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore key audit matters. We are required to describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter that has not otherwise been publicly disclosed should not be communicated in our report in view of the significance of the adverse consequences that can reasonably be expected to arise as a result of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Vedrana Knežević.

Grant Thornton d.o.o. Banja Luka
Banja Luka, 30 April 2021


Aleksandar Džombić, PhD
Managing Partner – Director
Grant Thornton d.o.o. Banja Luka
Vedrana Knežević
Certified Auditor
Grant Thornton d.o.o. Banja Luka

Separate statement of comprehensive income for the period 01.01.2019 - 31.12.2019

Item	Note	2019 in BAM 000	2018 in BAM 000
Sales revenue	5	1.033.978	1.035.711
Other operating income	6	22.275	18.467
Total operating income		1.056.253	1.054.178
Raw materials costs and cost of goods sold	7	513.038	502.290
Employee costs	8	184.024	180.156
Own work capitalized		(2.990)	(2.878)
Depreciation and amortization	9	148.029	150.258
Other operating expenses	10	191.068	163.783
Total operating expenses		1.033.169	993.609
Operating result		23.084	60.569
Financial income		6.135	6.498
Financial expenses		(4.880)	(5.644)
Net financial result		24.339	61.423
Result before taxes		24.339	61.423
Income tax	11	4.215	9.040
Result for the year		20.124	52.383
Other comprehensive loss			
Actuarial losses		(2.109)	(3.190)
Total comprehensive profit for the year		18.015	49.193

Notes on the following pages form an integral part of these separate financial statements.

The separate financial statements have been approved and signed by the Company's Management on 25 February 2020.

Signed on behalf of the Company:


Authorized representative



Licensed person


CERTIFICIRANI RAČUNOVOĐA
Mensuda Vuk
Broj: CR-4676/5

Separate statement of financial position as at 31.12.2019

Item	Note	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Non-current assets			
Property, plant, equipment	12	2.334.261	2.356.958
Intangible assets	13	13.360	15.767
Advances	14	22.779	172
Investments in associates	15	1.950	1.950
Investments in subsidiaries	16	402.372	380.452
Given loans and deposits	17	35.934	48.347
Other long-term receivables		8.429	11.903
		2.819.085	2.815.549
Current assets			
Given loans and deposits	17	111.603	149.783
Trade receivables and other receivables	18	131.142	140.935
Receivables for overpaid income tax and other taxes		10.238	2.980
Advances	14	110.708	89.890
Inventories	19	82.074	63.054
Cash and cash equivalents	20	119.797	102.850
Prepaid expenses		9.454	6.990
		575.016	556.482
TOTAL ASSETS		3.394.101	3.372.031
Equity and reserves			
Equity	21		
Share capital		2.236.964	2.236.964
Legal reserves		41.783	41.783
Other reserves		508.664	508.664
Retained earnings		199.574	181.559
		2.986.985	2.968.970
Liabilities			
Long-term liabilities			
Loans and borrowings	22	115.376	115.678
Deferred income	23	77.981	81.833
Employee benefits	24	35.318	32.547
Provisions	25	17.245	17.159
Other long-term liabilities		-	53
		245.920	247.270
Current liabilities			
Loans and borrowings	22	10.808	13.628
Trade payables and other liabilities	26	75.366	73.145
Provisions	25	17.052	12.186
Deferred items	27	57.970	56.832
		161.196	155.791
TOTAL EQUITY AND LIABILITIES		3.394.101	3.372.031

Notes on the following pages form an integral part of these separate financial statements.

Separate statement of cash flows for the period 01.01.2019 - 31.12.2019

Item	2019 in BAM 000	2018 in BAM 000
Cash flows from operating activities		
Net profit for the year	20.124	52.383
Adjustments for:		
Depreciation and amortization	148.030	150.258
Interest income and other financial income	(6.136)	(6.498)
Interest expenses and other financial expenses	4.880	5.644
Income from write-off of liabilities	(7.123)	(3.947)
Net loss on disposal of fixed assets	3.998	2.232
Changes in provisions, net	4.952	(5.525)
Changes in employee benefits, net	2.771	4.393
Write-off of inventories	1.227	1.873
Net loss / (profit) from write-off of doubtful and bad receivables	39.251	6.026
	211.974	206.839
Changes in:		
- trade receivables	9.903	26.797
- inventories	(19.020)	(9.752)
- advances	(66.074)	16.915
- other receivables	(4.423)	(3.899)
- other long-term liabilities	5.999	7.686
- trade payables	5.316	(10.357)
- other liabilities	(2.260)	5.825
- deferred income	(3.852)	(6.349)
Net cash flows from operating activities	137.563	233.705
Investing activities		
Acquisition of property, plant and equipment	(139.716)	(67.300)
Acquisition of intangible assets	-	(1.366)
Increase in shares in subsidiaries	(21.920)	(13.559)
Increase in deposits and given loans	(103.123)	(80.397)
Repayment of deposits and given loans	146.703	52.807
Interest charged	6.136	6.498
Net cash flows from investing activities	(111.920)	(103.317)
Financing activities		
Repayment of received loans	(28.629)	(12.781)
Loan withdrawals	24.889	2.537
Interest paid	(4.880)	(5.644)
Dividends paid	(76)	(69.323)
Net cash flows from financing activities	(8.696)	(85.211)
Net increase/(decrease) of cash and cash equivalents	16.947	45.177
Cash and cash equivalents as at 1 January	102.850	57.673
Cash and cash equivalents as at 31 December	119.797	102.850

Notes on the following pages form an integral part of these separate financial statements.

Separate statement of changes in equity for the period 01.01.2019 - 31.12.2019

(in BAM 000)

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
Balance as at 01.01.2018	2.236.964	41.659	508.664	202.205	2.989.492
Profit for the year	-	-	-	52.383	52.383
Other comprehensive loss	-	-	-	(3.190)	(3.190)
Total comprehensive income	-	-	-	49.193	49.193
Transactions with owners recorded directly in equity Contributions and distribution to owners					
Transfers	-	124	-	(124)	-
Dividends	-	-	-	(69.715)	(69.715)
Balance as at 31.12.2018/ 01.01.2019	2.236.964	41.783	508.664	181.559	2.968.970
Profit for the year	-	-	-	20.124	20.124
Other comprehensive loss	-	-	-	(2.109)	(2.109)
Total comprehensive income	-	-	-	18.015	18.015
Transactions with owners recorded directly in equity Contributions and distribution to owners					
Transfers	-	-	-	-	-
Dividends	-	-	-	-	-
Balance as at 31.12.2019	2.236.964	41.783	508.664	199.574	2.986.985

Notes on the following pages form an integral part of these separate financial statements.

1. General information about the Company

„JP Elektroprivreda BiH d.d.“ - Sarajevo (hereinafter "the Company") is a public enterprise registered in accordance with the Law on Public Enterprises, and organized as a joint stock company in accordance with the provisions of the Law on Companies, in which 90,37% of the equity is owned by the Federation of Bosnia and Herzegovina, and 9,63% is owned by small shareholders.

The organizational units of the Company comprise the Directorate and 8 branches:

- Hidroelektrane na Neretvi, Jablanica
- Termoelektrana „Kakanj“, Kakanj
- Termoelektrana „Tuzla“, Tuzla
- „Elektrodistribucija“, Bihać
- „Elektrodistribucija“, Mostar
- „Elektrodistribucija“, Sarajevo
- „Elektrodistribucija“, Tuzla
- „Elektrodistribucija“, Zenica

As of 2009, „JP Elektroprivreda BiH d.d.“ - Sarajevo has the status of the parent company in the Consolidated Company „EPBiH“. By the decision published in the Official Gazette of the Federation of Bosnia and Herzegovina, No. 4 of 26 January 2009, the Federation of Bosnia and Herzegovina transferred its shares in coal mines in the Federation of Bosnia and Herzegovina to „JP Elektroprivreda BiH d.d.“ - Sarajevo, namely:

- Brown Coal Mine „Abid Lolić“ d.o.o. Travnik – Bila
- Brown Coal Mine „Breza“ d.o.o. Breza
- Brown Coal Mine „Đurđevik“ d.o.o. Đurđevik
- Coal Mine „Gračanica“ d.o.o. Gornji Vakuf – Uskoplje
- Brown Coal Mine „Kakanj“ d.o.o. Kakanj
- Coal Mines „Kreka“ d.o.o. Tuzla
- Brown Coal Mine „Zenica“ d.o.o. Zenica

The Company has majority stakes in the following legal entities:

- „Iskraemeco d.o.o.“ Sarajevo - company for the production and maintenance of measuring devices, 57,51% ownership;
- „Eldis Tehnika d.o.o.“ Sarajevo - company for the production of energy distribution equipment, trade of products and services, 100% ownership;
- „Hotel Makarska d.o.o.“ Makarska, Republic of Croatia – gastronomy and tourism company, 100% ownership;
- „TTU energetik d.o.o.“, company for the production of transport devices, 80% ownership.

The Company's main activities are generation of electricity, distribution of electricity, supply of electricity, trade, representation and mediation on the domestic electricity market.

The Company's shares are listed on the Sarajevo Stock Exchange.

The Company's bodies are: the Assembly, the Supervisory Board, the Management Board and the Audit Committee.

The Company's Assembly consists of shareholders. The total number of shareholders at the last reporting period date is 2.489 shareholders.

The Company's Supervisory Board:

- Žigić Izet, chairman
- Obad Milenko, member
- Dinarević Jakub, member
- Džafić Izudin, member

JP Elektroprivreda BiH d.d. Sarajevo
Notes to the separate financial statements as at 31 December 2019

- Rešidbegović Sead, member
- Kikanović Ramiz, member as of 27 February 2019
- Mašović Hasen.

The Company's Management Board:

- Jašarević Bajazit, Managing Director
- Ikanović Nevad, Executive Director for production until 12 September 2019
- Sarajlić Senad, acting Executive Director for production as of 13 September 2019
- Anđelija Admir, Executive Director for distribution
- Borovina Džemo, Executive Director for supply and trade,
- Ražanica Muhamed, Executive Director for economic affairs
- Zuka Mensura, Executive Director for legal and personnel affairs
- Salkić Senad, Executive Director for capital investments.

As at 31 December 2019, the Company had 4.450 employees (as at 31 December 2018: 4.441 employees).

The Company's headquarters is in Sarajevo, Vilsonovo šetalište street, no. 15.

The Company's ID number: 4200225150005.

The Company's VAT number: 200225150005.

2. Basis of preparation and presentation of financial statements

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group). In the consolidated financial statements, subsidiaries are fully consolidated. Subsidiaries are companies controlled by the Group. Control exists when the Group is exposed to or has a right to variable returns from its involvement with a subsidiary and has the ability to influence those returns through control over the subsidiary. Beneficiaries of these separate financial statements should read them together with the Group's consolidated financial statements as at 31 December 2019 and for the year then ended in order to obtain complete information about the Group's financial position, operating results and changes in the Group's financial position as a whole.

The separate financial statements have been approved by the Management Board on 25 February 2020.

Basis of measurement

The financial statements have been prepared under the historical cost convention or surrogate cost convention.

Functional and presentation currency

The financial statements are stated in Convertible marks (BAM), which is the functional currency. All financial information presented in convertible marks are rounded to the nearest thousand.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and disclosed amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and related assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the change in estimate occurs and in future periods to which it relates.

In particular, information about material estimates of uncertainty and critical judgments about the application of accounting policies that have a material effect on the amounts recognized in the financial statements are described in Note 32.

3. Significant accounting policies

The accounting policies below have been applied consistently and consistently in all periods presented in these separate financial statements.

Foreign currencies

Transactions in foreign currencies are denominated in the Company's functional currency using the exchange rates prevailing at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate prevailing at that date. Foreign exchange gains and losses from the settlement of such transactions, and gains or losses from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets and items measured at historical cost in a foreign currency are not translated at the new exchange rate.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the exchange rate prevailing at the date when the amounts were determined.

Financial instruments

Non-derivate financial instruments

Non-derivative financial instruments comprise borrowings, trade receivables and other receivables, cash and cash equivalents, leases and loans as well as trade payables and other liabilities.

Non-derivative financial instruments are initially measured at fair value plus transaction costs, except in the case of financial instruments that are not measured at fair value through profit or loss. Non-derivative financial instruments are subsequently measured as described below.

For short-term trade receivables, without a significant financing component, the Company applies the simplified approach required by IFRS 9 and measures expected impairment losses during the term of the contract, and from the initial recognition of receivables. The Company uses a provision matrix according to which impairment losses are calculated for trade receivables in accordance with historical data and the geographical region. In order to measure expected credit losses, trade receivables are grouped according to common credit risk characteristics and by the geographical region (branches). The analysis is performed for the previous three years by relating the provision of a certain group of receivables and the invoiced amount of receivables. The three-year average of the corrective rate thus obtained is applied to the balance of the receivables group for which it was obtained at the reporting date.

The amount of expected credit losses for the categories of borrowings, housing loans and rescheduling was determined as the difference between the carrying amount at the reporting date and the present value

of future cash flows. For other receivables with no adjustments through provision in the analyzed period, the Company applies a corrective rate of 1% at the reporting date.

Classification:

DESCRIPTION	Business model
Long-term assets	
Long-term given loans	Held for collection
Short-term assets	
Trade receivables	Held for collection
Other short-term receivables	Held for collection
Rescheduled receivables	Held for collection
Cash and cash equivalents	Held for collection

The Company's business model shows the way how it manages its financial assets with the aim of generating cash flows, that is, the business model shows whether the Company will generate cash flows by collecting contracted cash flows or selling financial assets.

- Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company's contractual rights to the cash flows from the financial assets have expired and the Company has transferred the financial assets without retention of control or has transferred all the risks and rewards related to those assets. Regular acquisition and sale of financial assets is recognized on the trade date or on the date that the Company commits to purchase or sell the asset. Financial liabilities are derecognized if the contractual obligation has been settled, adjusted or expired.

Issued capital

Purchase of issued capital

When issued capital is purchased, the compensation amount together with the direct costs attributed to it are recognized as a deduction of capital. Purchased shares are presented as own shares and are presented as a deduction from the total amount of share capital.

Investments in subsidiaries

Subsidiaries are Companies controlled by the Group. Control exists if the Group is exposed to or has a right to variable returns from its involvement with a subsidiary and has the ability to influence those returns through control of the subsidiary. Investments in subsidiaries are recorded at cost, less impairment losses.

Investments in associates

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Investments in subsidiaries are recorded at cost, less impairment losses.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost, that is surrogate cost, less accumulated depreciation and impairment of assets.

If significant parts of items of property, plant and equipment have different useful lives, they are recognized as separate items (significant components) of property, plant and equipment.

Cost includes expenses that can be directly attributed to the acquisition of the asset. In addition, cost includes a cost estimate for dismantling and removing items and rebuilding the site when the Company has an obligation to dismantle an asset or rebuild a site.

Gains and losses from an individual item of property, plant and equipment (determined as the difference between the net proceed of disposal and the carrying amount of the asset) are recognized in profit or loss.

Assets under construction, which are built for the purpose of providing services or administrative purposes, are stated at cost less any impairment losses. Procurement cost also includes professional fees. Such assets are reclassified to the appropriate categories of property, plant and equipment after completion and readiness for their intended use.

Subsequent expenditures

The replacement cost of a part of property, plant and equipment is recognized as an asset if it is certain that the Company will have future economic benefits from that asset and that the cost of the asset can be measured reliably. Costs for day-to-day maintenance of property, plant and equipment are recognized in profit or loss as they incur.

Depreciation

Depreciation is recognized in profit or loss using the straight-line method. Land and assets under construction are not depreciated.

The estimated useful lives of assets are as follows:

Buildings	10 to 80 years
Plant and equipment	5 to 40 years
Other	3 to 5 years

At the reporting date, the validity of the depreciation method, useful life and residual value of the asset are reassessed.

Intangible assets

Development

An intangible asset arising from development (or in the development phase of an internal project) is recognized as an asset if, and only if, the entity can prove all of the following:

- the technical feasibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the possibility of using or selling the intangible asset;
- the manner in which the intangible asset will bring probable future economic benefits;
- the availability of appropriate technical, financial and other resources in order to complete the development and use or sale of the intangible asset;
- the ability to reliably measure expenses that can be attributed to the intangible asset during its development.

Software

Software is initially valued at cost. After initial recognition, software is measured at cost less accumulated

Subsequent expenditures

Subsequent expenditures related to intangible assets are capitalized only when they increase the future economic benefits of the associated asset. All other expenditures, including expenditures for internally developed goodwill and brand, are presented in profit or loss as an expense in the period in which they incurred.

Amortization

Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative period are as follows:

Software and development costs	2 - 10 years
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At the reporting date, the validity of the amortization method and useful life are reassessed.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories are valued at cost, including all costs necessary to bring inventories in a ready-to-use condition, using the weighted average cost method.

Any write-down is recognized for inventories that have been held in stock for a longer time, damaged, completely or partially obsolete, unusable (inventories of poor quality and technologically obsolete inventories).

Impairment of assets

The carrying amount of the Company's assets, except for inventories and deferred tax assets, is reviewed at each reporting date in order to determine whether there is any indication of impairment. If any indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of intangible assets with an indefinite useful life and intangible assets not yet available for use is estimated at each reporting date.

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of cash inflows from other assets or groups of assets. An impairment loss is recognized in profit or loss.

An impairment loss of a financial asset carried at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows of the asset by using its original effective interest rate. Losses are recognized in the statement of financial position, in the allowance account for borrowings and receivables or held-to-maturity investment securities. Interest on impaired assets continue to be recognized. When events occur that, after an impairment is recognized, cause a decrease of the impairment loss, the decrease of the impairment loss is reversed through profit or loss.

In assessing collective impairment, the Company uses historical trends for the probability of default, return time and amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than historical trends.

Calculation of recoverable amount

The recoverable amount of a financial asset carried at amortized cost is determined as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate calculated on the initial measurement of the financial asset). Current receivables are not discounted.

The recoverable amount of other assets is the net realizable value or value in use, whichever is greater. In assessing value in use, the present value of estimated future cash flows is calculated using a pre-tax discount rate that reflects the estimate of the time value of money on the market and the risks specific to this asset. For assets that do not generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of an impairment loss

An impairment loss relating to receivables carried at amortized cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

If the amount of the impairment loss for receivables decreases in the next period due to an event occurring after the write-off, then the previously recognized impairment loss is reversed through profit or loss with a corresponding increase in the carrying amount and assets. The reversal is limited to the amount that would not have been greater than the amortized cost had there been no impairment.

An impairment loss with respect of other assets, non-financial assets is reversed if there is any indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Provisions

Provisions are recognized if the Company currently has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provision amounts are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects the current estimate of the time value of money on the market and, where applicable, liability-specific risks.

Provisions are reversed only for those costs for which the provision was originally recognized. If the outflow of economic benefits to settle the obligation is no longer probable, the provision is reversed.

Employee benefits

Mandatory contributions to the pension fund

Liabilities for contributions to the mandatory pension fund are included in profit or loss in the period in which they incurred, that is, in the period in which the services are provided by employees. Compensations for meal allowances, transport to/from work and holiday recourse are paid in accordance with domestic legal regulations.

Severance pay upon retirement

The Company pays severance pay upon retirement in the amount of five average net salaries of the employee paid in the previous three months before retirement or six average net salaries earned in the Federation of BiH, if it is more favorable for the employee. The Company has no other payment plans for its employees or the Management Board after the retirement date in Bosnia and Herzegovina.

Costs for severance pay upon retirement is determined using the projected unit credit method, with actuarial estimates being made at each reporting date. Gains and losses from the actuarial valuation are fully recognized in other comprehensive income in the period in which they arise. Retirement benefit obligations recognized in the statement of financial position represent the present value of the defined benefit obligation, adjusted for the unrecognized past service cost.

Jubilee benefits

The Company pays jubilee awards to its employees. The liability and cost of these benefits are estimated using the projected unit credit method. The projected monetary method takes into account each employment year of the employee with the Company, which, in the sum of all individual units, comprise the final liability, which is measured individually for each unit. The liability is measured at the present value of estimated future cash flows discounted at an effective interest rate that approximates the rate on government debt securities where the currency and terms of government debt securities approximate the currency and estimated terms of the employee benefit obligation. Jubilee awards range from one to two average net salaries paid in the Federation of Bosnia and Herzegovina, depending on the period of employment from 10 to 30 years.

Revenue

Products and services sold

Revenue from sales of products is measured at fair value of the consideration received or receivable. Revenue from sales of products is recognized when significant risks and rewards related to the ownership have been transferred to the customer, when the transaction is likely to be accompanied by an inflow of economic benefits, when costs and possible returns can be measured reliably and when the Company does not retain the right to manage and control the goods sold.

Revenue from services is recognized in the period in which the services are provided in accordance with the stage of completion at the reporting date.

Revenue from connections is recognized in the period when the customer pays the connection fee, and the installation is provided.

Revenues, expenses and assets are recognized net of value added tax (VAT), unless the VAT amount cannot be refunded by the State. In these circumstances, VAT is recognized as part of the cost of the asset acquired or as part of the expense incurred.

Receivables and liabilities are carried at the amount that includes VAT. The amount of pre-tax, that is VAT receivables, is included in current receivables. The VAT amount to be paid is included in current liabilities. Revenue from sales of goods and services is recognized at the date the goods and services are delivered and represents the net invoiced value excluding value added tax.

Uninvoiced electricity income

Electricity supply is maintained on a monthly basis. At the end of the year, electricity delivered to customers, which has not yet been invoiced, is recognized within revenue at an estimated amount from the date of the last reading until the end of the year. The estimate of the monthly change in uninvoiced electricity comes from the measured supply of electricity after the reduction of invoiced consumption and estimated transmission losses.

Donations

Donations in cash and equipment used for current investments, for the reconstruction of assets and for other activities are presented in a separate statement of financial position as deferred income that is carried in profit or loss using the linear method in future periods, so that these donations could be used in investments or in day-to-day operations during the estimated economic life of the donated asset.

Financial income and expenses

Financial income and expenses include interest on loans that are calculated using the effective interest rate method, default interest, interest receivable on invested funds, dividend income, foreign exchange gains and losses.

Interest income is recognized when it is calculated taking into account the effective return on assets. Dividend income is recognized in profit or loss on the date when the Company's right to receive dividends arose.

Borrowing costs, which are directly attributable to the acquisition, construction or production of qualifying assets, assets that take a significant period of time to be brought to a condition suitable for their intended use or sale, are included in the cost of those assets until the assets are substantial ready for their intended use or sale. Investment income earned on temporary investments of specific borrowings whose cost is transferred to a qualifying asset is deducted from the cost of the loan recognized as capitalization. All other borrowing costs are recognized in net profit or loss in the period in which they incurred.

Income tax

Income tax is calculated based on reported revenues according to the laws and regulations of the Federation of Bosnia and Herzegovina for the parent Company.

Income tax includes current tax and deferred tax. Income tax is recognized in profit or loss except for taxes relating to items within equity, when the cost of income tax is recognized within equity. Current tax is the expected tax payable calculated on the taxable income for the year, using the tax rate effective at the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of deferred tax is based on the expected realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Segment reporting

A segment is a component of the Company that can be separated either as a part engaged in the production of products or provision of services (business segment) or as a part engaged in the production of products or provision of services within a certain economic environment (geographical segment), subject to different risks and benefits from that other segment. The Company's current

business comprise production and distribution of electricity (business segment), and the business, total assets and most of the clients are located in Bosnia and Herzegovina.

Revised IAS/IFRS effective in the current period

IFRS 9 - Financial Instruments

The standard is applicable for periods after 1 January 2018. The requirements of the new IFRS 9 with respect of impairment of financial assets are based on the expected credit loss model, which replaces the current model of incurred losses under IAS 39, which will result in impairment (credit loss) recognized before impairment indicators occur. Entities are required to recognize expected credit losses for 12 months or expected credit losses over the useful life of the asset, depending on whether there has been a significant increase in credit risk after initial recognition.

The Instruction on determining, monitoring and managing receivables based on delivered electricity, unauthorized and unregistered consumption of electricity, other goods and services and default interest in „JP Elektroprivreda BiH d.d.“ - Sarajevo number: U-01-2210/18-145/8 dated 30 January 2018, defines that receivables older than 365 days from the due date, and which are as a rule in the records of sued receivables, are transferred to expenses (see Note 18).

The amount of the allowance for receivables recorded under the expected credit loss model is not a tax deductible expense.

IFRS 15 - Revenue from Contracts with Customers

The standard is effective for annual reporting periods beginning on or after 1 January 2018.

Given that IFRS 15 has the greatest impact on entities in the sectors of telecommunications, construction, property and the like, and given the specific activity, the Company's Management Board concluded the following at its 297th session on 24 February 2020:

The collection of connection fees should continue to be shown as an obligation at the payment time, until the completion of the connection, that is until the customer is allowed access to the network, for which the specified connection fee is paid, and thus revenue should be recognized in the period of completion of all activities related to the construction of the connection.

IFRS 16 - Leases

The standard is applicable for periods beginning on or after 1 January 2019. After analyzing existing lease agreements, the Company's Management Board concluded the following at its 297th session on 24 February 2020:

Given the value of assets and liabilities stated in the Company's financial statements, and taking into account the Company's core activities, liabilities under existing leases are recorded in the Company's books as well as before International Financial Reporting Standard 16 – Leases became effective.

IAS 36 - Impairment of assets

This standard requires impairment testing of property, plant and equipment at the date of financial reporting, so that their value is realistically presented in the financial statements. After the analysis, the Company's Management Board concluded the following at its 297th session on 24 February 2020:

For financial statements as at 31 December 2019, there are no impairment indicators of assets in terms of applying IAS 36. In accordance with the provisions of IAS 36, the Company's Management Board considers all production subsidiaries as a single unit that generates cash flow, since thermal

power plants comprise the base (and majority) production, while hydropower plants cover a variable part of the electricity demand diagram. Also, the Company's Management Board does not consider distribution as a separate unit, since the Company's activity is regulated by legislation at the level of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina.

New standards and amendments to existing standards issued, but not yet adopted

IFRS 3 - Business Combinations, effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and on acquisitions of assets that occur on or after the beginning of that period.

IFRS 7 - Financial Instruments: Disclosure – Interest Rate Benchmark Reform, effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, sale or contribution of assets between an investor and its associate or joint venture and further amendments, effective date deferred indefinitely until a research project on the equity method is concluded.

Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material, effective for annual periods beginning on or after 1 January 2020.

Amendments to References to the Conceptual Framework in IFRS Standards, effective for annual periods beginning on or after 1 January 2019.

Determining fair value

The Company has included additional disclosures with regards to fair value measurements as explained below.

The Company has established a control system within fair value measurement, which includes the overall responsibility of the Management Board and financial functions related to monitoring all significant fair value measurements, consulting with external experts and, in this context, reporting on the same corporate governance bodies.

Fair values are measured in relation to information collected from third parties, with the Management Board and the finance function taking into account that evidence collected from third parties ensures that those fair value estimates meet the requirements of IFRS, including the level in the fair value hierarchy in which estimates should be classified.

Fair value are categorized into different levels of the fair value hierarchy based on inputs which are used in estimation techniques as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices)
- Level 3 inputs - inputs for assets or liabilities which are not based on observable market data (inputs are unobservable).

The fair value of financial instruments traded in active markets is based on quoted market prices at the

reporting date. A market is considered active if the quoted prices are known based on the stock exchange, the activities of brokers, the industry group or the regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques require the maximum use of visible market data where possible, and rely as little as possible on entity-specific estimates. If all significant inputs required for fair valuation are visible, the fair value estimate is categorized as level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is categorized as level 3.

The Company has made the following significant estimates of fair value in preparing the financial statements:

- Demand deposits

The carrying amount of demand deposits approximates their fair value primarily because these deposits are most similar to cash and are due within one year.

- Trade receivables and other receivables and trade payables

The current value of trade and other receivables is estimated in accordance with IFRS 9, and the current value of trade payables approximates their fair value due to the short-term nature of these instruments.

- Short-term given loans

The carrying amount of short-term given loans approximates their fair value because they are due within one year. In the financial statements as at 31 December 2019 and in accordance with IFRS 9 - Financial Instruments, the Company has impaired receivables based on electricity and other goods and services, loans to employees, rescheduling and the like in the amount of BAM 1.105 thousand.

- Long-term loan liabilities

The fair value of long-term loan liabilities is based on the market price for the same or similar loans or on the current interest rates of loans with the same maturity. The carrying amount of long-term liabilities per loans with variable interest rates approximates their fair value.

4. Key accounting estimates and assumptions

In applying the accounting policies described in Note 3, the Company's Management Board makes decisions and makes estimates as well as assumptions that affect the amounts of assets and liabilities that may be derived from other sources.

Estimates and assumptions are based on previous and other relevant factors.

Estimates and assumptions are constantly reviewed. Changes in accounting estimates are recognized in the period of the change if they relate only to that period, or in the period of the change and future periods if the change affects both the current and future periods.

Key sources of estimation uncertainty

Key future-related assumptions and the key sources of estimation uncertainty at the balance sheet date have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimates are used, although not limited, to the following purposes: depreciation and amortization periods and present value of assets, plant and equipment and intangible assets, provisions for

impairment of inventories and bad receivables, accrued interconnection income and expenses, and for estimates of provisions for long-term and short-term employee benefits. Future events and their effects cannot be estimated with certainty.

Therefore, accounting estimates require a professional opinion that is included in the preparation of financial statements and will be changed when new events occur, when new experience is gained, when new information is obtained and when the Company's business environment changes. Actual results may differ from those estimated.

Useful life of property, plant and equipment

As described in Note 3, the Company reviews the estimated useful life of property, plant and equipment at the end of each annual reporting period.

Fair value of financial instruments

The Company's management uses judgment in selecting appropriate valuation techniques for financial instruments that are not quoted in an active market. Valuation techniques commonly used in the market are applied. Financial instruments are measured by analyzing discounted cash flows based on assumptions supported by market prices or rates, if possible.

5. Sales revenue

Sales revenue	2019 in BAM 000	2018 in BAM 000
Sales of electricity on the domestic market	960.729	932.560
Sales of electricity on the international market	21.151	27.431
Connection fees	17.860	17.033
Technological steam and thermal energy	12.763	13.085
Services and other revenue	21.475	45.602
Total sales revenue:	1.033.978	1.035.711

6. Other operating income

Other operating income	2019 in BAM 000	2018 in BAM 000
Rental income	2.233	3.228
Donations	6.845	7.108
Gains from sales of tangible assets	24	24
Sales of material	739	643
Surplus	1.546	652
Collected written-off receivables	1.543	1.716
Insurance charges	605	140
Penalty proceeds	329	129
Actuarial gains	-	1.162
Reversal of long-term provisions	4.708	1.664
Other operating income	3.703	2.001
Total other operating income:	22.275	18.467

7. Raw materials costs and cost of goods sold

Raw materials costs and cost of goods sold	2019 in BAM 000	2018 in BAM 000
Cost of goods sold	159.840	96.862
Utilized coal	281.351	336.984
Coal delivery and analysis costs	24.034	28.717
Utilized maintenance material	7.188	7.541
Utilized fuel	7.799	6.408
Other raw materials and material	32.826	25.778
Raw materials costs and cost of goods sold:	513.038	502.290

8. Employee costs

Employee costs	2019 in BAM 000	2018 in BAM 000
Net salaries and other employee expenses	124.291	119.455
Mandatory social benefits and contributions	58.016	56.937
Ongoing labor costs	1.717	3.764
Total employee costs	184.024	180.156
Own work capitalized	(2.990)	(2.878)
Employee costs recognized in the statement of comprehensive income	181.034	177.278
Total employee costs:	181.034	177.278

9. Depreciation and amortization

Depreciation and amortization	2019 in BAM 000	2018 in BAM 000
Depreciation of property, plant and equipment	145.838	147.195
Amortization of intangible assets	2.191	3.063
Total depreciation and amortization:	148.029	150.258

As of 1 January 2019, in the Company's branch office „TE Tuzla“ adjusted useful lives of assets that directly participate in the production process have been applied. The assessment subject of the remaining service life were assets used for the production of electricity, heat energy and technological steam. The result of the change is that the useful life of a certain number of assets has been extended (decrease in depreciation by BAM 4.072 thousand), while the useful life of a certain number of assets has been shortened (increase in depreciation by BAM 4.685 thousand). The net result was an increase in depreciation by BAM 613 thousand.

Also, according to the estimated useful lives, the costs of dismantling units 5 and 6 and joint facilities were adjusted and estimated (discounted).

Since 2017, the Company has been applying the functional method of depreciation calculation in the branch office „HE na Neretvi“ (for equipment that directly participates in the production of electricity). For the period 1 January – 31 December 2019, the realized production in „HE na Neretvi“ is at the level of planned production, and a linear depreciation calculation was applied. For the adjustment of depreciation costs, costs in the total amount of BAM 93 thousand were calculated.

10. Other operating expenses

Other operating expenses	2019 in BAM 000	2018 in BAM 000
Services for production and processing of own goods and services	2.061	1.820
Transportation services	43.334	42.648
Payment transactions	377	203
Maintenance	19.433	18.403
Rent	329	326
Non-production services	2.905	2.500
Representation	168	182
Expenses/gains from impairment of assets	5.225	4.106
Membership contributions	5.403	4.819
Taxes, fees and charges	42.046	48.238
Postal and telecommunications services	6.637	6.410
Expenses and losses on inventories of materials and goods and other expenses	3.864	2.059
Expenses based on allowance and write-off of receivables	2.210	1.070
Value adjustment of given advances	38.584	6.672
Insurance premiums	2.120	2.171
Trade fairs, advertising, sponsorships and research	373	393
Other production service costs	576	431
Provisions	12.836	15.386
Actuarial losses	257	-
Other expenses and losses	215	114
Other intangible costs	349	308
Expenses based on corrections of errors from previous years	1.766	5.524
Total other operating expenses:	191.068	163.783

11. Income tax

Income tax	2019 in BAM 000	2018 in BAM 000
Accounting profit before tax	24.339	61.423
Income tax at the rate of 10%	2.434	6.142
Non-tax deductible expenses	2.574	2.649
Non-taxable income	(1.025)	(177)
Reconciliation of taxable income	232	426
Income tax	4.215	9.040
Effective income tax rate	17,32%	14,72%

In the tax balance sheet, the Company stated the calculated income tax in the amount of BAM 4.215 thousand. During 2019, the Company paid advance payments based on income tax in the total amount of BAM 8.287 thousand. Offsetting of advance payments and calculated income tax was performed in February 2020.

12. Property, plant, equipment

in BAM 000	Land	Buildings	Plant and equipment	Assets in preparation	Total
C O S T					
Balance as at 01.01.2018	87.580	4.216.703	3.358.219	95.191	7.757.693
Acquisitions (additions)	-	-	-	61.308	61.308
Disposals and write-offs	(19)	(51.625)	(12.341)	-	(63.985)
Transfers (activation in use)	190	29.277	20.718	(50.144)	41
Other	619	199	(119)	(650)	49
Balance as at 31.12.2018	88.370	4.194.554	3.366.477	105.705	7.755.106
Transfer to other parts	-	(5)	(33)	-	(38)
Transfer from other parts	-	5	33	-	38
Balance as at 31.12.2018/01.01.2019	88.370	4.194.554	3.366.477	105.705	7.755.106
Acquisitions (additions)	-	-	-	125.428	125.428
Disposals and write-offs	(2.170)	(9.584)	(20.423)	-	(32.177)
Transfers (activation in use)	1.111	30.098	20.322	(54.726)	(3.195)
Other	-	(15.374)	19.974	125	4.725
Balance as at 31.12.2019	87.311	4.199.694	3.386.350	176.532	7.849.887
Transfer to other parts	(15)	-	(38)	-	(53)
Transfer from other parts	15	-	38	-	53
Balance as at 31.12.2019	87.311	4.199.694	3.386.350	176.532	7.849.887
D E P R E C I A T I O N					
Balance as at 01.01.2018	-	2.730.003	2.583.288	-	5.313.291
Depreciation	-	72.984	74.211	-	147.195
Disposals, write-offs and other	-	(50.980)	(11.358)	-	(62.338)
Balance as at 31.12.2018	-	2.752.007	2.646.141	-	5.398.148
Transfer to other parts	-	(1)	(13)	-	(14)
Transfer from other parts	-	1	13	-	14
Balance as at 31.12.2018/01.01.2019	-	2.752.007	2.646.141	-	5.398.148
Depreciation	-	73.813	71.947	-	145.760
Disposals, write-offs and other	-	(27.943)	(339)	-	(28.282)
Balance as at 31.12.2019	-	2.797.877	2.717.749	-	5.515.626
Transfer to other parts	-	-	(28)	-	(28)
Transfer from other parts	-	-	28	-	28
Balance as at 31.12.2019	-	2.797.877	2.717.749	-	5.515.626
Present value as at 31.12.2018	88.370	1.442.547	720.336	105.705	2.356.958
Present value as at 31.12.2019	87.311	1.401.817	668.601	176.532	2.334.261

The Company pledged property with an estimated market value of BAM 214.689 thousand as collateral for loan repayment.

13. Intangible assets

in BAM 000	Patents, licenses and concessions	Current investments	Software and other intangible assets	Total
C O S T				
Balance as at 01.01.2018	26.878	2.250	11.963	41.091
Transfers	-	56	189	245
Balance as at 31.12.2018	26.878	2.306	12.152	41.336
Transfers	1.953	(2.228)	(41)	(316)
Balance as at 31.12.2019	28.831	78	12.111	41.020
A M O R T I Z A T I O N				
Balance as at 01.01.2018	17.821	-	4.686	22.507
Amortization	1.821	-	1.241	3.062
Disposal	-	-	-	-
Balance as at 31.12.2018	19.642	-	5.927	25.569
Amortization	1.186	-	1.005	2.191
Disposal	(3)	-	(97)	(100)
Balance as at 31.12.2019	20.825	-	6.835	27.660
Present value as at 31.12.2018	7.236	2.306	6.225	15.767
Present value as at 31.12.2019	8.006	78	5.276	13.360

14. Advances

Advances	2019 in BAM 000	2018 in BAM 000
Advances given to subsidiaries	170.437	102.799
Advances given to third parties	33.978	2.105
VAT included in the amount of given advances	(25.672)	(14.842)
<i>Value adjustment of given advances (see Note 10)</i>	<i>(45.256)</i>	-
Total advances:	133.487	90.062

In accordance with the signed annual contracts for the supply of coal from mines, the advances given to subsidiaries should be justified by invoices for the delivered coal during the year for which the procurement contract was signed. In the financial statements for 2019, the Company partially adjusted the value of advances given to subsidiaries (receivables older than one year) in the amount of BAM 45.256 thousand, out of which at the expense of results of the current period in the amount of BAM 38.584 thousand. During 2018, the value of advances at the expense of the current period was reduced in the amount of BAM 6.672 thousand, which was initially recorded on accruals, and during 2019 it was transferred to value adjustment.

15. Investments in associates

The Company's share in associates is as follows:

Associate	Reporting date	Business activity	Ownership	31.12.2019 in BAM 000	31.12.2018 in BAM 000
ETI d.o.o. Sarajevo	31 December 2019	Fuse production	49%	1.950	1.950

16. Investments in subsidiaries

Subsidiary	Business activity	Ownership	31.12.2019 in BAM 000	31.12.2018 in BAM 000
RMU Breza d.o.o.	Coal exploitation	100%	48.950	48.209
RMU Kakanj d.o.o.	Coal exploitation	100%	104.799	104.799
RMU Zenica d.o.o.	Coal exploitation	100%	68.154	68.060
RMU Đurđevik d.o.o.	Coal exploitation	100%	38.995	24.993
RMU Kreka d.o.o.	Coal exploitation	100%	105.286	98.415
RMU Abid Lolić d.o.o.	Coal exploitation	100%	11.674	11.462
RMU Gračanica d.o.o.	Coal exploitation	100%	11.301	11.301
Total investments in mines:			389.159	367.239

During 2019, the Company realized a recapitalization of mines in the amount of BAM 21.920 thousand. The following is an overview of recapitalizations:

Subsidiary	Business activity	Recapitalization 2019 in BAM 000
RMU Breza d.o.o.	Coal exploitation	741
RMU Zenica d.o.o.	Coal exploitation	94
RMU Đurđevik d.o.o.	Coal exploitation	14.002
RMU Kreka d.o.o.	Coal exploitation	6.871
RMU Abid Lolić d.o.o.	Coal exploitation	212
Total recapitalization:		21.920

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Other subsidiaries:

Subsidiary	Business activity	Ownership	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Iskraemeco d.o.o.	Energy management and services	58%	3.193	3.193
Hotel ELBiH Makarska d.d.	Hotel business	100%	2.048	2.048
Eldis Tehnika d.o.o.	Manufacture of electrical equipment and communications	100%	1.324	1.324
TTU Energetik d.o.o.	Manufacture of transport equipment	80%	6.648	6.648
Total investments in other subsidiaries:			13.213	13.213

As at 31 December 2019, total investments in subsidiaries amount to BAM 402.372 thousand.

17. Given loans and deposits

Given loans and deposits	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Long-term portion		
Long-term time deposits	34.228	43.029
Loans to subsidiaries	1.276	4.727
Long-term loans to employees	419	578
Other receivables	11	13
Total long-term portion	35.934	48.347
Short-term portion		
Short-term investments	1.332	1.332
Short-term time deposits	107.034	141.814
Short-term portion of long-term loans to subsidiaries	3.451	6.017
Short-term portion of long-term loans to employees	302	561
Other receivables	1.335	1.391
<i>Allowance for other receivables</i>	<i>(1.851)</i>	<i>(1.332)</i>
Total short-term portion	111.603	149.783
Total given loans and deposits:	147.537	198.130

As at 31 December 2019, time deposits in the amount of BAM 141.261 thousand (na dan 31 December 2018 in the amount of BAM 184.843) refer to cash deposits with 8 banks in the country.

Loans to related legal entities refer to loans to mines. For each given loan, the Company has concluded a loan agreement, of which the repayment plan is an integral part. Loan agreements stipulate an interest

rate of 1,5% per annum. Also, the method of repayment is defined (together with the related interest), and that is through consideration for delivered coal, based on the established repayment plan.

The total amount of given loans (funds paid by the Government to subsidiaries) until 31 December 2019 amounts to BAM 39.513 thousand (in the period from 1 January 2017 to 31 December 2019, there were no payments related to new given loans).

18. Trade receivables and other receivables

Trade receivables and other receivables	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Customers – related legal entities	4.063	2.927
Domestic customers	151.413	164.046
International customers	1.394	1.612
<i>Allowance for trade receivables</i>	<i>(40.339)</i>	<i>(42.150)</i>
Interest receivables from other entities	-	3.287
Receivables from employees	102	91
Receivables from state bodies and institutions	480	435
Other short-term receivables	5.980	4.907
<i>Allowance for other short-term receivables</i>	<i>(558)</i>	<i>(3.192)</i>
VAT receivables	8.607	8.972
Total trade receivables and other receivables:	131.142	140.935

In accordance with International Financial Reporting Standard 9 "Financial Instruments", the Company recognized expected credit losses for the year ended 31 December 2019, that is reduced the value of receivables for delivered electricity and other services, loans to associated companies, loans given to employees, rescheduling, in the total amount of BAM 1.105 thousand.

19. Inventories

Inventories	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Raw materials and material	86.619	68.626
Spare parts	18.333	17.474
Car tires and packaging	598	584
Tools and small supplies	9.751	9.416
<i>Write downs of raw materials, material, spare parts and supplies</i>	<i>(33.231)</i>	<i>(33.052)</i>
Goods in social standard	4	6
Total inventories:	82.074	63.054

20. Cash and cash equivalents

Cash and cash equivalents	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Transaction account – domestic currency	71.699	53.593
Transaction account – foreign currency	47.685	48.882
Cash on hand	413	375
Total cash and cash equivalents:	119.797	102.850

21. Equity

Equity	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Share capital	2.236.964	2.236.964
Statutory and other reserves	550.447	550.447
Accumulated (retained) earnings	179.450	129.176
Profit for the reporting year	20.124	52.383
Total equity:	2.986.985	2.968.970

The authorized and issued share capital consists of 31.506.541 ordinary shares (as at 31 December 2018: the same amount of ordinary shares). The nominal value is BAM 71 per share (as at 31 December 2018: the same value per share). During 2019, dividends were paid in the amount of BAM 76 thousand (during 2018: in the amount of BAM 69.323 thousand).

On 28 May 2020, the Company's Assembly passed a Decision on the distribution of profit realized in 2018 in the amount of BAM 52.383 thousand as follows: reserve fund in the amount of BAM 26.191 thousand, dividend in the amount of BAM 2.490 thousand and retained earnings in the amount of BAM 23.702 thousand.

The Company recorded actuarial losses in the amount of BAM 2.109 thousand at the expense of the accumulated profit from the effects of the assessment in 2019.

22. Loans and borrowings

Loans and borrowings	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Non-current loans and borrowings		
Long-term international loans	115.078	115.259
Other long-term liabilities	298	419
Total non-current loans and borrowings	115.376	115.678
Current loans and borrowings		
Short-term portion of long-term international loans	10.675	13.360
Short-term portion of other long-term liabilities	133	268
Total current loans and borrowings	10.808	13.628
Total loans and borrowings:	126.184	129.306

Loans and borrowings	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Loans in XDR	2.859	22.586
Loans in EUR	7.237	82.001
Loans in YEN	578	10.487
Other loans	133	302
Total loans and borrowings:	10.808	115.376

23. Deferred income

Deferred income	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Deferred income for donated funds	77.563	81.419
Deferred income for donated inventories	109	130
Deferred income for donated cash	310	284
Total deferred income	77.981	81.833

24. Employee benefits

	Severance pay and jubilee awards in BAM 000
Balance as at 1 January 2019	32.547
Provisions during the year	1.717
Changes in provisions during the year	3.462
Provisions used during the year	(2.408)
Balance as at 31 December 2019	35.318

Liabilities for employee benefits are calculated as follows:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Opening balance for liabilities	32.547	28.154
Interest expense	1.097	944
Current labor costs	1.717	1.598
Past labor costs	-	2.167
Premium paid	(2.408)	(2.344)
Actuarial losses/(gains) recognized in profit or loss	257	(1.162)
Actuarial losses recognized in other comprehensive income	2.108	3.190
Total:	35.318	32.547

25. Provisions

	Litigation in BAM 000	Provisions for dismantling costs in BAM 000	Total in BAM 000
Balance as at 1 January 2019	12.186	17.159	29.345
Provisions during the year	11.519	1.074	12.593
Released provisions during the year	(4.708)	(988)	(5.696)
Provisions used during the year	(1.945)	-	(1.945)
Balance as at 31 December 2019	17.052	17.245	34.297

The increase in provisions mostly refers to the amount of BAM 8.019 thousand related to the lawsuit of the City of Mostar based on the compensation amount in accordance with the Law on earmarking and allocation of a part of the company's income generated by using hydro-accumulation facilities with interest.

The release of provisions mostly refers to the amount of BAM 3.176 thousand related to the judgment in the dispute with the Zenica-Doboj Canton in favor of the Company.

Provisions	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Current provisions	17.052	12.186
Non-current provisions	17.245	17.159
Total provisions:	34.297	29.345

26. Trade payables and other liabilities

Trade payables and other liabilities	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Advances, deposits and security received	20.285	18.191
Suppliers – related legal entity	8.995	7.288
Domestic suppliers	28.433	26.670
International suppliers	3.253	1.407
Other operating liabilities	148	72
Liabilities based on salaries, compensations and other employee benefits	47	-
Liabilities based on interest and financing costs	2.267	2.369
Dividend liabilities	771	847
Liabilities for compensation members of boards, commissions and liabilities for compensation taxes and contributions	23	16
Liabilities to individuals for compensations per contracts and liabilities for compensation taxes and contributions	17	13
VAT liabilities	4.555	5.440
Income tax liabilities	4.215	9.040
Liabilities for other contributions and compensations	495	507
Liabilities for hydro-accumulation	1.862	1.285
Total trade payables and other liabilities:	75.366	73.145

27. Deferred items

Deferred items	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Pre-calculated expenses of the period	19.882	26.943
Accrued income for the next period	11.227	-
Other accruals and deferrals	26.861	29.889
Total deferred items:	57.970	56.832

28. Financial risk management

The Company is exposed to the following financial risks when using financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk is caused exclusively by trade receivables and receivables from loans and advances.

Liquidity risk

Liquidity risk implies that the Company will not be able to maintain sufficient cash in order to meet current liabilities. The Company is not significantly exposed to liquidity risk.

Market risk

Market risk is the risk of changes in market prices such as foreign exchange rates, interest rates and capital which affects the Company's result and value of its financial instruments. The Company is not significantly exposed to market risk.

The Company's exposure to credit, interest rate and foreign exchange risk arises from the normal course of business.

Credit risk

Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure, which at the reporting date is as follows:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Given loans, deposits and receivables	287.108	350.968
Cash and cash equivalents	119.797	102.850
TOTAL	406.905	453.818

The maximum credit risk exposure for trade receivables by region is as follows at the reporting date:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Domestic customers	119.605	127.072
International customers	1.379	1.612
TOTAL	120.984	128.684

The maximum credit risk exposure for trade receivables by customer type is as follows at the reporting date:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Customers – legal entities	96.665	107.666
Households	24.319	21.018
TOTAL	120.984	128.684

The age structure of receivables that are not impaired at the reporting date is as follows:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Past due and due up to 90 days	115.708	126.862
Due 91- 180 days	3.466	429
Due 91- 180 days	1.584	1.393
Older than 365 days	226	-
TOTAL	120.984	128.684

The movement in the allowance for receivables is as follows:

	31.12.2019 in BAM 000
As at 1 January 2019	42.150
Impairment of receivables during the year	1.644
Collected, previously written off receivables during the year	(1.300)
Derecognition of previously written off receivables	(2.155)
As at 31 December 2019	40.339

As at 31 December 2019, interest receivables were transferred to off-balance sheet records.

Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has established an appropriate framework for liquidity risk management in accordance with the Company's needs. The Company manages this risk by maintaining adequate reserves, loans from banks, as well as other sources of financing, constantly monitoring projected and actual cash flows and comparing the maturity profiles of financial assets and liabilities.

Contracted maturities of financial liabilities:

31 December 2019	Carrying amount in BAM 000	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Trade payables and other liabilities	128.780	128.780	-
Interest-bearing loans and borrowings	126.184	10.808	115.376
TOTAL	254.964	139.588	115.376

31 December 2018	Carrying amount in BAM 000	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Trade payables and other liabilities	124.537	124.537	-
Interest-bearing loans and borrowings	129.306	13.628	115.678
TOTAL	253.843	138.165	115.678

The age structure of trade payables at the reporting date is as follows:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
From 30 days	60.115	60.358
From 30 - 60 days	1.112	1.498
From 60 - 90 days	2.041	29
Over 90 days	3.586	2.823
TOTAL	66.854	64.708

The total amount of trade payables includes Other short-term accruals (account 49900070).

Currency risk

Currency risk exposure

The Company is exposed to currency risk when selling, purchasing, with interest-bearing loans and borrowings and receivables per given loans and other receivables denominated in a foreign currency. The currencies that expose the Company to this risk the most are XDR, YEN and CHF. The Company is not economically protected against this risk. The Convertible mark has been pegged to the Euro since its introduction as a currency in 2002, and the Management Board believes that the Company is not exposed to the risk of changes in the EUR exchange rate.

The Company's exposure to currency risk, expressed in functional currency, is as follows as at 31 December 2019:

31 December 2019	XDR in BAM 000	YEN in BAM 000
Trade payables, loans and borrowings	(25.445)	(11.070)
Total balance sheet exposure	(25.445)	(11.070)

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The Company's exposure to currency risk, expressed in functional currency, is as follows as at 31 December 2018:

31 December 2018	XDR in BAM 000	YEN in BAM 000
Trade payables, loans and borrowings	(27.777)	(11.264)
Total balance sheet exposure	(27.777)	(11.264)

	Average rate		Rate at the reporting date	
	2019	2018	2019	2018
EUR	1,95583	1,95583	1,95583	1,95583
XDR	2,41761	2,34941	2,420301	2,38381
YEN	0,01603	0,01501	0,01601	0,01547
CHF	1,7581	1,69376	1,79913	1,74208

Sensitivity analysis

As there has been no fluctuation of the foreign currency EUR related to BAM since the introduction of BAM, the sensitivity analysis is not necessary for amounts denominated in EUR. A possible strengthening or weakening of XDR, YEN or CHF by 1% would result in an increase (decrease) in equity and profit as at 31 December for the amounts listed below. The analysis assumes that all other variables, primarily the amount of interest, remain unchanged.

in BAM 000	Strengthening	Weakening
31 December 2019		
XDR	(254)	254
YEN	(111)	111
31 December 2018		
XDR	(277)	277
YEN	(113)	113

Interest rate risk

At the reporting date, the interest rate profile on the Company's financial instruments on which interest is accrued was as follows:

Instruments with a fixed interest rate	2019 in BAM 000	2018 in BAM 000
Financial assets	156.484	210.033
Financial liabilities	(29.409)	(26.992)
TOTAL	127.075	183.041
Instruments with a variable interest rate	2019 in BAM 000	2018 in BAM 000
Financial assets	-	-
Financial liabilities	(96.774)	(102.313)
TOTAL	(96.774)	(102.313)

Sensitivity analysis for financial liabilities with a variable interest rate

A change in the interest rate by 100 basis points at the reporting date would increase/(decrease) equity and profit or loss for the values listed below. The calculation is based on the assumption that all other variables, especially foreign exchange rates, remain the same.

Interest rate risk in BAM 000	Profit or loss		Equity	
	100 bp increase	10 bp decrease	100 bp increase	10 bp decrease
31 December 2019				
Cash flow sensitivity analysis	(855)	1.282	(855)	1.282
31 December 2018				
Cash flow sensitivity analysis	(863)	1.243	(863)	1.243

Capital management

For the purpose of monitoring capital, the Company uses the net debt to equity ratio. For this purpose, net debt is defined as total liabilities (which include interest-bearing loans and borrowings) plus the unaccounted proposed dividend, less cash and cash equivalents. Adjusted capital includes all components of equity except capital relating to reserves arising on mergers, less proposed dividends.

The Company's net debt to equity ratio at the end of the reporting period is shown in the table below:

	2019 in BAM 000	2018 in BAM 000
Total liabilities	126.184	129.308
Cash and cash equivalents	(119.797)	(102.850)
Net debt	6.387	26.458
Equity	2.968.985	2.968.970
Net debt/Equity	0,0021	0,0089

29. Contingent liabilities and commitments

As at 31 December 2019, the total estimated value of litigation against the Company amounts to BAM 33.140 thousand. This amount does not include the litigation with „Elektrobosna Jajce“ in the amount of BAM 6.118 (in a resting state as of 2004) and the arbitration proceeding of the Consortium „Strabag AG“ Austria and „Končar d.d.“ Zagreb (from 2018) in the amount of BAM 39.267.

The arbitration proceeding was in a resting state in order to try to resolve it peacefully and to continue the implementation of the „HE Vranduk“ project. Since continuing the realization of the project was not realizable, the arbitration was continued and the Company sent a response to the litigation with a countercharge. The claim if Strabag AG Austria and Končar d.d. Zagreb amounts to EUR 20.077 thousand, and refers to the damage caused by non-performance of the contract, return of the guarantee and the like. The Company's claim amounts to EUR 31.697 thousand, due to the non-realization of the „HE Vranduk“ project, lost profits, unproduced electricity and the like. In 2019, the proceeding was in its initial phase, with both parties presenting their arguments and claims. The end of this arbitration proceeding is expected at the end of 2021.

The Company's management regularly assesses and analyzes the risk of potential losses based on litigation and considers that the provisions made as at 31 December 2019 represent the best estimate.

Accordingly, as at 31 December 2019, the Company recognized additional provisions based on litigation in the amount of BAM 11.519 thousand (principal BAM 8.241 thousand and interest BAM 3.278 thousand), therefore, total provisions based on litigation as at 31 December 2019 amount to BAM 17.052 thousand (see Note 25).

As at 31 December 2019, the Company has approved but not withdrawn credit funds in the amount of BAM 337.996 thousand.

30. Environment protection

The Company's main activity is the production and distribution of electricity, and control of the system for the electricity production. These activities may affect the environment in terms of emissions to land, water and air. The impact of the Company's activities on the environment is supervised by the Management Board and the bodies responsible for environmental protection.

In recent years, an environmental management system based on the principles applied in the European Union has been established in Bosnia and Herzegovina. So far, related legislation in Bosnia and Herzegovina has covered air, water and waste, while noise, chemicals and ionizing radiation have not been covered. When it comes to horizontal legislation, regulations are being drafted that regulate the procedure for issuing environmental permits.

Within the strategy framework of integration into the European Union, it is possible to introduce regulations on environmental protection that are applied in EU countries. The application of such regulations could affect the Company's future liabilities related to the allocation of funds for environmental protection, which the Company was not able to assess.

31. Transactions with related legal entities

Related parties under joint control - Companies controlled by the Government

The Company is in majority ownership of the Government of the Federation of Bosnia and Herzegovina. The following are significant transactions with companies controlled by the Government of the Federation of Bosnia and Herzegovina. These are „Željeznice Federacije Bosne i Hercegovine d.o.o.“ Sarajevo and „Elektroprenos BiH a.d.“ Banja Luka. Other transactions with companies controlled by the Government of the Federation of Bosnia and Herzegovina are not individually significant, they occur during regular operations and relate to overhead and utility services.

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Receivables		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	564	680
Elektroprenos BiH a.d. Banja Luka	15	12
	579	692
Liabilities		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	1.626	1.659
Elektroprenos BiH a.d. Banja Luka	4.222	9.204
	5.848	10.863

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Income		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	6.522	5.601
Elektroprenos BIH a.d. Banja Luka	83	68
	6.604	5.669
Expenses		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	36.855	24.170
Elektroprenos BIH a.d. Banja Luka	50.989	42.627
	87.844	66.797

Related parties

The Company has acquired an interest in mines, as disclosed in Note 16 - Investments in subsidiaries, so that transactions from sales of electricity, coal purchases and advances are disclosed as transactions with related legal entities. Sales and purchases are realized at fair value, which is the value that related parties are willing to pay each other. Transactions with related legal entities are as follows:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Assets		
Trade receivables and receivables for given advances		
RMU Breza d.o.o.	10.601	4.157
RMU Kakanj d.o.o.	2.504	2.165
RMU Zenica d.o.o.	40.533	24.369
RMU Đurđevik d.o.o.	8.504	5.406
RMU Kreka d.o.o.	102.500	61.641
RMU Abid Lolić d.o.o.	9.743	7.874
RU Gračanica d.o.o.	44	41
Iskraemeco d.o.o.	12	21
Eldis Tehnika d.o.o.	1	1
Hotel ELBIH Makarska d.d.	10	10
TTU Energetik d.o.o.	55	47
Total receivables	174.507	105.732
Given loans		
RMU Breza d.o.o.	1.088	1.954
RMU Kakanj d.o.o.	487	886
RMU Zenica d.o.o.	318	496
RMU Đurđevik d.o.o.	325	1.158
RMU Kreka d.o.o.	2.195	5.779
RMU Abid Lolić d.o.o.	314	471
Total given loans	4.727	10.744
Liabilities		

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Trade payables and other liabilities		
RMU Breza d.o.o.	1.146	2.860
RMU Kakanj d.o.o.	1.075	1.619
RMU Zenica d.o.o.	252	474
RMU Đurđevik d.o.o.	504	273
RMU Kreka d.o.o.	2.980	83
RMU Abid Lolić d.o.o.	440	898
RU Gračanica d.o.o.	742	638
Iskraemeco d.o.o.	1.004	493
Eldis Tehnika d.o.o.	841	415
Hotel ELBIH Makarska d.d.	10	10
TTU Energetik d.o.o.	439	8
Total liabilities	9.433	7.771

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Income		
RMU Breza d.o.o.	1.549	1.597
RMU Kakanj d.o.o.	1.634	1.711
RMU Zenica d.o.o.	2.021	2.027
RMU Đurđevik d.o.o.	1.659	1.749
RMU Kreka d.o.o.	6.793	6.892
RMU Abid Lolić d.o.o.	493	490
RU Gračanica d.o.o.	378	362
Iskraemeco d.o.o.	55	70
Eldis Tehnika d.o.o.	6	6
TTU Energetik d.o.o.	238	107
Total income	14.826	15.011
Expenses		
RMU Breza d.o.o.	33.217	39.885
RMU Kakanj d.o.o.	63.752	66.075
RMU Zenica d.o.o.	17.064	26.092
RMU Đurđevik d.o.o.	30.210	27.100
RMU Kreka d.o.o.	73.476	79.320
RMU Abid Lolić d.o.o.	9.829	10.899
RU Gračanica d.o.o.	5.496	6.911
Iskraemeco d.o.o.	9.912	6.683
Eldis Tehnika d.o.o.	6.163	7.506
Hotel ELBIH Makarska d.d.	26	25
TTU Energetik d.o.o.	2.120	1.105
Total expenses	251.265	271.601

Related parties – associates

A related party based on significant impact is „ETI d.o.o.“ Sarajevo (Note 15). The Company had the following related party transactions in the ordinary course of business:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Receivables	2	2
Liabilities	-	1
Income	27	22
Expenses	101	216

Related parties – compensations to members of the Management Board and Supervisory Board

The following compensations have been paid to members of the Management Board and Supervisory Board during the year:

	31.12.2019 in BAM 000	31.12.2018 in BAM 000
Payments to members of the Management Board	779	736
Payments to members of the Supervisory Board	145	167
Total payments	874	903

32. Significant accounting estimates and judgments

Estimates and judgments are evaluated on an ongoing basis and are based on expected future events that are believed to be reasonable under the circumstances.

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The accounting estimates applied by the Company in accordance with its accounting policies are as follows:

Impairment of investments in subsidiaries and associates

Impairment of investments in subsidiaries and associates is based on management's best estimate of the recoverable amount of subsidiaries. The recoverable amount is the higher of an asset's fair net selling value and value in use. At the reporting date, management believes that there is no impairment of investments in subsidiaries and associates.

Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there are any internal or external indications of impairment of property, plant and equipment. If any such indication exists, management performs an impairment test for the cash-generating unit to which the indication relates. Management reviews all production subsidiaries as a single cash flow generating unit, since thermal power plants comprise basic (and majority) production, while hydropower plants cover a variable part of the electricity demand diagram. Therefore, the production of electricity is monitored by Management on a portfolio basis. Also, Management does not review distribution as a separate unit, since the Company's activities are regulated by legislation at the level of Bosnia and Herzegovina.

Income tax

The calculation of income tax is realized based on the interpretation of the applicable tax legal provisions by the Company. The calculation of income tax specified in the income tax return and tax balance may be subject to review and approval by local tax authorities. The Company did not recognize deferred tax assets based on investment tax credits, using analogous interpretations and interpretations of IAS 12 Income Taxes.

Provisions for contingent liabilities

The Company recognizes provisions as a result of litigation initiated against the Company that is likely to result in an outflow of funds to settle the Company's receivables and if the amounts can be estimated reliably. In assessing the provision, the Company considers professional legal advice and considerations of the Management Board.

33. Ownership structure

The Company's ownership structure is as follows:

	31 December 2019		31 December 2018	
	No. of shares	% ownership	No. of shares	% ownership
Government of the Federation of Bosnia and Herzegovina	28.472.181	90,37 %	28.472.181	90,37 %
Various investors	3.034.360	9,63 %	3.034.360	9,63 %
TOTAL	31.506.541	100 %	31.506.541	100 %

34. Tax regulations

The Federation of Bosnia and Herzegovina currently has a number of laws regulating various taxes enacted by competent authorities. Taxes payable include value added tax, income tax and payroll taxes (social taxes), along with other taxes. Additionally, the laws regulating these taxes have not been applied for long, unlike developed market economies, while the regulations implementing these laws are often unclear or non-existent. Consequently, with regard to tax law related matters, the number of cases that can be used as an example is limited.

There are often differences in the opinion among state ministries and organizations regarding the legal interpretation of legal provisions which can lead to uncertainty and conflicts of interest. Tax returns together with other areas of legal regulation (for example, matters related to customs and foreign exchange control) are subject to review and control by several authorized bodies which are allowed by law to prescribe very strict penalties and default interest.

The interpretation of tax laws by tax authorities in relation to the Company's transactions and activities may differ from management's interpretation. As a result, transactions may be disputed by tax authorities and an additional amount of taxes, penalties and interest may be imposed on the Company. These facts make the tax risk in the Federation of Bosnia and Herzegovina more significant than in countries with a more developed tax system.

Additionally, the Company has significant transactions with related legal entities. Although the Company's management believes that the Company has sufficient and adequate supporting documentation regarding transfer pricing, there is an uncertainty that the requirements and interpretations of tax and other authorities differ from the management's interpretations. The Company's management believes that any different interpretations will not have material consequences on the Company's financial statements.

In June/July 2019, a control of VAT returns for the period 01.03.2016 - 30.04.2019 was conducted by the Indirect Taxation Authority of Bosnia and Herzegovina. The Indirect Taxation Authority of BiH issued Decision No. 04/4-1/II-17-1-UP-I-197-1/19 dated 10 July 2019, which did not determine an additional obligation for the Company. Also, in December 2019, an additional customs control was conducted by the Indirect Taxation Authority of BiH for the period 01.01.2018 - 30.11.2019. Decision No. 03/6-3/II-18-4-80-184-1/19 dated 17 December 2019 was issued, which did not determine an additional obligation for the Company.

35. Post-reporting date events

After 31 December 2019, the reporting date, until the approval of these separate financial statements, no events occurred which may cause an adjustment of these separate financial statements, nor events which are material for disclosure in these separate financial statements.

An event that is material to be disclosed is the declaration of a natural disaster in the Federation of Bosnia and Herzegovina caused by the virus COVID-19, after which the Company strongly engaged in activities and measures to preserve the stability of the power system, continuous supply, provide various types of protection and help electricity customers.

In order to ensure a stable and continuous supply of electricity during the COVID-19 pandemic, the work process in the Company's production units took place per the so - called closed cycle principle, which implies complete isolation of employees in the premises of thermal and hydro power plants for a period of 14 days.

Workers who stayed in isolation in the production units were provided with all conditions necessary for work and residence. The Company has adjusted its operations to the current situation and acted in accordance with the recommendations of the competent authorities.

Thanks to the high operational readiness of production and distribution capacities, the production of electricity took place continuously, which ensured the stability of the power system and the orderly supply to customers.

Adjustments to extraordinary circumstances have been applied in the areas of distribution and supply, by suspending electricity outages based on debts as well as default interest, reducing the length of planned outages and harmonizing the operation of toll booths. In order to protect customers and employees, intensified hygienic and epidemiological measures were applied at all toll booths, while electricity consumption readings were performed once every two months (estimation method), in order to keep direct contacts to a minimum.

Having in mind that the Government of the Federation of Bosnia and Herzegovina passed the Decision on suspension of the state of natural disaster on 29 May 2020, the Company was obliged to adjust the business processes to the regular course of work and applicable legal provisions.

As of 1 July 2020, the Company continued to perform regular readings of electricity consumption and other accompanying activities that were suspended during the Decision on declaring a state of natural disaster.

36. Reconciliation of receivables and liabilities

The Company has reconciled its receivables and liabilities with balances as at 31 December 2019. During the reconciliation process with business partners, do material deviations in receivables and liabilities have been identified.

37. Approval of the financial statements

The financial statements have been approved and signed by the Company's Management Board on 25 February 2020.


Authorized representative

