JP Elektroprivreda BiH d.d. - Sarajevo

Separate annual financial statements

31 December 2015

This version of the report is a translation from the original, which was prepared in the Bosnian language. In all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Contents

Statement of the Management board's responsibilities

The Management board is required to prepare separate financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management board is responsible for the submission to the Supervisory board of its annual report on the Company together with the annual financial statements, following which the Supervisory board is required to approve the annual financial statements for submission to the General assembly for adoption.

The separate financial statements set out on pages 4 to 38 were authorised by the Management board on 22 April 2016 for issue to the Supervisory board and are signed below to signify this.

Bajazit Jašarević
General Manager

Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH d.d. - Sarajevo

We have audited the accompanying separate financial statements of JP Elektroprivreda BiH d.d. - Sarajevo ("the Company"), which comprise the separate statement of financial position as at 31 December 2015, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Basis for Qualified Opinion

As disclosed in *Note 17 - Investments in subsidiaries*, the Company has investments with a carrying value of BAM 242,151 thousand. The investments in subsidiaries have been accounted for at cost. There are indications that the recoverable amount of investments in subsidiaries may be lower than its cost. International Accounting Standard IAS 36 ''Impairment of Assets'' requires that, where such indications exist, management makes a formal estimate of the recoverable amounts. No such estimate has been made. The effects of this departure from the International Financial Reporting Standards on the separate financial statements have not been determined.

As disclosed in *Note 20 – Prepayments*, there are indications that the recoverable amount of prepayments to subsidiaries may be lower than its cost of BAM 53,238 thousand. Management has not made a formal estimate of the recoverable amount of the prepayments nor has it recognized an impairment loss. The effects of this departure from the International Financial Reporting Standards on the separate financial statements have not been determined.

There are indications that the recoverable amount of loan receivables to subsidiaries disclosed in Note 18 – *Loans and receivables*, lower than their cost of BAM 24,081 thousand. Management has not made a formal estimate of the recoverable amount of the advance payments nor has it recognized an impairment loss. The effects of this departure from the International Financial Reporting Standards on the separate financial statements have not been determined.

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Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH D.D. – Sarajevo *(continued)*

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2015, and of its unconsolidated financial performance and its unconsolidated cash flow for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o. za reviziju
Registered auditors
Zmaja od Bosne 7-7A/III
71000 Sarajevo
Bosnia and Herzegovina

D.O.O. ZA REVIZIJU KPMG B-H 1 SARAJEVO

22 April 2016

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Separate statement of comprehensive income
For the year ended 31 December

	Note	2015 BAM'000	2014 BAM'000
Revenue	6	**945,141**	942,634
Other operating income	7	**27,409**	27,593
Total operating income		**972,550**	970,227
Work performed and capitalised	9	**3,148**	3,481
Raw materials, consumables and cost of goods sold	8	**(444,556)**	(452,927)
Personnel costs	9	**(188,367)**	(190,574)
Depreciation and amortization	10	**(170,940)**	(168,930)
Other operating expenses	11	**(166,324)**	(159,085)
Operating income		**5,511**	2,192
Finance income	12	**8,207**	10,569
Finance costs	12	**(10,082)**	(9,526)
Net finance (costs)/income		**(1,875)**	1,043
Profit before tax		**3,636**	3,235
Income tax expense	13	**-**	-
Profit		**3,636**	3,235
Other comprehensive income		**-**	-
Total comprehensive income for the period		**3,636**	3,235

Separate statement of financial position
As at

	Note	31 December 2015 BAM'000	31 December 2014 BAM'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**2,612,018**	2,674,336
Intangible assets	*15*	**19,399**	17,428
Prepayments for property, plant and equipment		**-**	47
Investments in associates	*16*	**1,950**	1,950
Investments in subsidiaries	*17*	**242,151**	217,060
Loans and receivables	*18*	**35,312**	33,071
Total non-currents assets		**2,910,830**	2,943,892
Current assets			
Loans and receivables	*18*	**168,624**	143,423
Trade and other receivables	*19*	**131,035**	117,608
Prepayments	*20*	**53,238**	30,078
Inventories	*21*	**82,128**	82,422
Cash and cash equivalents	*22*	**38,435**	71,829
Total current assets		**473,460**	445,360
Total assets		**3,384,290**	3,389,252
EQUITY AND LIABILITIES			
Equity			
Share capital	*24*	**2,236,964**	2,236,964
Statutory reserves		**39,087**	38,440
Other reserves		**508,664**	508,664
Retained earnings		**200,072**	199,640
Total capital and reserves		**2,984,787**	2,983,708
Liabilities			
Non-current liabilities			
Loans and borrowings	*24(a)*	**129,065**	136,675
Deferred income	*25*	**91,085**	96,554
Other liabilities		**205**	-
Provisions	*26*	**49,736**	49,198
Total non-current liabilities		**270,091**	282,427
Current liabilities			
Deferred income	*25*	**8,416**	8,335
Loans and borrowings	*24(b)*	**12,642**	13,084
Trade and other payables	*27*	**96,534**	86,674
Provisions	*26*	**11,820**	15,024
Total current liabilities		**129,412**	123,117
Total liabilities		**399,503**	405,544
Total equity and liabilities		**3,384,290**	3,389,252

The accounting policies and other notes on pages 8 to 40 form an integral part of these financial statements.

Separate statement of changes in equity
For the year ended 31 December

	Share capital BAM'000	Contributed but unregistered capital BAM'000	Statutory reserves BAM'000	Other reserves BAM'000	Retained earnings BAM'000	Total BAM'000
As at 1 January 2014	**2,155,160**	**81,804**	**31,032**	**508,664**	**206,392**	**2,983,052**
Profit for the year	-	-	-	-	3,235	**3,235**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	**3,235**	**3,235**
Transactions with owners of the Company						
Contributions and distributions						
Transfers	81,804	(81,804)	7,408	-	(7,408)	-
Dividends paid	-	-	-	-	(2,579)	(2,579)
As at 31 December 2014	**2,236,964**	-	**38,440**	**508,664**	**199,640**	**2,983,708**
As at 1 January 2015	**2,236,964**	-	**38,440**	**508,664**	**199,640**	**2,983,708**
Profit for the year	-	-	-	-	3,636	3,636
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	**3,636**	**3,636**
Transactions with owners of the Company						
Contributions and distributions						
Transfers	-	-	647	-	(647)	-
Dividends paid	-	-	-	-	(2,557)	(2,557)
As at 31 December 2015	**2,236,964**	-	**39,087**	**508,664**	**200,072**	**2,984,787**

Separate statement of cash flows

For the year ended 31 December

	Note	2015 BAM'000	2014 BAM'000
Cash flows from operating activities			
Net profit after tax		**3,636**	3,235
Adjustments for:			
Depreciation and amortisation	*10*	**170,940**	168,930
Interest and other financial income	*12*	**(8,207)**	(10,569)
Interest and other financial expenses		**3,533**	4,440
Write off of liabilities	*7*	**-**	(174)
Net loss on disposals of property, plant and equipment	*11*	**7,357**	4,205
Changes in provision, net	*26*	**(2,666)**	1,823
Impairment of inventories	*11*	**5,265**	2,271
Net allowance for trade receivables		**2,235**	(291)
		182,093	173,870
Change in:			
- trade receivables		**(18,419)**	8,056
- inventories		**(4,971)**	16,760
- prepayments		**(23,113)**	(9,455)
- other receivables		**2,757**	(661)
- trade payables		**4,600**	(1,804)
- other liabilities		**5,488**	(193)
- deferred income		**(5,388)**	(6,415)
Net cash from operating activities		**143,047**	180,158
Investing activities			
Purchase of property, plant and equipment	*14*	**(112,033)**	(115,451)
Purchase of intangible assets	*15*	**(5,917)**	(11,990)
Increase in investment in subsidiaries	*17*	**(25,091)**	(46,773)
(Increase)/repayment of deposits and loans	*18*	**(27,442)**	3,782
Interests received		**8,207**	10,569
Net cash used in investing activities		**(162,276)**	(159,863)
Financing activities			
Decrease in borrowings	*24*	**(8,052)**	(3,225)
Interest paid		**(3,533)**	(4,440)
Dividends paid	*23*	**(2,580)**	(2,579)
Net cash from financing activities		**(14,165)**	(10,244)
Net (decrease)/increase in cash and cash equivalents		**(33,394)**	10,051
Cash and cash equivalents at the beginning of year		**71,829**	61,778
Cash and cash equivalents at the end of year	*22*	**38,435**	71,829

The accounting policies and other notes on pages 8 to 40 form an integral part of these financial statements.

Notes (*forming part of the financial statements*)

1 Reporting entity

JP Elektroprivreda Bosne i Hercegovine d.d – Sarajevo ("the Company") is a joint stock company domiciled in Sarajevo in Bosnia and Herzegovina.

The Company principal activities are the production, distribution of electric energy, the supply of electric energy, the trade, representation and intermediation on the domestic market of electrical energy, the export and import of electric energy, including governance of electric power system.

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

2 Basis of preparation

(a) 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), which were approved by the Management Board on 22 April 2016. In the consolidated financial statements, subsidiaries have been fully consolidated. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity in which the Company has the power, directly or indirectly, to exercise control over their operations. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2015 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The financial statements were approved by the Management Board on 22 April 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost or deemed cost basis except for financial instruments at fair value through profit or loss which are measured at fair value and loans and receivables and loans and borrowings which are measured at amortised cost.

(c) Functional and presentation currency

These financial statements are prepared in the currency of Bosnia and Herzegovina, the convertible mark (BAM), which is the Company's functional currency. All financial information presented in Convertible marks has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the *Note 32*.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

(a) Foreign currencies

Transactions in foreign currency are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.

(b) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value including, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

- *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method, using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits, petty cash, cash at bank and deposits at bank with a maturity of up to three months.

- *Interest bearing loans and borrowings*

Interest bearing loans and borrowings are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, interest bearing loans and borrowings are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

- *Non interest loans and borrowings*

Non interest loans and borrowings which are due in less than a year are not discounted to market related rate at the reporting date.

- *Trade payables*

Trade payables are realized initially at fair value and subsequently at amortised cost, using the effective interest method.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Accounting for finance income and finance cost is discussed in Note 3(m).

3 Significant accounting policies *(continued)*

(b) Financial instruments (continued)

(ii) Issued capital

Repurchase of issued capital

When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased stakes are classified as a treasury stake and are presented as a deduction from total equity.

(c) Investment in subsidiaries

Subsidiaries are entities which are controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity in which the Company has the power, directly or indirectly, to exercise control over their operations. Investments in subsidiaries are stated at cost, less any impairment losses.

(d) Investment in associate

Associates are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the associate. Associates are initially recognised at cost, with subsequent measurement at cost less impairment losses.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (refer to Note 3(h)).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. In addition, costs include, when the Company has the obligation to move the asset or restore the site, an estimate of the cost of dismantling the items and restoring the site on which they are located.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

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

Depreciation method and useful lives are reassessed at each reporting date.

3 Significant accounting policies *(continued)*

(f) Intangible assets

(i) Development

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(ii) Software

Software is measured initial at cost. After initially recognition, software is carried at its costs less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement when incurred.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for the current and comparative periods as follows:

Software and development costs	5 years

Amortisation method and useful lives are reassessed at each reporting date.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are valued based on purchase price and include the costs of bringing the inventories to a condition ready for use, using the weighted average cost principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3 Significant accounting policies *(continued)*

(h) Impairment

The carrying amounts of the Company's assets, other than inventories *(refer to Note 3 (g))* and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

(i) Calculation of recoverable amount

The recoverable amount of the financial assets carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

3 Significant accounting policies *(continued)*

(h) Impairment (continued)

(ii) Reversal of impairment (continued)

If in a subsequent period the amount of any impairment loss of a receivable decreases due to an event occurring subsequent to the write-down, then the previously recognised impairment loss is reversed through profit or loss with a corresponding increase in the carrying amount of the underlying asset. The reversal is limited to an amount that does not state the asset at more than what its amortised cost would have been in the absence of impairment.

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

(i) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Employee benefits

(i) Defined contributions pension fund

Obligations for contributions to defined contribution pension funds are recognised as an expense in the income statement when they are due, which is the period during which services are rendered by employees.

(ii) Retirement benefits

The Company's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the average interest rate on loans of commercial banks, whose maturity dates are approximately the same in terms and conditions of the liabilities of the Company.

(iii) Jubilee awards

The Company provides employees with jubilee awards. The obligation and costs of these benefits are determined by using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation. Jubilee award payments range from one to three average salaries paid to the employee during the preceding month net per employee for tenure from 10 to 30 years.

3 Significant accounting policies (*continued*)

(k) Revenue

Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date.

Revenue from connection fees is recognized in the period when installation takes place.

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except where the amount of VAT incurred is not recoverable from the State. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or part of an item of the expense.

Receivables and payables are stated with the amount of VAT included. The amount of VAT recoverable from the State is included in current receivables. The amount of VAT payable to the State is included in current payables. Revenue from the sale of goods is recognised at the date the goods are delivered and represents the net invoiced value of goods and excludes value added taxes.

Accrued income from electricity

Electricity delivered to customers, but not yet invoiced, is recognized within revenue in an estimated amount. The estimate of monthly changes in not yet invoiced electricity derives from measured supply of electricity less invoiced consumption and estimated transmission losses.

(l) Grant income

Grants in cash and equipment used as investment in progress, for assets reconstruction and for other operations, are presented in the statement of financial position as deferred income, which is recognised in the income statement on a straight-line basis in future periods, so that it can be used in investments or regular operations during the estimated economic life of the donated asset.

(m) Finance income and costs

Finance income and finance costs comprise interest payable on borrowings calculated using the effective interest rate method, penalty interest, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the Company's right to receive payments is established.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

3 Significant accounting policies (*continued*)

(n) Commodity contracts

According to IAS 39, certain commodity contracts are treated as financial instruments and fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39. In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Company's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- A physical delivery takes place under such contracts;
- The volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- The contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

(o) Income tax expense

Corporate income taxes are computed on the basis of reported income under the laws and regulations of Federation of Bosnia and Herzegovina for the parent Company and its subsidiaries.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's current operation is in the segment of electricity production and distribution (business segment) and its operations, total assets and the majority of its customers are located in Bosnia and Herzegovina.

Notes (*continued*)

4 New standards and interpretations not yet adopted

The Company has consistently applied the accounting policies disclosed in Note 3 to all periods presented in these financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however the Company has not applied the following new or amended standards in preparing these financial statements.

- *IFRS 9 Financial instruments* published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance of recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reposting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
- *IFRS 15 Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.
- *IFRS 16 Leases* – a new standard that brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if *IFRS 15 Revenue from Contracts with Customers* has also been applied.
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. The Company does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact of the Company's financial statements.

- *IFRS 14 Regulatory Deferral Accounts*
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*
- *Equity method in Separate Financial Statements (Amendments to IAS 27)*
- *Sale or contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Investments Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*
- *Disclosure Initiative (Amendments to IAS 1).*

Notes (*continued*)

5 Financial risk management

The Company included additional disclosures regarding fair value measurement as explained below.

The Company has an established control framework with respect to the measurement of fair values. This framework comprises overall responsibility of management and the finance department for overseeing all significant fair value measurements, consultations with external experts and, in the same context, reporting to bodies in charge of corporate governance.

Fair value is measured in relation to information collected from third parties in which case Management and finance department assess whether information collected from third parties is sufficient for fair value estimates to fulfill IFRS requirements, including the level within fair value hierarchy in which those estimates should be classified.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement:

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

Fair value of financial instruments trading on active markets is based on quoted market prices on the reporting date. A market is considered to be active if quoted prices are known through stock exchange, broker quotes, industrial group or regulatory agency and those prices represent actual and regular market transactions under common trading conditions.

Fair value of financial instruments trading on active markets is determined through different valuation techniques. Those valuation techniques require use of market observable data as far as possible, with minimum use of estimates specific for each subject. If all significant inputs required for fair valuation are observable, fair value measurement is categorized as level 2.

If one or more of significant inputs is not based on observable market inputs, fair value estimate is categorised as level 3.

The Company established following fair value estimates in process of preparation of financial statements:

(i) On call bank deposits

The carrying value of on call bank deposits approximates their fair value due to their proximity in nature to cash and their short-term nature.

(ii) Trade and other receivables / payables

The current value of trade and other receivables/payables is estimated to be a reasonable estimation of their fair value due to short-term nature of those instruments.

(iii) Short- term loans receivables

The carrying value of loans receivables approximates their fair value due to their short-term nature.

(iv) Long-term loan liabilities

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

Notes (*continued*)

6 Revenue

	2015 BAM'000	2014 BAM'000
Sale of electric energy in domestic market	**894,767**	869,919
Sale of electric energy abroad	**18,337**	42,028
Sale of services and other revenue	**32,037**	30,687
	945,141	942,634

7 Other operating income

	2015 BAM'000	2014 BAM'000
Write off of liabilities	**-**	174
Collection of bad debts	**2,058**	5,747
Grant revenue	**8,416**	8,335
Insurance claims	**835**	602
Penalty income	**731**	384
Rental income	**983**	1,310
Gain on sale of raw materials	**-**	955
Release of provision for court cases	**1,103**	3,049
Surpluses and other adjustments	**5,025**	1,184
Actuarial gains	**2,124**	656
Other revenues	**6,134**	5,197
	27,409	27,593

Notes (*continued*)

8 Raw materials and consumables

	2015 **BAM'000**	2014 BAM'000
Coal consumed	**312,575**	346,668
Cost of electricity sold	**61,680**	33,377
Cost of delivery and analysis of coal	**24,229**	25,600
Materials used for maintenance	**10,610**	11,869
Cost of fuel	**6,612**	8,161
Other raw materials and consumables	**28,850**	27,252
	444,556	452,927

9 Personnel costs

	2015 **BAM'000**	2014 BAM'000
Wages and salaries	**126,065**	126,746
Compulsory social security contributions	**58,229**	59,075
Other staff costs	**4,073**	4,753
Total personnel costs	**188,367**	190,574
Own work capitalised	**(3,148)**	(3,481)
Personnel costs recognised in the statement of comprehensive income	**185,219**	187,093

The number of employees in the Company at year end was 4,650 (2014: 4,894). Personnel costs include BAM 33,060 thousand (2014: BAM 32,591 thousand) of defined pension contributions paid into obligatory pension funds.

Other employee costs include entitlements for retirement benefits and jubilee awards.

10 Depreciation and amortisation

	2015 **BAM'000**	2014 BAM'000
Depreciation	**166,888**	165,815
Amortisation	**4,052**	3,115
Total depreciation and amortisation	**170,940**	168,930

Notes (*continued*)

11 Other operating expenses

	2015 BAM'000	2014 BAM'000
Transport services and cost of electricity transfer	**41,814**	40,289
Memberships and other taxes	**18,727**	21,712
Maintenance	**18,676**	18,690
Water contributions and contributions for hydro accumulation	**21,533**	15,541
Wastage of materials	**2,924**	3,811
Provisions for court cases	**2,493**	7,095
Air pollution fees	**5,567**	6,508
Loss on disposal of fixed assets	**7,357**	4,205
Bad debt expenses	**4,293**	5,456
Insurance costs	**4,480**	4,581
External services	**3,613**	4,527
Telecommunication costs	**4,539**	4,074
Impairment of inventories	**5,265**	2,271
Services from third parties	**1,857**	2,123
Provision for retirement benefits and jubilee awards	**3,637**	3,560
Current service cost	**3,788**	2,425
Inventory deficits	**99**	1,270
Dismantling provision	**1,052**	974
Rent expense	**480**	492
Entertainment costs	**230**	305
Bank charges	**187**	180
Other expenses	**13,713**	8,996
	166,324	159,085

12 Net finance (costs)/income

	2015 BAM'000	2014 BAM'000
Interest income	**4,385**	6,824
Foreign exchange gains	**241**	138
Income from penalty interest	**3,115**	3,441
Other finance income	**466**	166
Finance income	**8,207**	10,569
Interest expenses	**(3,533)**	(4,440)
Unwinding of discount on retirement benefits	**(1,983)**	(1,791)
Penalty interest	**(238)**	(450)
Foreign exchange losses	**(4,328)**	(2,845)
Finance costs	**(10,082)**	(9,526)
Net finance costs/(income)	**(1,875)**	1,043

Notes *(continued)*

13 Income tax expense

The following is a reconciliation of income taxes calculated at the applicable tax rate with profit tax expense:

	2015 BAM'000	2014 BAM'000
Profit before tax	**3,636**	3,235
Profit tax at 10%	**364**	324
Non-deductible expenses	**1,544**	1,111
Tax relief due to investment	**(1,908)**	(1,435)
Income tax expense	**-**	-
Effective tax rate for the year	**0%**	0%

As of 1 January 2008, a new CPT Law has been implemented in the Federation of Bosnia and Herzegovina introducing a decreased CPT rate of 10%. The new CPT Law introduces a five year tax holiday for a taxpayer who in a period of five consecutive years makes an investment into production on the territory of the Federation of Bosnia and Herzegovina in the total amount of at least BAM 20 million, provided that no less than BAM 4 million is invested in the first year. Also, a taxpayer who in one tax period achieves over 30% of total sales through export is CPT exempt in that year.

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subject to review and approval by the local tax authority.

Notes (*continued*)

14 Property, plant and equipment

	Land BAM'000	Buildings BAM'000	Plant and equipment BAM'000	Under construction BAM'000	Total BAM'000
Cost or deemed cost					
At 1 January 2014	**85,818**	**4,022,899**	**3,245,637**	**147,385**	**7,501,739**
Additions	-	-	-	115,451	115,451
Transfers	-	(11,961)	(17,487)	-	(29,448)
Disposals and write offs	1,475	46,100	39,629	(87,204)	-
At 31 December 2014	**87,293**	**4,057,038**	**3,267,779**	**175,632**	**7,587,742**
At 1 January 2015	**87,293**	**4,057,038**	**3,267,779**	**175,632**	**7,587,742**
Additions	-	-	-	112,033	112,033
Disposals and write offs	(2,198)	(9,125)	(26,898)	-	(38,221)
Transfer to intangible assets	-	(6)	(100)	-	(106)
Transfers	1,944	94,569	71,470	(167,983)	-
At 31 December 2015	**87,039**	**4,142,476**	**3,312,251**	**119,682**	**7,661,448**
Accumulated depreciation and impairment losses					
At 1 January 2014	**1**	**2,478,639**	**2,294,219**	-	**4,772,859**
Charge for the year	-	70,376	95,439	-	165,815
Disposals and write offs	-	(10,591)	(14,677)	-	(25,268)
At 31 December 2014	**1**	**2,538,424**	**2,374,981**	-	**4,913,406**
At 1 January 2015	**1**	**2,538,424**	**2,374,981**	-	**4,913,406**
Charge for the year	-	71,728	95,160	-	166,888
Disposals and write offs	-	(7,710)	(23,154)	-	(30,864)
At 31 December 2015	**1**	**2,602,442**	**2,446,987**	-	**5,049,430**
Carrying amount					
At 1 January 2014	85,817	1,544,260	951,418	147,385	2,728,880
At 31 December 2014	87,292	1,518,614	892,798	175,632	2,674,336
At 1 January 2015	**87,292**	**1,518,614**	**892,798**	**175,632**	**2,674,336**
At 31 December 2015	**87,038**	**1,540,034**	**865,264**	**119,682**	**2,612,018**

As at 31 December 2015, assets under construction relate to buildings (BAM 33,351 thousand), equipment (BAM 35,346 thousand), land (BAM 7,142 thousand) and other assets under construction (BAM 43,843 thousand).

During 2015, the Company impaired assets in the amount of BAM 7,357 thousand (2014: BAM 4,908 thousand).

During 2015, the Company capitalized no interest on borrowings (2014: BAM 386 thousand).

Notes (*continued*)

15 Intangible assets

	Software BAM'000	Development costs BAM'000	Under construction BAM'000	Total BAM'000
Cost				
At 1 January 2014	**3,416**	**12,734**	**20**	**16,170**
Additions	-	-	11,990	11,990
Disposal and write off	(167)	(36)	-	(203)
Transfers	1,857	8,371	(10,228)	-
At 31 December 2014	**5,106**	**21,069**	**1,782**	**27,957**
At 1 January 2015	**5,106**	**21,069**	**1,782**	**27,957**
Additions	-	-	5,917	5,917
Disposal and write off	-	(27)	-	(27)
Transfer from property, plant and equipment	106	-	-	106
Transfers	1,170	2,764	(3,934)	-
At 31 December 2015	**6,382**	**23,806**	**3,765**	**33,953**
Accumulated amortisation and impairment losses				
At 1 January 2014	**1,689**	**5,903**	-	**7,592**
Charge for the year	487	2,628	-	3,115
Disposal and write off	(143)	(35)	-	(178)
At 31 December 2014	**2,033**	**8,496**	-	**10,529**
At 1 January 2015	**2,033**	**8,496**	-	**10,529**
Charge for the year	662	3,390	-	4,052
Disposal and write off	-	(27)	-	(27)
At 31 December 2015	**2,695**	**11,859**	-	**14,554**
Carrying amount				
At 1 January 2014	1,727	6,831	20	8,578
At 31 December 2014	3,073	12,573	1,782	17,428
At 1 January 2015	**3,073**	**12,573**	**1,782**	**17,428**
At 31 December 2015	**3,687**	**11,947**	**3,765**	**19,399**

Notes (*continued*)

16 Investments in associate

The Company's share of net assets of its associate is as follows:

Associate	Reporting date	Business activity	Ownership	31 December 2015 BAM'000	31 December 2014 BAM'000
ETI d.o.o. Sarajevo	31 December 2015	Production of fuses	49%	**1,950**	1,950

17 Investments in subsidiaries

Subsidiary	Business activity	Ownership	31 December 2015 BAM'000	31 December 2014 BAM'000
Rudnici Kreka d.o.o.	Coal mine extraction	100%	**80,555**	73,033
RMU Kakanj d.o.o.	Coal mine extraction	100%	**57,629**	52,257
RMU Zenica d.o.o.	Coal mine extraction	100%	**27,314**	23,011
RMU Breza d.o.o.	Coal mine extraction	100%	**39,453**	36,475
RMU Đurđevik d.o.o.	Coal mine extraction	100%	**19,109**	16,626
RU Gračanica d.o.o.	Coal mine extraction	100%	**7,742**	5,308
RMU Abid Lolić d.o.o.	Coal mine extraction	100%	**3,784**	3,785
Investment in coal mines			**235,586**	210,495
Iskraemeco d.o.o.	Production of electro equipment and communication	57.5%	**3,193**	3,193
Hotel Makarska	Hotel services	100%	**2,048**	2,048
Eldis Tehnika d.o.o.	Energy management and supplies	100%	**1,324**	1,324
Investment in other subsidiaries			**6,565**	6,565
Total investment in subsidiaries			**242,151**	217,060

During 2015, the Company made additional investments in the coal mines in the total amount of BAM 25,091 thousand.

18 Loans and receivables

	31 December 2015 BAM'000	31 December 2014 BAM'000
Long term		
Term deposits	**12,974**	11,929
Loans to employees	**4,477**	6,398
Loans to subsidiaries	**17,861**	14,744
	35,312	33,071
Short term		
Term deposits	**154,533**	138,563
Current portion of long-term loans to employees	**7,871**	2,024
Current portion of long-term loans to subsidiaries	**6,220**	2,836
	168,624	143,423

Term deposits relate to short and long term placements with banks that bear interest between 0.8% and 3.6% per annum. The deposits' maturity dates are between 15 February 2016 and 28 January 2017.

Loans to employees comprise housing loans to employees, bearing interest between 4.25% to 5.75% p.a., repayable over 15 to 20 years, secured by bills of exchange and mortgages.

Loans to subsidiaries in the total amount of BAM 24,081 thousand (2014: 17,580 thousand) consist of loans to RMU Kakanj in the amount of BAM 2,688 thousand (2014: BAM 4,062 thousand), RMU Zenica in the amount of BAM 202 thousand (2014: BAM 117 thousand), Rudnici Kreka in the amount of BAM 15,715 thousand (2014: BAM 11,369 thousand), RMU Breza in the amount of BAM 1,221 thousand (2014: BAM 0 thousand) and RMU Đurđevik in the amount of BAM 4,255 thousand (2014: BAM 2,032 thousand), all with an interest rate of 1.5% p.a.

19 Trade and other receivables

	31 December 2015 BAM'000	31 December 2014 BAM'000
Trade receivables – related parties	**2,947**	1,531
Trade receivables – third parties	**156,541**	140,687
Trade receivables – impairment	**(47,296)**	(46,210)
Trade receivables – net	**112,192**	96,008
VAT receivable	**5,619**	7,052
Accrued revenue	**6,144**	6,154
Claims for subsidies	**2,991**	4,569
Other receivables	**4,089**	3,825
	131,035	117,608

20 Prepayments

	31 December 2015 BAM'000	31 December 2014 BAM'000
Prepayments made to subsidiaries	**53,238**	30,078

The prepayments relate to prepaid coal and other products that should be delivered by the subsidiaries.

21 Inventories

	31 December 2015 BAM'000	31 December 2014 BAM'000
Raw materials	**62,642**	64,433
Spare parts	**19,373**	17,904
Merchandise	**113**	85
	82,128	82,422

In 2015, the impairment of inventories amounted to BAM 5,265 thousand (2014: BAM 2,271 thousand).

22 Cash and cash equivalents

	31 December 2015 BAM'000	31 December 2014 BAM'000
Bank balances in BAM	**17,141**	31,015
Bank balances in foreign currencies	**20,969**	40,469
Petty cash	**325**	345
	38,435	71,829

23 Share capital

	31 December 2015 BAM'000	31 December 2014 BAM'000
Share capital	**2,236,964**	2,155,160

The authorised and issued share capital comprises 31,506,541 ordinary shares (2014: 31,506,541). The par value of each share is BAM 71 (2014: BAM 71). During 2015, dividends were paid in the amount of BAM 2,557 thousand (2014: 2,579 thousand).

(i) Contributed but unregistered capital

As of 30 September 2009, the Government of the Federation of Bosnia and Herzegovina ('FBiH') transferred a 100% stake in seven coal mines to the Company at a total value of BAM 81,804 thousand. For this amount the Company issued shares to the Federation of BiH in 2014 through which the Government of FBiH increased its share in the Company; the increase in the Company's share capital was also registered in court in 2014. The Council of competition of FBiH has approved on 30 September 2009 transfer of 100% stake in seven coal mines from the Government of FBiH to the Company.

24 Loans and borrowings

		31 December 2015 BAM '000	31 December 2014 BAM '000
(a)	***Non-current loans and borrowings***		
	Loans	**129,065**	136,675
(b)	***Current loans and borrowings***		
	Loans	**12,642**	13,084
(c)	***Total loans and borrowings***	**141,707**	149,759

(d) Interest rates and terms of repayment for the Company at 31 December 2015 are as follows:

Loans and borrowings	Interest rate	Total BAM'000	1 year or less BAM'000	1-2 years BAM'000	3-5 years BAM'000	More than 5 years BAM'000
Loans from banks						
Variable interest rate instruments						
BAM 140,109,021	1.8%	**23,307**	**3,918**	**3,918**	**11,752**	**3,719**
BAM 21,866,179	1.2%	**19,483**	**1,855**	**1,855**	**5,567**	**10,206**
BAM 72,794,641	0.75%	**31,069**	**2,378**	**1,080**	**4,790**	**22,821**
Other loans						
BAM 213,947,507	4%	**67,848**	**4,491**	**2,357**	**7,705**	**53,295**
Total loans and borrowings		**141,707**	**12,642**	**9,210**	**29,814**	**90,041**

25 Deferred income

	31 December 2015 BAM'000	31 December 2014 BAM'000
Long term		
Deferred income for granted assets	**90,367**	96,078
Deferred income for granted inventories	**643**	226
Deferred income for granted cash	**75**	250
	91,085	96,554
Short term		
Other deferred income	**8,416**	8,335
	8,416	8,335
Total deferred income	**99,501**	104,889

26 Provisions

	Law suits BAM'000	Dismantling provision BAM'000	Retirement benefits and jubilee awards BAM'000	Total BAM'000
Balance at 1 January 2015	**15,024**	**13,145**	**36,053**	**64,222**
Provision made during the year	2,493	1,052	3,637	7,182
Provision reversed during the year	(1,103)	-	-	(1,103)
Provision used during the year	(4,594)	-	(4,151)	(8,745)
Balance at 31 December 2015	**11,820**	**14,197**	**35,539**	**61,556**

	31 December 2015 BAM'000	31 December 2014 BAM'000
Current portion of provisions	**11,820**	15,024
Non-current portion of provision	**49,736**	49,198
	61,556	64,222

Law suits

The Company recorded a provision for court cases in the amount of BAM 11,820 thousand. See *Note 29* for further details.

Dismantling provision

A provision of BAM 1,052 thousand was made during 2015 in respect of the Company obligation for dismantling and removing the items of thermo plants in Kakanj and Tuzla (2014: BAM 974 thousand). The Company assumes that the site will be restored and the items will be removed and dismantled using technology and materials that are available currently. The estimated dismantling costs are revised at each reporting date. The provision has been calculated using a discount rate of 8%.

26 Provisions *(continued)*

Retirement benefits

The provision for retirement benefits is calculated as follows:

	31 December 2015 BAM'000	31 December 2014 BAM'000
Opening balance	**36,053**	35,814
Interest expenses	**1,983**	1,791
Current service costs	**3,778**	2,425
Actuarial gains	**(2,124)**	(656)
Retirement benefits paid	**(4,151)**	(3,321)
	35,539	36,053

The following is the principal actuarial assumptions at the reporting date.

	31 December 2015	31 December 2014
Discount rate	**5.5%**	5%
Expected salary increase	**2.5%**	2%

The employees are entitled to a retirement at the age of 65 or after 40 years of service. The actuarial appraisal for 2015 used the assumptions regarding the worker fluctuations of 0.06%.

The Company did not prepare a sensitivity analysis for changes in relevant actuarial assumptions.

27 Trade and other payables

	31 December 2015 BAM'000	31 December 2014 BAM'000
Trade payables – related parties	**14,857**	9,944
Trade payables – third parties	**26,616**	26,929
Accrued expenses	**25,904**	16,306
Liabilities for dividends	**375**	398
Prepayment from suppliers	**13,741**	13,907
Liabilities for air pollution fees	**5,567**	6,508
Liabilities for renewable energy fees	**736**	1,360
Liabilities for hydro-accumulation	**811**	1,872
Other short term liabilities	**7,927**	9,450
	96,534	86,674

28 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no significant exposure to liquidity risk.

(iii) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments.

Exposure to credit, interest and currency risk arises in the normal course of the Company's business.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**31 December 2015 BAM'000**	31 December 2014 BAM'000
Loans and receivables	*18, 19*	**334,971**	294,102
Prepayments	*20*	**53,238**	30,078
Cash and cash equivalents	*22*	**38,435**	71,829
		426,644	396,009

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	31 December 2015 BAM'000	31 December 2014 BAM'000
Domestic	**110,670**	90,855
Foreign	**1,522**	5,153
	112,192	96,008

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	31 December 2015 BAM'000	31 December 2014 BAM'000
Wholesale customers	**91,864**	76,523
Retail customers	**20,328**	19,485
	112,192	96,008

28 Financial risk management *(continued)*

Impairment losses

The ageing of trade receivables at the reporting date was:

	2015	2014
	BAM'000	BAM'000
Not due and past due to 90 days	**106,875**	90,024
Past due 91 – 180 days	**2,472**	3,100
Past due 181 – 365 days	**2,721**	2,853
Past due over 365 days	**124**	31
	112,192	96,008

The movement in the impairment of trade receivables is as follows:

BAM'000	
At 1 January 2015	**46,210**
Impairment loss recognised *(Note 11)*	4,293
Reversal of impairment *(Note 7)*	(2,058)
Derecognition of previously impaired trade receivables	(1,149)
At 31 December 2015	**47,296**

Impairment losses

The Company has not able to provide ageing of trade receivables at the reporting date.

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2015	**Carrying amount**	**Contractual Cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 Years**	**More than 5 years**
	BAM'000	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**
Non-derivative financial liabilities							
Trade and other payables	**96,534**	**(96,534)**	**(96,534)**	-	-	-	-
Interest bearing loans	**141,707**	**(155,145)**	**(9,042)**	**(4,521)**	**(10,054)**	**(31,434)**	**(100,094)**

31 December 2014	Carrying amount	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 Years	More than 5 years
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
Non-derivative financial liabilities							
Trade and other payables	86,674	(86,674)	(86,674)	-	-	-	-
Interest bearing loans	149,759	(159,833)	(7,271)	(7,119)	(10,932)	(30,666)	(103,845)

28 Financial risk management *(continued)*

Currency risk

Exposure to currency risk

The Company incurs foreign currency risk on sales, purchases, interest bearing loans and borrowings and loans and other receivables that are denominated in a currency other than convertible mark. The currencies giving rise to this risk are primarily EUR, USD, XDR, YEN and CHF. These exposures are not currently hedged.

The Company's exposure to foreign currency risk was as follows based in functional currency:

In thousand BAM	**31 December 2015**				
	EUR	**USD**	**XDR**	**YEN**	**CHF**
Loans and other receivables	**163,312**	**-**	**-**	**-**	**-**
Trade payables and interest bearing loans and borrowings	**(89,563)**	**(161)**	**(37,956)**	**(12,437)**	**(1,597)**
Gross balance sheet exposure	**73,749**	**(161)**	**(37,956)**	**(12,437)**	**(1,597)**

In thousand BAM	31 December 2014				
	EUR	USD	XDR	YEN	CHF
Loans and other receivables	141,798	-	-	-	-
Trade payables and interest bearing loans and borrowings	(93,679)	(433)	(39,776)	(11,750)	(1,436)
Gross balance sheet exposure	48,119	(433)	(39,776)	(11,750)	(1,436)

	Average rate		**Reporting date spot rate**	
	2015	2014	**2015**	2014
EUR	**1.95583**	1.95583	**1.95583**	1.95583
USD	**1.76247**	1.46694	**1.79007**	1.41902
XDR	**2.47136**	2.23446	**2.48944**	2.18775
YEN	**0.01616**	0.01496	**0.01486**	0.01349
CHF	**1.83136**	1.58881	**1.80861**	1.59542

28 Financial risk management *(continued)*

Sensitivity analysis

Since there were no fluctuations in the EUR vs. BAM foreign exchange rate since the introduction of the BAM, sensitivity analysis is not necessary for amounts denominated in EUR. A reasonably possible strengthening (weakening) of the USD, XDR, YEN or CHF would have affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

In thousand BAM	**Strengthening**	**Weakening**
31 December 2015		
USD	**(2)**	**2**
XDR	**(380)**	**380**
YEN	**(124)**	**124**
CHF	**(16)**	**16**

In thousand BAM	**Strengthening**	**Weakening**
31 December 2014		
USD	(4)	4
XDR	(398)	398
YEN	(118)	118

Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2015 BAM'000	2014 BAM'000
Fixed rate instruments		
Financial assets	**203,936**	176,494
Financial liabilities	**(30,269)**	(31,278)
	173,667	145,216

	Carrying amount	
	2015 BAM'000	2014 BAM'000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**(111,438)**	(118,481)
	(111,438)	(118,481)

28 Financial risk management *(continued)*

Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in the interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

BAM'000	**Profit or loss**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2015				
Cash flow sensitivity analysis	**(383)**	**1,677**	**(383)**	**1,677**
31 December 2014				
Cash flow sensitivity analysis	(1,106)	1,106	(1,106)	1,106

Capital management

The Company monitors capital using net debt to equity ratio. For this purpose, net debt is defined as total liabilities (which include interest bearing loans and borrowings) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to merger reserves, less unaccrued proposed dividends.

The Company's adjusted net debt to equity ratio at the end of the reporting period was as follows:

	31 December 2015 BAM'000	31 December 2014 BAM'000
Total liabilities	**399,503**	405,544
Less: cash and cash equivalents	**(38,435)**	(71,829)
Net debt	**361,068**	333,715
Equity	**2,984,787**	2,983,708
Total	**0.12**	0.11

29 Contingent liabilities

Court cases

As of 31 December 2015, court proceedings were initiated against the Company in the total amount of BAM 47,177 thousand (2014: BAM 35,689 thousand). As of 31 December 2015, the Company has created a provision for law suits of BAM 2,493 thousand (2014: BAM 7,095 thousand), so that the total provisions as at 31 December 2015 amounted to BAM 11,820 thousand. For the remainder of the court proceedings, which are not provided for, either, based on the first instance verdict, are settled in the favour of the Company or Management is of the opinion that they are without merit and therefore management believes that current provision for law suits is sufficient.

30 Environmental matters

The principal activities of the Company are the generation and distribution of electricity, and the control of the electric power systems. These principal business activities can have inherent effects on the environment in terms of emissions into land, water and air. The environmental effects of the Company's activities are monitored by local management and environmental authorities.

30 Environmental matters *(continued)*

In the past years, the creation of a system of environmental management has been underway in Bosnia and Herzegovina, based on the principles applied in the European Union. Up to now the sector legislation in Bosnia and Herzegovina covered air, water and waste, while noise, chemicals and ionising radiation were not covered. As far as horizontal legislation is concerned, the development of bylaws regulating environmental licenses is underway.

As part of the European Union integration strategy, environmental regulations similar to those at other European Union countries may be introduced in Bosnia and Herzegovina. Such environmental regulations may have an impact on environmental liabilities for the Company which management has not been able to estimate.

31 Related party transactions

(a) Related parties under common ownership – Enterprises controlled by the Government

The company is under the majority ownership by the Government of the Federation of Bosnia and Herzegovina. The following are the major transactions with the companies controlled by the Government of the Federation of Bosnia and Herzegovina, Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo and Elektroprenos BiH a.d. Banja Luka. Other transactions with companies controlled by the government are not individually significant; they occur during the normal course of business and relate to utilities.

Receivables	**31 December 2015 BAM 000**	31 December 2014 BAM 000
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	**578**	622
Elektroprenos BiH a.d. Banja Luka	**10**	9
	588	631

Liabilities	**31 December 2015 BAM 000**	31 December 2014 BAM 000
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	**1,785**	789

Revenues	**2015 BAM 000**	2014 BAM 000
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	**6,462**	6,619
Elektroprenos BiH a.d. Banja Luka	**74**	71
	6,536	6,690

Expenses	**2015 BAM 000**	2014 BAM 000
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	**21,751**	22,565
Elektroprenos BiH a.d. Banja Luka	**48,617**	46,861
	70,368	69,426

31 Related party transactions *(continued)*

(b) Related parties – Coal mines

The Company has acquired a 100% stake in coal mines as disclosed in Note 19 *Investment in subsidiaries*, therefore transactions from the sale of electricity power, coal purchases and advances provided are disclosed as related party transactions. Sales and purchases are made at fair exchange amount, being the amount agreed between the related parties. Balances with related parties are as follows:

Assets

Trade receivables and advances given

	31 December 2015 BAM'000	31 December 2014 BAM'000
RMU Kakanj d.o.o.	**1,879**	175
RMU Zenica d.o.o.	**15,784**	8,815
RMU Breza d.o.o. Breza	**5,360**	650
RU Gračanica d.o.o. Gornji Vakuf	**49**	49
RMU Abid Lolić d.o.o.	**4,125**	2,136
Rudnici Kreka d.o.o.	**23,826**	13,075
RMU Đurđevik d.o.o.	**3,330**	1,351
Iskraemeco d.o.o.	**12**	3,053
Eldis Tehnika d.o.o.	**743**	2,305
	55,108	31,609

Loan receivables		
RMU Kakanj d.o.o.	**2,688**	4,062
RMU Zenica d.o.o.	**202**	117
RMU Kreka d.o.o.	**15,715**	11,369
RMU Đurđevik d.o.o.	**4,255**	2,032
RMU Breza	**1,221**	-
	24,081	17,580

Liabilities

Trade payables and other liabilities

	31 December 2015 BAM'000	31 December 2014 BAM'000
Rudnici Kreka d.o.o.	**4,043**	1,057
RMU Zenica d.o.o.	**261**	279
RMU Kakanj d.o.o.	**398**	2,033
RMU Đurđevik d.o.o.	**2,593**	1,502
RU Gračanica d.o.o. Gornji Vakuf	**2,713**	1,457
RMU Abid Lolić d.o.o.	**170**	55
RMU Breza d.o.o. Breza	**587**	479
Iskraemeco d.o.o.	**5,750**	2,654
Eldis Tehnika d.o.o.	**410**	428
	16,925	9,944

32 Related party transactions *(continued)*

(a) Related parties – Coal mines (continued)

Sales revenue

	2015 BAM'000	2014 BAM'000
Rudnici Kreka d.o.o.	**6,844**	8,045
RMU Zenica d.o.o.	**1,744**	2,301
RMU Đurđevik d.o.o.	**2,660**	2,388
RMU Kakanj d.o.o.	**1,485**	1,792
RMU Breza d.o.o. Breza	**1,471**	1,716
RMU Abid Lolić d.o.o.	**485**	607
RU Gračanica d.o.o. Gornji Vakuf	**385**	464
	15,074	17,313

Expenses

	2015 BAM'000	2014 BAM'000
Rudnici Kreka d.o.o	**70,281**	75,765
RMU Kakanj d.o.o.	**60,273**	69,242
RMU Breza d.o.o. Breza	**27,003**	29,453
RMU Đurđevik d.o.o.	**30,935**	31,196
RMU Zenica d.o.o.	**6,182**	11,758
RU Gračanica d.o.o. Gornji Vakuf	**12,349**	13,384
RMU Abid Lolić d.o.o.	**10,547**	1,730
	217,570	232,528

(b) Related parties – associates

The Company is related to ETI d.o.o. Sarajevo due to its ability to exercise significant influence, The Company, in the normal course of business and at fair exchange amount, being the amount the Company and the related party has agreed on, had the following transactions with related parties:

	2015 BAM'000	2014 BAM'000
Accounts receivables	**2**	1
Accounts payables	**96**	-
Sales revenue	**14**	18
Purchases	**237**	159

(c) Related parties – management remunerations

The remuneration of key management and Supervisory board members during the year was as follows:

	2015 BAM'000	2014 BAM'000
Management Board remuneration	**656**	646
Supervisory Board remuneration	**133**	133
	789	779

32 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances,

Certain accounting estimates in applying Company's accounting policies are described below:

Impairment of investment in subsidiaries and associates

Impairment of investment into subsidiaries and associates is based on management's best estimate of the recoverable amount of subsidiaries and associates. Recoverable amount is the higher of fair value less cost to sell and value in use.

Impairment of property, plant and equipment

In 2015 the Company recognised an impairment loss of BAM 7,357 thousand based on internal estimates. At each balance sheet date, the Company assesses whether there are internal and external indications of impairment of property, plant and equipment. If such indications exist, Management performs impairment testing for the cash generating unit to which the impairment relates. Management considers all production branches as one cash generating unit, because the thermal power plants make the base (and majority) production, while the hydropower plants cover the variable part of the requisite for electricity. This means that Management views the production of electricity on a portfolio basis. Also, Management does not consider distribution to be a separate unit, because the Company's activity is regulated by legislation on a national level.

Impairment of receivables

Trade receivables from sale of energy are estimated on each reporting date and are impaired according to the number of outstanding days (365 days) for the payment. Receivables which are three months overdue are considered bad debts. Due receivables more than one year old, for retail and corporate customers, are fully provided for.

Income tax

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authority.

Provisions for contingencies

The Company recognises provisions as a result of court cases initiated against them for which is likely that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated, In estimating provisions, the Company takes into account professional legal advice and management considerations.

33 Ownership structure

The ownership structure of the Company is as follows:

	31 December 2015		31 December 2014	
	Number of shares	**Ownership**	Number of shares	Ownership
The Government of the Federation of Bosnia and Herzegovina	**28,472,181**	**90.4%**	28,472,181	90.4%
Various shareholders	**3,034,360**	**9.6%**	3,034,360	9.6%
	31,506,541	**100%**	31,506,541	100%