

COMPANY FOR TELECOMMUNICATIONS
ENGINEERING
"TeleGroup" d.o.o. BELGRADE

Financial Statements as of and for
the Year Ended 31 December 2018
and
Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT

To the Owner of the Company for Telecommunications Engineering "TeleGroup" d.o.o.
Belgrade

We have audited the accompanying financial statements of the limited liability company for telecommunications engineering "TeleGroup" Belgrade (hereinafter: the "Company"), which comprise the balance sheet as of 31 December 2018, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 62/2013 and 30/2018), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Audit ("Official Gazette of the Republic of Serbia", no. 62/2013 and 30/2018) and Standards on Auditing applicable in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting and accounting policies disclosed in Note 3 to the financial statements.

Belgrade, 22 April 2019


Danijela Krtinac
Certified Auditor



BALANCE SHEET
As of 31 December 2018
In RSD thousand

TRANSLATION

	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Intangible assets	6	78,271	743
Property, plant and equipment	7	171,358	190,746
Long-term financial placements	8	334,429	294,723
		<u>604,977</u>	<u>486,212</u>
Deferred tax assets		<u>515</u>	<u>-</u>
Current assets			
Inventories	10	153,266	172,943
Trade receivables	11	912,381	554,697
Other receivables	12	11,655	25,423
Short-term financial placements	13	41,760	52,404
Cash and cash equivalents	14	58,618	80,840
Value added tax receivable		1,699	-
Prepayments and accrued income	15	48,745	70,934
		<u>1,228,124</u>	<u>957,241</u>
TOTAL ASSETS		<u>1,833,616</u>	<u>1,443,453</u>
OFF BALANCE SHEET ASSETS	16	<u>512,852</u>	<u>581,725</u>
EQUITY AND LIABILITIES			
Equity			
Capital	16	66,143	66,143
Reserves	17	9,665	9,665
Unrealised gains on securities and other components of other comprehensive income, net	17	88,948	37,312
Retained earnings	17	569,245	539,284
		<u>734,001</u>	<u>652,404</u>
Long-term provisions and liabilities			
Long-term provisions	18	5,456	3,861
Long-term liabilities	19	24,010	46,765
		<u>29,466</u>	<u>50,626</u>
Deferred tax liabilities	24	<u>-</u>	<u>137</u>
Current liabilities			
Short-term financial liabilities	20	113,923	97,329
Advances and deposits received and retainers	21	123,235	104,653
Accounts payable	21	796,102	504,752
Other short term liabilities	22	11,712	12,850
Value added tax payable		-	8,509
Other tax liabilities	23	12,062	2,066
Accruals and deferred income	23	13,115	10,127
		<u>1,070,149</u>	<u>740,286</u>
TOTAL EQUITY AND LIABILITIES		<u>1,833,616</u>	<u>1,443,453</u>
OFF BALANCE SHEET LIABILITIES		<u>512,852</u>	<u>581,725</u>

The accompanying notes on pages 1 to 50
are an integral part of these financial statements.

The accompanying financial statements were approved for issue on 21 March 2019 and signed on
behalf of the Company's management by:

Milan Stefanovic
Acting Director

Miladina Veljković
Head of Finance & Accounting Department



INCOME STATEMENT
For the period 01 January - 31 December 2018
In RSD thousand

TRANSLATION

	<u>Note</u>	<u>2018</u>	<u>2017</u>
OPERATING INCOME			
Income from the sale of goods		974,821	635,652
Income from the sale of products and services	26	2,179,226	1,608,508
Other operating income	26	555	586
		<u>3,154,602</u>	<u>2,244,746</u>
OPERATING EXPENSES			
Costs of goods sold	27	(735,737)	(506,092)
Own-work and goods capitalised		891	1,100
Costs of material	28	(468,156)	(391,875)
Cost of fuel and energy	28	(23,311)	(23,444)
Wages, salaries and other personnel expenses	29	(249,213)	(256,304)
Productive services costs	30	(1,011,845)	(673,307)
Depreciation and amortisation	31	(25,591)	(20,205)
Long term provisions		(352)	(826)
Non-material costs	32	(539,906)	(354,834)
		<u>(3,053,220)</u>	<u>(2,225,787)</u>
OPERATING INCOME		<u>101,382</u>	<u>18,959</u>
Financial income	33	8,752	22,146
Financial expenses	34	(22,208)	(27,813)
Net financial (loss)/income		<u>(13,456)</u>	<u>(5,667)</u>
Losses from fair value adjustments of other assets at fair value through profit and loss	35	(56,174)	(3,102)
Other income	36	21,471	16,933
Other expenses	37	(10,341)	(1,580)
OPERATING PROFIT BEFORE TAX		<u>42,882</u>	<u>25,543</u>
Net profit from discontinued operations, effects of changes in accounting policies and prior year's error adjustment		-	-
PROFIT BEFORE TAX		<u>42,882</u>	<u>25,543</u>
INCOME TAXES			
Tax expense of the period	24	(13,572)	(5,772)
Deferred tax (expenses)/income of the period	24	651	125
NET PROFIT FOR THE YEAR		<u>29,961</u>	<u>19,896</u>

The accompanying notes on pages 1 to 50
are an integral part of these financial statements.

Milan Stefanovic
Acting Director



Miladina Veljkovic
Head of Finance & Accounting Department

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2018
In RSD thousand

TRANSLATION

	2018	2017
NET PROFIT FOR THE YEAR	29,961	19,896
Other comprehensive income:		
Actuarial (losses)/gains on defined benefits plans	(397)	(145)
Gains/(losses) on translation of financial statements of foreign operations	(19)	(157)
Gains/(losses) on financial asset held for sale	52,052	35,908
Total other comprehensive income/(loss), net of related taxes	51,636	35,606
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	81,597	55,502

The accompanying notes on pages 1 to 50
are an integral part of these financial statements.



Milan Stefanovic
Acting Director




Miladina Veljkovic
Head of Finance & Accounting Department

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2018
In RSD thousand

TRANSLATION

	Capital	Statutory reserves	Other reserves	Actuarial gains/ (Losses)	Unrealized gains/ (losses) on financial asset held for sale, net	Retained earnings	Total equity
Balance as of 1 January 2017	66,143	6,695	2,970	1,189	518	519,388	596,903
Net profit for the year	-	-	-	-	-	19,896	19,896
Other comprehensive income:							
Actuarial (losses)/gains arising from calculation of retirement benefits	-	-	-	(303)	-	-	(303)
Unrealized (losses)/gains on financial asset held for sale	-	-	-	-	35,908	-	35,908
Balance as of 31 December 2017	<u>66,143</u>	<u>6,695</u>	<u>2,970</u>	<u>886</u>	<u>36,426</u>	<u>539,284</u>	<u>652,404</u>
Net profit for the year	-	-	-	-	-	29,961	29,961
Other comprehensive income:							
Actuarial (losses)/gains arising from calculation of retirement benefits	-	-	-	(416)	-	-	(416)
Unrealized (losses)/gains on financial asset held for sale	-	-	-	-	52,052	-	52,052
Balance as of 31 December 2018	<u>66,143</u>	<u>6,695</u>	<u>2,970</u>	<u>470</u>	<u>88,478</u>	<u>569,245</u>	<u>734,001</u>

The accompanying notes on pages 1 to 50 are an integral part of these financial statements.


Milan Stefanovic
Acting Director




Miladina Veljkovic
Head of Finance & Accounting Department

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2018
In RSD thousand

TRANSLATION

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and advances received	3,102,839	2,287,961
Other cash inflows from operating activities	3,886	7,233
Payments to suppliers and advances paid	(2,750,351)	(2,113,098)
Wages, salaries and other personnel expenses	(233,508)	(204,557)
Interest paid	(9,401)	(11,767)
Income tax	(3,556)	(2,974)
Cash outflows for other taxes payable	(58,041)	(27,063)
Net cash flows from operating activities	51,868	(64,265)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other financial placements (net inflows)	(56,899)	99,683
Purchase of shares and investments (net outflows)	-	(16)
Net cash flows from investing activities	(56,899)	99,667
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings (net outflows)	(16,931)	(12,246)
Short-term borrowings (net inflows)	-	33,633
Finance lease	-	(8,016)
Net cash flows from financing activities	(16,931)	13,371
Total cash inflows	3,106,725	2,428,510
Total cash outflows	(3,128,687)	(2,379,737)
Net inflows/(outflows) in cash and cash equivalents	(21,962)	48,773
Cash and cash equivalents, beginning of the year	80,840	32,126
Foreign currency gains on translation of cash and cash equivalents	19	119
Foreign currency losses on translation of cash and cash equivalents	(279)	(178)
Cash and cash equivalents, end of the year	58,618	80,840

The accompanying notes on pages 1 to 50
are an integral part of these financial statements.

Milan Stefanovic
Acting Director



Miladina Veljkovic
Head of Finance & Accounting Department



TeleGroup Belgrade

Notes to the Financial Statements for the Year Ended 31 December 2018

Belgrade, 2019
ONEFORALL

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

1. CORPORATE INFORMATION

Company for telecommunications engineering "TeleGroup" d.o.o. Belgrade, (hereinafter: the Company), Svetozara Miletica 9a, was established on 16 January 2001. The Company was established by the company "TeleGroup" Limited from London, Great Britain (hereinafter: the Founder).

The Company's main activity is the providing of IT consulting services. The Company designs and implements IT solutions, develops software applications, implements IPTV and OTT solutions for delivering video content, and for the building and integration of the telecommunication, electrical power and traffic infrastructure. The Company also offers professional services related to consulting, design, integration, installation, putting systems into operation, maintenance of systems, equipment and software applications, software engineering and project management.

The Company has entered into partnership and cooperation contracts with many renowned global companies. The Company has acquired an enviable client database, which is comprised of distinguished companies and institutions, by implementing major projects in big systems of various telecom operators, electrical power systems, state, public and financial sectors and through the cooperation with small- and medium-sized enterprises.

As of 31 December 2018 the Company has 138 employees and as of 31 December 2017 146 employees. Tax identification number of the Company is 101733237.

As of 31 December 2018 the Company has 4 subsidiaries (Note 8) and a branch in Germany.

These separate financial statements were adopted by the Founder of the Company on 21 March 2019. The adopted financial statements can be subsequently amended, based on the Decision of the Founder of the Company no later than the end of 2019.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 62/2013 and 30/2018 - hereinafter: the Law).

In accordance with the Law, for recognition, valuation, presentation and disclosure of items in the financial statements, medium-sized legal entities are entitled to prepare financial statements applying International Financial Reporting Standards (hereinafter: IFRS). IFRS, for the purposes of the Law, are as follows: Framework for the Preparation and Presentation of the financial statements, International Accounting Standards - IAS, International Financial Reporting Standards - IFRS and related interpretations issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these standards and related interpretations, approved by the International Accounting Standards Board, the translation of which was determined and published by the ministry responsible for finance (hereinafter: the Ministry).

According to the Decision no. 401-00-896/2014-16 issued by the Minister of Finance of the Republic of Serbia on 13 March 2014 ("Official Gazette of the Republic of Serbia", No. 35/2014), an official translation of the Conceptual Framework for Financial Reporting and principal IAS texts, i.e. the IFRS published by the International Accounting Standards Board ("IASB"), as well as interpretations of the standards published by the International Financial Reporting Interpretations Committee ("IFRIC") in the form in which they were issued, i.e. adopted, was established.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **T R A N S L A T I O N**

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The content and form of financial statements and the content of the positions in forms is prescribed by the Guidelines on the Content and Form of Financial Statements for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the Republic of Serbia No. 95/2014 and 144/2014).

The principal accounting policies applied in the preparation of these financial statements are set out in Note 3. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in RSD unless otherwise stated. Dinar (RSD) is an official reporting and functional currency of the Republic of Serbia. All transactions in currencies that are not a functional currency are treated as foreign currency transactions.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2.1. Basis of Measurement

The accompanying financial statements have been prepared under the cost convention.

2.2. Impact and Implementation of the New and Revised IAS/IFRS

(a) *New Standards, Interpretations and Amendments effective as of 1 January 2018 not yet officially translated and adopted in the Republic of Serbia*

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by the IASB and IFRIC, became effective as of 1 January 2018 and are, as such, applicable to the accompanying financial statements as of 31 December 2018, but have not been translated and published by the Ministry of Finance of the Republic of Serbia, and, therefore, have not been implemented by the Company:

1. Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
2. Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 and IAS 27 "Investment Entities" (effective for annual periods beginning on or after 1 January 2014);
3. Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014);
4. Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
5. IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014);

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated T R A N S L A T I O N

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. Impact and Implementation of the New and Revised IAS/IFRS (Continued)

(a) *New Standards, Interpretations and Amendments effective as of 1 January 2018 not yet officially translated and adopted in the Republic of Serbia (Continued)*

6. Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) resulting from the annual improvement of standards, "2010-2012 Cycle", published by the IASB in December 2013, primarily through removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 July 2014);
7. Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) as a result of annual standards improvement project, "2011-2013 Cycle", published by the IASB in December 2013, primarily through removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 July 2014);
8. Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
9. Amendments to various standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as a result of annual standards improvement project, "2012-2014 Cycle", published by the IASB in September 2014, primarily through removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016);
10. Amendments to IFRS 11 "Joint Arrangements" : Accounting for Acquisitions of Interests (effective for annual periods beginning on or after 1 January 2016);
11. Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
12. Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
13. Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
14. Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
15. Amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
16. Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (effective for annual periods beginning on or after 1 January 2016);
17. IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
18. Amendment to IAS 12 "Income taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017);

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. Impact and Implementation of the New and Revised IAS/IFRS (Continued)

(a) New Standards, Interpretations and Amendments effective as of 1 January 2018 not yet officially translated and adopted in the Republic of Serbia (Continued)

19. Amendment to IAS 7 "Cash Flow Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
20. Amendment to IAS 12 "Income taxes" annual standards improvement project "2014-2016 Cycle", published by the IASB in December 2016 (effective for annual periods beginning on or after 1 January 2017);
21. Conceptual Framework for Financial Reporting 2018 (issued in March 2018, no date of application is indicated, therefore, effective from the moment of publication);
22. Amendments to IAS 40 "Investment Property" in connection with the transfer of investment property (effective for annual periods beginning on or after 1 January 2018);
23. Amendments to IFRS 2 "Share-Based Payments" (effective for annual periods beginning on or after 1 January 2018);
24. IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
25. Amendments to IFRS 9, "Financial Instruments", relating to the new general hedge accounting model (effective for annual periods beginning on or after 1 January 2018);
26. IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);
27. Amendments to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);
28. Amendments to IFRS 4 "Insurance Contracts" in connection with the implementation of IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods starting from or after 1 January 2018);
29. IFRIC 22 "Transactions in Foreign Currency and Consideration of Advance Payments" (effective for annual periods beginning on or after 1 January 2018); and
30. Amendments to various standards (IFRS 1 and IAS 28) resulting from the annual improvement of standards, "2014 - 2016 Cycle", published by the IASB in December 2016 (effective for annual periods beginning on or after 1 January 2018).

(b) New Standards, Amendments and Interpretations to Existing Standards that are not yet effective

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, but have not been applicable or officially translated and published by the Ministry, and, therefore, have not been implemented by the Company. The Company takes into consideration their potential impact on the financial statements, if any.

1. IFRS 16 "Leasing" (valid for annual periods beginning on or after 1 January 2019);
2. IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019);
3. Annual improvements to IFRS, "Cycle 2015-2017" - IFRS 3, IFRS 11, IAS 12 and IAS 23, published by the IASB in December 2017 (effective for annual periods beginning on or after 1 January 2019);

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated T R A N S L A T I O N

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. Impact and Implementation of the New and Revised IAS/IFRS (Continued)

(b) *New Standards, Amendments and Interpretations to Existing Standards that are not yet Effective (Continued)*

4. Amendments to IFRS 9 "Financial instruments" - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
5. Amendments to IAS 28 "Investments in Associates and Joint Ventures" relating to long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
6. Amendments to IAS 19 "Employee Benefits" relating to plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019);
7. Amendments to IFRS 3 "Business Combinations" (effective for annual periods beginning on or after 1 January 2020);
8. Amendments to IAS 1 and IAS 8 - Definition of Materiality (effective for annual periods beginning on or after 1 January 2019);
9. Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 due to harmonisation with the new Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020) and
10. IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

2.3. Departure of Accounting Regulations of the Republic of Serbia from IFRS

An IFRS translation that is established and published by the Ministry includes IAS/IFRS basic texts, published by the International Accounting Standards Board, as well as interpretations published by the IFRS Interpretations Committee in the form in which they were issued and which does not include basis for conclusion, illustrative examples, guidelines, comments, opposite opinions, elaborate examples and further explanatory material that can be adopted in relation to standards, i.e. interpretations, unless it is explicitly stated that it constitutes an integral part of standards/interpretations.

An IFRS translation was established on the basis of a Minister of Finance's Decision on Establishing a Translation of the Conceptual Framework for Financial Reporting and Basic Texts of the International Accounting Standards and/or International Financial Reporting Standards no. 401-00-896/2014-16 dated 13 March 2014, which was published in "Official Gazette of the Republic of Serbia" no. 35 on 27 March 2014. The IFRS translation has been in effect since the financial statements prepared for the year ended 31 December 2014. Those IFRSs and their interpretations that were amended or issued after this date have not been translated and published, and therefore they were not applied during the preparation of the accompanying financial statements.

Taking into consideration the abovementioned and the fact that certain laws and bylaws prescribe accounting procedures which in certain cases depart from IFRS requirements and that the Law on Accounting stipulates that RSD is the official reporting currency, the Republic of Serbia accounting regulations may depart from IFRS requirements, which may affect the reality and objectivity of the accompanying financial statements. Therefore, the accompanying financial statements cannot be deemed financial statements fully prepared in accordance with IFRS as described under the provisions of IAS 1 "Presentation of Financial Statements".

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **T R A N S L A T I O N**

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4. Foreign Currency Translation

Assets and liabilities components denominated in foreign currencies are translated into RSD at the official exchange rates published by the National Bank of Serbia, prevailing at the reporting date (Note 40). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses arising upon settling such transactions and translation of monetary assets and liabilities denominated in foreign currencies at the year-end are credited or debited to the income statement, as financial income/expenses.

2.5. Comparative Figures

Comparative figures represent the data included in the audited financial statements as of and for the year ended 31 December 2017, prepared in accordance with the accounting regulations prevailing in the Republic of Serbia.

2.6. Going Concern Assumption

The financial statements have been prepared under the going concern principle, which means that the Company will continue its operations in the foreseeable future, covering the period of at least twelve months from the date of the financial statements.

2.7. Use of Estimates

The preparation of the financial statements in accordance with IFRS requires the application of the key accounting estimates. It also requires the management to use its judgement in the application of the accounting policies of the Company. These estimates and related assumptions are based on information available as of the date of the preparation of the financial statements. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. If through examination it is determined that there have been changes in the estimated value, the determined effects are recognised in the financial statements in the period when the change has occurred. Areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Intangible Assets

Intangible assets are initially recognised at cost. After the initial recognition, intangible assets are stated at cost less accumulated amortisation and cumulative impairment losses, if any.

The useful life of intangible assets is estimated as definite.

Intangible assets with definite useful lives are amortised over the useful lives of such assets and tested for impairment if there is any indication that such assets may be impaired. Amortisation of intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful life ranging from 1 to 5 years.

Gains/losses from the disposal or sale of intangible assets are credited/debited to the Income statement of the period the asset was disposed or sold, in the amount of the difference between the net inflow and the carrying value of the asset.

3.2. Property, Plant and Equipment

Items of property, plant and equipment which fulfil the requirements to be recognised as assets are initially recognised at cost.

Cost includes expenditure that is directly attributable to the acquisition of the items, comprising the purchase price (import duties and VAT), all directly attributable costs of bringing the assets to the location and condition necessary to function in accordance with the management's expectations, the estimated cost of dismantling and removing the asset and restoring the site, as well as capitalised borrowing costs.

Subsequent to the initial measurement, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenses are included in the cost of an item of property, plant and equipment or recognised as a separate asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The net book value of a replaced asset is transferred out of the books. All other repair and maintenance costs are charged to the income statement of the period in which they are incurred.

Gains/losses from the disposal of property and equipment are credited/debited to the Income statement of the period the asset was disposed or sold, in the amount of the difference between the net inflow and the carrying value of the asset.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost /or revalued amounts/ over their estimated useful lives, as follows:

Buildings	76 years
Machinery and equipment	5-7 years
Motor vehicles	4-6.5 years
Furniture, fittings and equipment	5-8 years

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For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated TRANSLATION

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Property, Plant and Equipment (Continued)

The estimated useful life of assets is reviewed periodically, and adjusted if necessary at each balance sheet date.

The calculation of depreciation for tax purposes is done in accordance with the Corporate Income Tax Law of the Republic of Serbia ("Official Gazette of the Republic of Serbia", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017 and 95/2018) and the Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes ("Official Gazette of the Republic of Serbia", no. 116/2004 and 99/2010), which results in deferred taxes.

3.3. Equity Investments in Subsidiaries

Subsidiaries are all entities under Company's control, where control refers to the Company's power to govern the financial and operating policies, in order to generate benefits from their activities. It is considered that the control exists when the Company owns, directly or indirectly (through other subsidiaries) more than half of the voting rights. Equity investments in subsidiaries are stated at the original acquisition cost less potential impairment losses.

3.4. Impairment of Non-Financial Assets

Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. 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 in the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that incurred impairment are reviewed for possible reversal of the impairment at each reporting date.

3.5. Financial Instruments

Financial Assets

Financial assets are recognised in the Company's balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument.

All financial instruments are initially recognised at fair value including any directly attributable incremental costs of acquisition or issue (except for financial assets and financial liabilities at fair value through profit and loss, when transaction costs are treated as the expenses of the period). Regular way purchases or sales of financial assets are recognised on the trade date - on the date when the Company commits to purchase or sell the assets.

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For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets cease to be recognised when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realised, expired, abandoned, and/or ceded.

The Company's financial assets comprise cash, short-term deposits, securities held for trading, accounts receivable and other trade receivables, loans and advances.

Subsequent measurement of financial assets depends on their classification. The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale assets and held-to-maturity assets.

Classification of financial assets depends on the purposes for which they have been acquired. The Company's management determines the classification of its financial assets at the initial recognition.

(a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit and loss are financial assets that are held for trading. A financial asset is classified under this category if it has been acquired mainly in order to be sold in the short run. Derivatives are also classified as assets held for trading unless they are determined as a risk hedging instrument. Assets under this category are classified as current assets.

As of 31 December 2018 the Company did not have assets at fair value through profit and loss.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Exceptionally to the general rule of initial recognition of financial assets, short-term interest-free receivables, where the discount effect is not material, are initially recognised at the original invoice value.

In the Company's balance sheet, this category of financial assets comprises trade and other receivables, short-term loans extended to related parties recorded in short-term financial placements and housing loans extended to employees, recorded in long-term financial placements.

Other long-term financial placements include interest-free receivables from employees arising from housing loans provided.

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For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated TRANSLATION

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Financial Instruments (Continued)

Financial Assets (Continued)

(b) *Loans and Receivables (Continued)*

Trade receivables are recorded at invoiced value net of allowance for impairment. The assessment of the amount of uncollectible receivables is based on the ageing structure analysis and historical experience, and when the collection of the total amount or a portion of the receivable is no longer probable. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other expenses. Income from the reversal of impairment losses arising from subsequent recoveries and estimated collectability of receivables is recognised in the income statement under the income from the value adjustment of other assets that is recognised at fair value through profit and loss.

Short-term financial placements are stated at nominal value and they represent given borrowings and loans and short-term time deposits with commercial banks.

(c) *Financial Assets Available for Sale*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets available for sale are subsequently measured at fair value, whereas all unrealised gains and losses are recognised in other comprehensive income.

In the Company's balance sheet this category of financial assets includes equity investments in banks and legal entities recorded within long-term financial placements.

Financial Liabilities

Financial liabilities are recognised in the Company's balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument.

Financial liabilities cease to be recognised when the Company fulfils the obligations, or when the contractual repayment obligation has either been cancelled or has expired. In case the existing financial liability is replaced by another liability toward the same creditor, but under significantly different terms, or if the conditions of the existing liabilities change, such replacement or a change of conditions is treated as the cancellation of the initial liability with a concurrent recognition of a new liability, while the difference between the initial and new value of liability is recognised in the income statement.

Financial liabilities are initially recognised at fair value, increased by the directly attributable transaction costs. Exceptionally to the general rule of initial recognition of financial liabilities, short-term interest-free liabilities, whose discount is not material, are initially recognised at the original invoiced value.

The Company's financial liabilities include accounts payable and other payables, as well as borrowings from banks.

For the purposes of IAS 39 "Financial Instruments: Recognition and Measurement", the Company's financial liabilities are classified as borrowings and loans. The management performs the classification of its financial placements at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 31 December 2018***All amounts are expressed in RSD thousand, unless otherwise stated* **TRANSLATION**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.5. Financial Instruments (Continued)***Financial Liabilities (Continued)***(a) Borrowings from Banks**

Borrowings from banks are initially recognised at the amount of the consideration received (nominal value). Borrowings are subsequently measured at the amortised cost that is computed based on the contractual interest rate. The effects of the application of the contractual interest rate instead of the effective interest rate, as required under IAS 39 "Financial Instruments: Recognition and Measurement", are deemed by the management not to have a material effect to the financial statements. Borrowings are approved with fixed interest rates.

A liability is classified as current if it is expected to be settled in an ordinary course of the business cycle of the Company, that is if it matures within the period of 12 months after the balance sheet date. All other liabilities are classified as non-current.

(b) Accounts Payable

Accounts payable and other short-term payables are stated at amortised cost, which corresponds to their nominal (invoiced) value due to their short-term nature.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash and cash equivalents include balances on current accounts held with banks.

3.6. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of materials and goods comprises the purchase price increased by transport and other attributable costs of acquisition.

Output from inventories is determined using weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Inventories (Continued)

Allowances that are charged to "Other expenses" are made when appropriate, in order to reduce the carrying value of such inventories to their net realisable value.

3.7. Off-balance Sheet Assets and Liabilities

Off-balance sheet assets/liabilities include receivables/payables arising from collaterals, such as guarantees and other forms of guarantees.

3.8. Distribution of Profits

Distribution of profits to the Company's shareholders is recognised as a liability in the period in which the shareholders approved the above mentioned distribution of profits.

3.9. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised in the amounts representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision charge is recognised in the expenses of the period.

When the effect of the time value of money is significant, the amount of provision is the present value of the outflows required to settle the liabilities, arrived at using the pre-tax discount rate which reflects the current market estimate of the time value of money and risks related to the liability. When discounting is used, the carrying value of a provision is increased in each period, in order to reflect the time flow. This increase is stated as the borrowing cost.

Provisions are reviewed as of each balance sheet date and adjusted in order to reflect the best possible present estimate.

When the outflow of the economic benefits is no longer probable, provisions are derecognised in income. Provisions are not recognised for future losses.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the financial statements. Contingent liabilities are disclosed in notes to the financial statement, unless probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements. Contingent assets are disclosed in notes to the financial statement, unless probability of an outflow of resources embodying economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated TRANSLATION

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Leases

Company as a Lessee

Finance Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in interest expense.

Operating Lease

A lease is classified as an operating lease if it does not transfer to the Company substantially all the risks and rewards incidental to ownership. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

Company as the Lessor

Finance Lease

When assets are leased under finance lease agreements, net investment into lease is recognised as a receivable. The difference between the future and present value of the receivable is recognised as unearned finance income.

Income from lease is recognised over the lease term using the net investment method, which approximates the constant periodical yield rate.

Operating Lease

When an asset is leased under operating lease agreement, it is stated in the income statement depending on the type of asset. Income from operating lease is recognised on a straight-line basis over the period of the lease.

3.11. Employee Benefits

(a) Employee Taxes and Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer, in an amount calculated by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Company has no legal obligation to pay further benefits. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated TRANSLATION

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Employee Benefits (Continued)

(b) Retirement Benefits

The Company provides retirement benefits. The right to these benefits usually conditioned with the employee remaining in service up to the retirement age and/or the completion of a minimum service period. The expected expenses for the benefits accumulate during the years of employment.

Liabilities from the benefits and related expenses are recognised in the amount of present value of future cash flows using the projected unit credit actuarial valuation method. Costs of past services provided are recognised in the income statement when incurred, while actuarial gains and losses are recognised in the statement of other comprehensive income. The basic assumptions on which the calculation of provision for employee benefits was performed are disclosed in Note 18.

(c) Profit Sharing

The Company recognises a liability and an expense for bonuses and profit sharing in the period when the decision on their payment has been adopted. The aforementioned liability is debited to retained earnings.

3.12. Revenue Recognition

The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(a) Sales of Products and Services

Income from sale of products and goods is recognised at the moment when the significant risks and rewards of ownership of the goods have passed to the buyer, which usually occurs upon delivery of products and goods. It is deemed that upon sale no element of financing is present, since sales is performed with the 60 days credit, which is in accordance with the market practice.

(b) Sales of Services

The Company sells telecommunication services. These services are provided on a time and material basis or as a fixed-price contract, with contract terms with the usual contracted conditions.

Revenue arising from the time and material consumed contracts is recognised at the amount of the contracted fee considering that working hours have been consumed and direct expenses have been incurred. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts is also recognised under the percentage-of-completion method. In accordance with this method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated TRANSLATION

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Revenue Recognition (Continued)

(c) *Interest Income*

Interest income originates from interests accrued on deposits with banks, loans extended to related and third parties, as well as default interest accrued on default payments by the customers, in accordance with the contractual provisions. Interest income is recognised on an accrual basis.

(d) *Operating Lease Income*

Operating lease income originates from the operative lease of equipment and is accrued on a straight-line basis over the lease period.

3.13. Expense Recognition

Expenses are recognised in the income statement on an accrual basis and determined for the period they were incurred in.

(a) *Operating expenses*

Operating expenses include costs incurred in the generation of sales revenues and include cost of goods sold, costs of materials, fuel and energy, gross salaries, depreciation costs and services provided by third parties. Operating expenses include general expenses such as rental expenses, marketing, insurance, payment transactions, taxes and other costs incurred in the current accounting period.

(b) *Financial expenses*

Financial expenses include interest expenses and exchange rate differences and other financial expenses. Interest expenses include interest calculated for received loans, which is recorded in the income statement in the period in which the expenses arise, on an accrual basis.

(c) *Other Expenses*

Other expenses include losses arising from sales and disposal of property, plant and equipment and intangible assets, shortages, direct write-off of receivables and sundry expenses.

3.14. Current and Deferred Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Current Tax

Current income tax is calculated and paid in accordance with the effective Law on Corporate Income Tax and relevant by-laws.

Income tax is payable at the rate of 15% on the tax base reported in the annual corporate income tax return.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Current and Deferred Income Taxes (Continued)

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific previous period. Losses of the current period may be transferred to the account of profit determined in the annual tax return from the future accounting periods, but not longer than 5 ensuing years.

Deferred Income Tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forwards of unused tax credits and unused tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.15. Related Party Disclosures

For the purpose of these financial statements related legal entities are those entities when one legal entity has a possibility to control another entity or have the right to govern the financial and business operations of the entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Company and its related parties are regulated at contractual basis and are carried out on commercial terms and conditions. Outstanding balances of receivables and liabilities at the balance sheet date, as well as transactions occurred during the reporting periods with related parties separately disclosed in notes to the financial statements (Note 38).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the ordinary course of business, the Company is exposed to a different extent to a variety of financial risks: market risk, credit risk, foreign exchange risk and liquidity risk. The Company's overall risk management, in the current situation of the unpredictability of financial markets, is focused on the minimisation of the potential adverse effects on the Company's financial performance. Risk management has been defined by the Company's policies as adopted by the Board of Directors.

4.1. Financial Instruments by Category

Categories of financial instruments, according to the carrying value as of 31 December 2018 and 2017 are presented in the following table:

	2018	2017
<i>Financial assets</i>		
Cash and cash equivalents	58,618	80,840
Securities and other long-term financial placements	157,452	105,746
Other long-term receivables	20,919	-
Trade receivables	912,381	554,697
Other receivables	11,655	25,423
Short-term financial placements	41,760	52,404
	1,202,785	819,110
<i>Financial liabilities</i>		
Long-term and short-term borrowings, leases	137,933	144,094
Accounts payable	796,102	504,752
Other short-term liabilities	11,712	12,850
	945,747	661,696

4.2. Financial Risk Factors

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument shall be variable due to changes in market prices. Market risk includes three kinds of risks, as follows:

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. The Company has receivables and liabilities denominated in foreign currencies, therefore timely matching of inflows and outflows in the same currency as a protection from currency risk has been maximized.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

4.2. Financial Risk Factors (Continued)

(a) Market Risk (Continued)

Foreign Exchange Risk (Continued)

The Company has receivables and liabilities denominated in foreign currencies therefore timely matching of inflows and outflows in the same currency as a protection from currency risk has been maximized. On the other hand, the Company does not hedge its entire foreign exchange risk exposure due to the existing legislation and undeveloped financial market.

Exposure to foreign exchange risk as of 31 December is presented in the table below:

	EUR	USD	RSD	2018 Total
Financial assets				
Cash and cash equivalents	3,351	14,430	40,837	58,618
Securities and other long-term financial placements	-	-	157,452	157,452
Other long-term receivables	11,268	6,171	3,480	20,919
Trade receivables	128,296	1,368	782,717	912,381
Other receivables	2,625	-	9,030	11,655
Short-term financial placements	40,670	-	1,090	41,760
Total	186,210	21,969	994,606	1,202,785
Financial liabilities				
Long-term and short-term borrowings, leases	137,933	-	-	137,933
Trade payables	60,520	139,581	596,001	796,102
Other short-term liabilities	-	-	11,712	11,712
Total	198,453	139,581	607,713	945,747
Net effect	(12,243)	(117,612)	386,893	257,038
10%	(1,224)	(11,761)		

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

4.2. Financial Risk Factors (Continued)

(a) Market Risk (Continued)

Foreign Exchange Risk (Continued)

	EUR	USD	RSD	2017 Total
Financial assets				
Cash and cash equivalents	4,277	726	75,837	80,840
Securities and other long-term financial placements	-	-	105,746	105,746
Trade receivables	147,224	14,805	392,668	554,697
Other receivables and short-term financial placements	52,635	7,861	17,331	77,827
Total	204,136	23,392	591,582	819,110
Financial liabilities				
Long-term and short-term borrowings, leases	144,094	-	-	144,094
Trade payables	85,139	44,492	375,121	504,752
Other short-term liabilities	1,828	-	11,022	12,850
Total	231,061	44,492	386,143	661,696
Net effect	(26,925)	(21,100)	205,439	157,414
10%	(2,693)	(2,110)		

Sensitivity Analysis

Depreciation of the Dinar of 10% against EUR and USD would result in the following effects to the Company's result, with all other variables held constant:

	2018	2017
EUR	(1,224)	(2,693)
USD	(11,761)	(2,110)
Total	(12,985)	(4,803)

If as of 31 December 2018, the functional currency has increased/weakened by 10% against EUR and USD, with all other variables held constant, profit for the year after tax would have been higher/lower by the amount of RSD 12,985 thousand (2017: RSD 4,803 thousand), mainly as a result of foreign exchange gains/losses on translation of borrowings denominated in foreign currencies and receivables/payables denominated in EUR and USD.

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4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

4.2. Financial Risk Factors (Continued)

(a) *Market Risk (Continued)*

Foreign Exchange Risk (Continued)

Sensitivity Analysis (Continued)

As of 31 December 2018, financial assets denominated in EUR amount to RSD 186,210 thousand (31 December 2017: RSD 204,136 thousand) which accounts for 89.44% (2017: 89.72%) of the total financial liabilities of the Company denominated in foreign currency.

As of 31 December 2018, financial liabilities denominated in EUR amount to RSD 198,453 thousand (31 December 2017: RSD 231,061 thousand) which accounts for 58.69% (2017: 83.86%) of the total financial liabilities of the Company denominated in foreign currency.

As of 31 December 2018, liabilities arising from borrowings and finance lease are denominated in a foreign currency in the amount of EUR 1,166,997.83.

Price Risk

The Company is not exposed to equity securities price risk because it does not have investments classified in the balance sheet either as available-for-sale or at fair value through profit or loss, whose effects of changes in fair value are presented in the income statement.

On the other hand, the Company is exposed to price risk from the changes in prices of services, due to the strong competition in the telecommunications market. By introducing new services, the Company strives to compensate for the existing risk.

Interest Rate Risk

The Company's interest rate risk arises mainly from long-term borrowings from banks. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

During 2018 and 2017, the majority of the Company's placements and borrowings were granted at fixed interest rates.

(b) *Credit Risk*

Credit risk is the risk that the credit beneficiaries will not be able to discharge their contractual obligations to the Company. Credit risk primarily arises with respect to trade receivables.

The Company's credit risk exposure arising from trade receivables mostly depends on specific characteristics of each individual customer. The Company has significant concentrations of credit risk, because the participation of the major individual customer, excluding related legal entities does not exceed 12% of the total income from sales (2017: 16%).

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All amounts are expressed in RSD thousand, unless otherwise stated **TRANSLATION**
4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)
4.2. Financial Risk Factors (Continued)
(b) Credit Risk (Continued)

In accordance with the adopted credit policy, the Company analyses the creditworthiness of each individual customer before offering it the standard sales conditions. Furthermore, for each customer, the credit limit is established, representing the maximum amount of a receivable before the approval of the General Manager is requested. For the customers whose credit rating does not meet the required conditions, sales is performed solely on the basis of advance payments.

(c) Liquidity Risk

Liquidity risk relates to the risk that the Company does not have enough highly liquid assets to settle liabilities when they fall due. The Company manages its assets and liabilities in such a way that it can fulfil its due obligations at all times, without the unacceptable losses and harming its reputation.

Cash flow planning is performed at the level of the Company's business activities and collectively for the Company as a whole. The Company's Finance Department supervises the liquidity planning with respect to the Company's requirements, in order to secure that the Company always has sufficient amounts of cash to settle its operating needs, as well as to have free space in its undrawn credit arrangements.

The Company has a sufficient amount of highly liquid assets (cash and cash equivalents) as well as a continuous inflow of cash from goods and services, which allow it to meet its commitments on due dates. The Company does not use financial derivatives.

In order to manage liquidity risk, the Company has adopted the financial policies which define the maximum amount of the advance payment to works and equipment suppliers, grace period and the length of repayment period depending on the value and type of purchase contracts. In addition, pursuant to the business policy, a dispersion in the decision-making levels in the procurement of goods/services was made.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (balances due within 12 months equal their carrying balances as the impact of discounting is not material):

31 December 2018	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Total
Long-term and short-term borrowings, leases	7,845	106,078	24,010	137,933
Accounts payable	796,102	-	-	796,102
Other trade payables	11,712	-	-	11,712
	<u>815,659</u>	<u>106,078</u>	<u>24,010</u>	<u>945,747</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)
4.2. Financial Risk Factors (Continued)
(c) Liquidity Risk (Continued)

31 December 2017	Up to 3 months	From 3 to 12 months	From 1 to 2 years	Total
Long-term and short-term borrowings, leases	5,861	91,468	46,765	144,094
Accounts payable	504,752	-	-	504,752
Other trade payables	12,850	-	-	12,850
	523,463	91,468	46,765	661,696

4.3. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and to provide returns for shareholders.

In order to maintain or adjust the capital structure, the Company may consider the following options: to adjust the amount of dividends paid to shareholders, to return capital to shareholders, to issue new shares or to sell assets to reduce debts.

The Company has no external requirements related to capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. This ratio is calculated as net debt divided by total capital. Net debt is calculated when the total loans (both short-term and long-term, as presented in the balance sheet) are reduced by cash and cash equivalent. The total capital is calculated when net debt is added to capital stated in the balance sheet.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018	2017
Total borrowings (Notes 19 and 20)	137,933	144,094
Less: Cash and cash equivalents (Note 14)	(58,618)	(80,840)
Net debt	79,315	63,254
Equity	734,001	652,404
Equity - total	813,316	715,658
Gearing ratio	9.75%	8.84%

* Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents.

** Total capital is calculated as equity as shown in the balance sheet plus net debt.

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For the Year Ended 31 December 2018

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions relating to the future. The resulting accounting estimates shall rarely be equal to realised results, as a rule.

(a) *Estimates and Assumptions*

Useful Lives of Intangible Assets and Property, Plant and Equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Impairment of Non-financial Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's intangible assets and property, plant and equipment presented in the financial statements. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Impairment of Accounts Receivable and Other Receivables

The Company calculates impairment for doubtful receivables based on estimated losses resulting from the inability of its customers to make required payments. The Company bases its estimate on the ageing of the account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behaviour and the resulting future cash collections. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively.

Retirement Benefits

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and future increase of retirement benefits. As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. The actuarial valuation assumptions are disclosed in Note 18 to the financial statements.

If the used discount rate would differ by 1% the provision for retirement benefits would be RSD 765 thousand lower or RSD 972 thousand higher in comparison with the provision for retirement benefits recognized in the Company's books of account as of 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated T R A N S L A T I O N

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) *Estimates and Assumptions (Continued)*

Provisions for Litigations

A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The Company routinely assesses the likelihood of any adverse judgements or outcomes of the litigations, as well as ranges of probable and reasonable estimated losses.

Reasonable estimates include judgments made by the Company's management after considering information including notifications, settlements, estimates performed by legal department, available facts, identification of other potentially responsible parties and their ability to contribute to resolution, and prior experience.

A provision is recognized when it is probable that there is a liability whose amount can be reliably estimated by careful analysis. The required provision may change in the future due to new developments and new information becoming available.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

Fair Value

Company's business policy is to disclose the information on the fair value of assets and liabilities, for which there is official market information and when the fair value significantly differs from the carrying value.

There is no sufficient market experience, stability and liquidity in the Republic of Serbia when it comes to the purchase and sale of receivables and other financial assets and liabilities since official market information is not always available.

Therefore, it is not possible to reliably determine fair value in the absence of an active market. The Company's management assesses risks and makes an allowance for impairment in cases when it is estimated that the value at which assets are stated in the books of account is not going to be realised/recovered.

According to the Company's management, amounts in the accompanying financial statements reflect the value which, in given circumstances, is the most credible and most useful for reporting purposes.

Deferred Tax Assets

Deferred tax assets are recognised for all tax losses to the extent to which taxable profit will be available against which the unused tax losses can be utilized. Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognised, based on the period of in which it was created and the amount of future taxable profits and the tax policy planning strategy.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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6. INTANGIBLE ASSETS

	Concessions, patents, licenses and similar rights	Total
COST		
As of 1 January 2017	24,118	24,118
Additions during 2017	777	777
Balance as of 31 December 2017	24,895	24,895
Transfer from PPE to intangible assets (Note 7)	79,377	79,377
Balance as of 31 December 2018	104,272	104,272
ACCUMULATED AMORTISATION		
As of 1 January 2017	23,755	23,755
Amortisation charge (Note 31)	397	397
Balance as of 31 December 2017	24,152	24,152
Amortisation charge (Note 31)	1,849	1,849
Balance as of 31 December 2018	26,001	26,001
CARRYING VALUE AS OF:		
- 31 December 2018	78,271	78,271
- 31 December 2017	743	743

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Investment property	Construct ion in progress	Total
COST						
Balance as of 1 January 2017	9,804	112,242	134,291	-	10,942	267,279
Additions	-	-	143	-	31,839	31,982
Transfer from construction in progress	-	1,251	25,998	-	(28,026)	(777)
Transfer to investment property	-	(820)	-	820	-	-
Disposals and write-offs	-	(3,493)	(7,919)	-	-	(11,412)
Balance as of 31 December 2017	9,804	109,180	152,513	820	14,755	287,072
Additions	-	-	-	-	86,319	86,319
Transfer from construction in progress to plant and equipment	-	-	21,697	-	(21,697)	-
Transfer from construction in progress to intangible assets (Note 6)	-	-	-	-	(79,377)	(79,377)
Disposals and write-offs	-	(1,951)	(16,508)	-	-	(18,459)
Balance as of 31 December 2018	9,804	107,229	157,702	820	-	275,555
ACCUMULATED DEPRECIATION						
Balance as of 1 January 2017	-	14,799	67,176	-	-	81,975
Depreciation (Note 31)	-	1,320	18,380	108	-	19,808
Additions	-	-	1,947	-	-	1,947
Disposals and write-offs	-	(431)	(6,973)	-	-	(7,404)
Balance as of 31 December 2017	-	15,688	80,530	108	-	96,326
Depreciation (Note 31)	-	1,414	22,317	11	-	23,742
Disposals and write-offs	-	(278)	(15,593)	-	-	(15,871)
Balance as of 31 December 2018	-	16,824	87,254	119	-	104,197
CARRYING VALUE AS OF:						
- 31 December 2018	9,804	90,405	70,448	701	-	171,358
- 31 December 2017	9,804	93,492	71,983	712	14,755	190,746

Out of total procurement of fixed assets during 2018, the amount of RSD 23,667 thousand relates to the related party Telegroup Banja Luka (Note 38a).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The equipment acquired under the finance lease by the Company includes the following:

	2018	2017
Cost	34,318	14,289
Accumulated depreciation	(9,564)	(3,878)
Carrying value as of 31 December	24,754	10,411

The Company leases vehicles under the finance lease agreement terms. The periods of these agreements are between 4 and 5 years.

The cost of written off equipment the Company utilises in its operations as of 31 December 2018 amounted to RSD 57,130 thousand (31 December 2017: RSD 64,634 thousand) and it relates to equipment.

Based on the Company's management estimate, property, plant and equipment as of 31 December 2018 are not impaired.

8. LONG-TERM FINANCIAL PLACEMENTS

	2018	2017
Equity investments in subsidiaries (gross)	188,977	189,001
Less: allowance for impairment	(12,000)	(24)
Equity investments in subsidiaries (net)	176,977	188,977
Securities available for sale	151,357	99,305
Other long-term financial placements	6,095	6,441
Balance as of 31 December	334,429	294,723

Equity investments in subsidiaries relate to investments in the following companies:

Name and headquarters	2018	2017	Interest %
Jel-Mi Impregnacija d.o.o. Markovac	26,042	26,042	80.31%
Greensoft d.o.o. Novi Sad	3,689	3,689	51.00%
Telegroup Podgorica d.o.o. Podgorica	492	492	100.00%
Telegroup Finance d.o.o. Beograd	158,754	158,754	78.26%
Total	188,977	189,001	
Telegroup-Dunavnet d.o.o. Novi Sad	-	24	
Total gross balance as of 31 December	188,977	189,001	
Allowance for impairment (Note 35)	(12,000)	(24)	
Net equity investments in subsidiaries	176,977	188,977	

Apart from the abovementioned subsidiaries, the Company has a branch in Germany that was founded in 2016.

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For the Year Ended 31 December 2018

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8. LONG-TERM FINANCIAL PLACEMENTS (Continued)

Movements in the allowance for impairment of long-term financial placements:

	<u>2018</u>	<u>2017</u>
Balance as of 1 January	24	-
Additional allowance for impairment (Note 35)	12,000	24
Derecognition	<u>(24)</u>	<u>-</u>
Balance as of 31 December	<u><u>12,000</u></u>	<u><u>24</u></u>

Securities available for sale in the amount of RSD 151,357 thousand (31 December 2017: RSD 99,305 thousand) are related to Company's investments in shares of Jubmes banka a.d. Belgrade, which are publicly traded at the Belgrade Stock Exchange. The fair value of investments traded on an active market is determined on the basis of the current market value at the time of concluding business operations as of 31 December 2018.

Maximum exposure to credit risk as of the balance sheet date represents the fair value of debt securities classified as available for sale.

Financial assets available for sale are denominated in RSD.

Other long-term financial placements in the amount of RSD 6,095 thousand (31 December 2017: RSD 6,441 thousand) are related to a long-term loan granted to a natural person with maturity of 25 years, with no interest (Note 38d).

9. LONG-TERM RECEIVABLES

	<u>2018</u>	<u>2017</u>
Other long-term receivables in RSD	3,480	-
Other long-term receivables in a foreign currency	<u>17,439</u>	<u>-</u>
Balance as of 31 December	<u><u>20,919</u></u>	<u><u>-</u></u>

Other long-term receivables are related to trade receivables intended for money retention, which fall due after the project completion, i.e. after the handover of works. The said retention is done in percentages, defined in the agreements with customers, per each delivered invoice/progress bill.

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10. INVENTORIES

	2018.	2017.
Material, spare parts, tools and small inventory	9,691	7,092
Goods	63,217	52,190
Less: Allowance for impairment	-	-
Goods	63,217	52,190
Advances paid for inventories and services	91,365	134,710
Less: Allowance for impairment of advances	(11,007)	(21,049)
Advances paid for inventories and services	80,358	113,661
Balance as of 31 December	153,266	172,943

Inventories of goods amounting to RSD 63,217 thousand were measured at fair value less costs to sell.

Movements in the allowance for impairment of advances are as follows:

	2018	2017
Balance as of 1 January	21,049	21,049
Recovered impaired advances (Note 36)	(10,042)	-
Balance as of 31 December	11,007	21,049

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For the Year Ended 31 December 2018

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11. TRADE RECEIVABLES

Gross trade receivables as of 31 December 2018 amount to RSD 1,040,907 thousand (31 December 2017: RSD 656,886 thousand), whereas the accompanying allowance for impairment as of 31 December 2018 amounts to RSD 128,526 thousand (31 December 2017: RSD 102,189 thousand).

	2018	2017
Domestic trade receivables - subsidiaries	1,126	971
Less: Allowance for impairment - subsidiaries	(695)	(695)
Domestic trade receivables - subsidiaries (Note 38c)	431	276
Foreign trade receivables - parent and subsidiaries (Note 38c)	55,662	58,914
Domestic trade receivables - other related parties	8,029	-
Foreign trade receivables - other related parties (Note 38c)	65,554	24,731
Domestic trade receivables	902,088	541,491
Less: Allowance for impairment of domestic trade receivables	(127,831)	(101,494)
Domestic trade receivables	774,257	439,997
Foreign trade receivables	8,448	30,779
Less: Allowance for impairment of foreign trade receivables	-	-
Foreign trade receivables	8,448	30,779
Balance as of 31 December	912,381	554,697

The carrying value of trade receivables classified as loans and receivables, corresponds to their fair value.

	Total	Within credit period	Out of credit period
Domestic trade receivables - parent and subsidiaries	1,126	13	1,113
Foreign trade receivables - parent and subsidiaries	55,662	10,222	45,440
Domestic trade receivables - other related parties	8,029	628	7,401
Foreign trade receivables - other related parties	65,554	44,117	21,436
Domestic trade receivables	902,088	724,321	177,767
Foreign trade receivables	8,448	976	7,473
Total	1,040,907	780,277	260,630

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11. TRADE RECEIVABLES (Continued)

	Within credit period	Out of credit period < 60 days	61 to 180	181 to 365	>365	Total
Domestic trade receivables - parent and subsidiaries	13	26	51	92	944	1,126
Foreign trade receivables - parent and subsidiaries	10,222	23,166	333	6,777	15,164	55,662
Domestic trade receivables - other related parties	628	7,401	-	-	-	8,029
Foreign trade receivables - other related parties	44,117	19,503	1,115	819	-	65,554
Domestic trade receivables	724,321	38,172	24,866	10,847	103,882	902,088
Foreign trade receivables	976	4,279	-	3,193	-	8,448
Total	780,277	92,547	26,365	21,728	119,990	1,040,907

As of 31 December 2018 trade receivables amounting to RSD 128,526 thousand (31 December 2017: RSD 102,189 thousand) are completely due and impaired.

Movements in the allowance for impairment of receivables were as follows:

	2018	2017
Balance as of 1 January	102,189	99,111
Additional charge for the year (Note 35)	28,930	3,078
Recovered previously provisioned receivables (Note 36)	(2,160)	-
Direct write-off	(431)	-
Balance as of 31 December	128,526	102,189

Determination and reversal of allowance for impairment of receivables is stated in 'Other expenses/other income' in the income statement (Notes 35 and 36). Amounts credited to allowance for impairment are transferred out of the books when it is not expected that they will be settled.

Out of total domestic trade receivables as of 31 December 2018 amounting to RSD 912,381 thousand, the amount of RSD 129,664 thousand is denominated in foreign currencies, out of which the amount of RSD 1,368 thousand is denominated in USD and RSD 128,296 thousand in EUR. The remaining portion amounting to RSD 782,717 thousand is expressed in domestic currency.

Other items within trade receivables do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER RECEIVABLES

	2018	2017
Interest and dividends receivable	14,731	11,501
Receivables from employees	29	486
Receivables from public authorities (Branch in Germany)	2,625	5,709
Other current receivables	-	8,213
Gross balance as of 31 December	17,385	25,909
Less: Allowance for impairment	(5,730)	(486)
Balance as of 31 December	11,655	25,423

Movements in the allowance for impairment of other receivables are as follows:

	2018	2017
Balance as of 1 January	486	486
Additional allowance for impairment (Note 35)	5,244	-
Balance as of 31 December	5,730	486

13. SHORT-TERM FINANCIAL PLACEMENTS

	2018	2017
Short-term loans and placements - parents and subsidiaries (Note 38d)	23,747	22,207
Less: Allowance for impairment	(3,310)	(5,725)
	20,437	16,482
Short-term domestic loans and placements	31,919	23,493
Less: Allowance for impairment	(11,000)	(1,000)
	20,919	22,493
Other short-term financial placements	404	13,429
Balance as of 31 December	41,760	52,404

NOTES TO THE FINANCIAL STATEMENTS

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13. SHORT-TERM FINANCIAL PLACEMENTS (Continued)

Total allowance for impairment of short-term financial placements as of 31 December 2018 amounts to RSD 14,310 thousand, while movements in the allowance for impairment of short-term financial placements are as follows:

	2018	2017
Balance as of 1 January	6,725	6,725
Additional allowance for impairment (Note 35)	10,000	-
Recovered previously provisioned short-term loans and placements (Note 36)	(2,000)	-
Derecognition	(415)	
Balance as of 31 December	<u>14,310</u>	<u>6,725</u>

Loans granted to subsidiaries are non-interest bearing, except for the loan granted to Greensoft d.o.o. Novi Sad which became a related party in 2015. The interest on the granted placement is 6% p.a. and the net balance as of 31 December 2018 amounts to RSD 20,437 thousand (Note 38d). Loans granted to other related parties in the amount of RSD 3,310 thousand are fully impaired.

Domestic short-term loans and placements relate to loans granted to third parties. They were granted with the repayment period from 6 to 12 months with the interest rate ranging from 6% to 12% per annum. As collateral for securing the collection of the granted loans, the Company received promissory notes and a first-tier mortgage of the business premises in Nis.

Other short-term placements include funds deposited with the domestic commercial banks (overnight) in the amount of RSD 27 thousand and a current portion of long-term financial placements in the amount of RSD 377 thousand (Note 38d). Interest rate on overnight loans is variable and it depends on the amount of time deposits.

14. CASH AND CASH EQUIVALENTS

	2018	2017
Current accounts	40,245	75,321
Foreign currency account	17,134	4,855
Other cash and cash equivalents in RSD	592	516
Other cash and cash equivalents in foreign currencies	647	148
Balance as of 31 December	<u>58,618</u>	<u>80,840</u>

As of 31 December 2018 the Company had RSD 20,000 thousand of undrawn credit facilities granted by banks (2017: RSD 20,000 thousand), for which the conditions for withdrawal have been fulfilled. The above mentioned funds are granted overdraft, which represents a portion of the credit line approved by Banca Intesa a.d. Belgrade.

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15. PREPAYMENTS AND ACCRUED INCOME

	2018	2017
Prepaid expenses	25,235	13,393
Receivables for uninvoiced income	8,556	46,525
Other prepayments and accrued income	14,954	11,016
Balance as of 31 December	<u>48,745</u>	<u>70,934</u>

16. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	2018	2017
Mortgages	-	355,122
Guarantees	512,852	226,603
Balance as of 31 December	<u>512,852</u>	<u>581,725</u>

In 2018 the Company received mortgage cancellation letters from the banks, based on which the mortgages of commercial buildings were cancelled.

The Company had contingent liabilities related to banking and other guarantees and on other grounds, arising from regular business operations in the amount of RSD 512,852 thousand (31 December 2017: RSD 226,603 thousand). No financial liabilities are expected to arise from contingent liabilities.

17. CAPITAL

	Basic capital	Reserves	Gains/losses arising from securities	Actuarial gains or losses	Retained earnings	Total
Balance as of 1 January 2017	<u>66,143</u>	<u>9,665</u>	<u>518</u>	<u>1,189</u>	<u>519,388</u>	<u>596,903</u>
Net profit for the year	-	-	-	-	19,896	19,896
Other comprehensive income:						
Changes in fair value of financial assets available for sale	<u>-</u>	<u>-</u>	<u>35,908</u>	<u>(303)</u>	<u>-</u>	<u>35,605</u>
Balance as of 31 December 2017	<u>66,143</u>	<u>9,665</u>	<u>36,426</u>	<u>886</u>	<u>539,284</u>	<u>652,404</u>
Net profit for the year	-	-	-	-	29,961	29,961
Other comprehensive income:						
Changes in fair value of financial assets available for sale (Note 8)	<u>-</u>	<u>-</u>	<u>52,052</u>	<u>(416)</u>	<u>-</u>	<u>51,636</u>
Balance as of 31 December 2018	<u>66,143</u>	<u>9,665</u>	<u>88,478</u>	<u>470</u>	<u>569,245</u>	<u>734,001</u>

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17. CAPITAL (Continued)

(a) Basic Capital

The amount of the Company's share capital registered with the Serbian Business Registers Agency as of 16 January 2001 amounts to RSD 66,143 thousand out of which the contribution in kind amounts to RSD 522 thousand and contribution in cash amounts to RSD 65,621 thousand.

(b) Reserves

Reserves are used for future losses coverage.

(c) Revaluation Reserves and Unrealised Gains and Losses

Unrealised gains arising from securities available for sale amounting to RSD 88,478 thousand, represent a positive effect of fair value arising from shares of Jubmes banka a.d. Belgrade.

18. LONG-TERM PROVISIONS

	2018	2017
Employee benefits and other employee benefits	4,611	3,861
Other long-term provisions	845	-
Balance as of 31 December	<u>5,456</u>	<u>3,861</u>

(a) Employee Benefits and Other Employee Benefits

Provisions for retirement benefits and other employee benefits are measured at the present value of the future outflows using the discount rate reflecting the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Bearing in mind that in the Republic of Serbia there is no developed market for such bonds, the reference interest rates of the National Bank of Serbia have been used.

	Employee benefits and other employee benefits	Total
Balance as of 1 January 2018	<u>3,861</u>	<u>3,078</u>
Additional provisions	353	826
Effect of discounting	397	145
Utilised during the year	<u>-</u>	<u>(188)</u>
Balance as of 31 December 2018	<u>4,611</u>	<u>3,861</u>

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18. LONG-TERM PROVISIONS (Continued)

(a) Employee Benefits and Other Employee Benefits (Continued)

Basic actuarial assumptions used are:

	2018	2017
Discount rate	3.0%	3.5%
Future salary increases	2.0%	2.0%
Inflation rate	3.0%	3.0%
Fluctuation rate	20.58%	19.21%
Total number of employees as of 31 December	138	146

(b) Warranty provisions

The Company generally offers 1 to 3 year warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. As of 31 December 2018, the Company estimates that there will be no expenses incurred on the basis of given warranty period, and that it is not necessary to establish provisions on this basis.

(c) Litigations

Provisions for legal proceedings represent the Company management's best estimates of the expenditures required to settle such obligations.

As of 31 December 2018 the Company does not act as a defendant in any litigation.

19. LONG-TERM LIABILITIES

	2018	2017
Long-term borrowings and domestic loans	37,946	59,237
Finance lease liabilities	17,251	16,143
Total long-term liabilities	55,197	75,380
<i>Less: Current portion of long-term borrowings due within one year (Note 20)</i>	(23,760)	(21,202)
<i>Less: Current portion of long-term finance lease liabilities due within one year (Note 20)</i>	(7,427)	(7,413)
Total current portion of long-term liabilities due within one year	(31,187)	(28,615)
Balance as of 31 December	24,010	46,765

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19. LONG-TERM LIABILITIES (Continued)

Maturity of long-term loans and borrowings:

	2018	2017
From 1 to 2 years	23,760	45,018
From 2 to 5 years	14,186	14,219
Balance as of 31 December	37,946	59,237

The carrying value of the Company's borrowings is denominated in the following currencies:

	2018	2017
EUR	37,946	59,237
Balance as of 31 December	37,946	59,237

Overview of the Long-term Loans by Creditor

Loans from domestic banks	Annual interest rate	Currency	2018		2017	
			In the currency	Amount RSD 000	In the currency	Amount RSD 000
ProCredit Bank	3%+6m Euribor	EUR	321,042	37,946	500,000	59,237
Total		EUR	321,042	37,946	500,000	59,237

Liabilities from the borrowing from ProCredit Bank a.d. amounting to RSD 37,946 thousand relate to the loan granted in 2017, in the total amount of EUR 500,000 with the repayment period of 36 months, at a fixed nominal interest rate of 3% in the first 24 months, and after the expiry of this period at an interest rate of 3%+6m Euribor per annum. The loan repayment will take place in 30 equal instalments, upon the expiration of the grace period of 6 months. Blank promissory notes are provided as a collateral.

(i) *Finance lease liabilities*

Finance lease liabilities are effectively secured as the right that the leased asset shall be returned to the lessor if the lessee fails to settle the liability.

Finance lease liabilities - minimal lease payments:

	2018		2017	
	Present value	Future value	Present value	Future value
Up to 1 year	9,479	9,824	6,881	7,413
From 1 to 3 years	6,881	7,427	8,357	8,730
Balance as of 31 December	16,360	17,251	15,238	16,143

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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19. LONG-TERM LIABILITIES (Continued)

Overview of the Long-term Loans by Creditor (Continued)

(i) *Finance lease liabilities - minimal lease payments (Continued)*

The difference between the future value of minimal lease payments and their present value represents the interest contained in the lease payments.

Finance lease liabilities have the repayment period from 36 to 48 months and the interest rate ranging from 5.69% to 6.20%. As collateral for securing the timely settlement of liabilities arising from finance lease, the Company provided promissory notes.

20. SHORT-TERM FINANCIAL LIABILITIES

	2018	2017
Domestic short-term borrowings	82,736	68,714
Current portion of long-term borrowings due within one year (Note 19)	23,760	21,202
Current portion of long-term finance lease liabilities due within one year (Note 19)	7,427	7,413
Balance as of 31 December	113,923	97,329

Short-term domestic loans relate to the liabilities arising from a loan granted by ProCredit Bank a.d. in the amount of RSD 82,736 thousand based on the revolving credit line approved in 2016 in the total amount of EUR 1,000,000, with an interest rate of 3.3%+6m Euribor per annum. The loan is intended for working capital. Collaterals for the loan are promissory notes.

Long-term liabilities relate to the loan approved by ProCredit Bank a.d. in 2017. The portion of the loan maturing in the next year amounts to EUR 201,021.35 (equivalent of RSD 23,760 thousand). The portion of long-term liabilities based on the finance lease due in the next year amounts to EUR 62,841.84 (equivalent of RSD 7,427 thousand).

The total carrying value of short-term financial liabilities of the Company as of 31 December 2018 in the amount of RSD 113,923 thousand is denominated in a foreign currency, i.e. EUR 963,863.20.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

All amounts are expressed in RSD thousand, unless otherwise stated T R A N S L A T I O N

21. ADVANCES, DEPOSITS RECEIVED AND RETAINERS AND ACCOUNTS PAYABLE

	2018	2017
Advances received in RSD	95,150	104,499
Foreign currency advances received	28,085	154
Total advances received	123,235	104,653
Trade payables - parents (Note 38c)	1,907	2,659
Domestic trade payables - related parties (Note 38c)	134,751	108
Domestic trade payables	206,551	345,317
Foreign trade payables	159,751	55,564
Other accounts payable in RSD	292,791	16,702
Other accounts payable in a foreign currency	351	84,402
Total accounts payable	796,102	504,752
Total accounts payable	919,337	609,405

Advances received in the amount of RSD 123,235 thousand mostly relate to the delivery of equipment and services.

Trade payables are non-interest bearing and have the credit days ranging from 30 to 90 days. Accounts payable as of 31 December 2018 amounting to RSD 200,101 thousand are denominated in foreign currency, out of which the amount of RSD 139,581 thousand in USD and the amount of RSD 60,520 thousand in EUR. The Company's management deems that the stated value of trade payables approximated their fair value as of the balance sheet date.

22. OTHER SHORT-TERM LIABILITIES

	2018	2017
Gross salaries and compensations	8,610	9,201
Interests payable and financing expenses	315	396
Liabilities to employees	1,949	2,591
Liabilities to individuals for contractual fees	761	631
Other liabilities	77	31
Balance as of 31 December	11,712	12,850

The Company management deems that the stated value of other short-term liabilities reflects their fair value as of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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23. VALUE ADDED TAX AND OTHER TAX LIABILITIES, ACCRUALS AND DEFERRED INCOME

	2018	2017
a) Value added tax payable	-	8,509
b) Taxes, contributions and other duties		
Tax liabilities from the result	10,022	1,054
Contributions payable charged to expenses	49	103
Other liabilities for taxes, contributions and other taxes	1,991	909
	12,062	2,066
c) Accruals and deferred income		
Accrued expenses	5,899	9,259
Deferred income	548	549
Other accruals and deferred income	6,668	319
Total	13,115	10,127

24. INCOME TAXES

(a) Components of Income Taxes

Major components of tax expense are as follows:

	2018	2017
Tax income /(expense) of the period		
Tax expense charged to income for the year	(13,572)	(5,772)
	(13,572)	(5,772)
Deferred tax income/(expense) of the period		
Origination and reversal of temporary differences	651	125
Total	(12,921)	(5,647)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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24. INCOME TAXES (Continued)

(b) Numerical Reconciliation of Income Tax Expense and Loss Before Tax Multiplied by the Income Tax Rate

Calculated income tax expense/(income) differs from the theoretical amount which would be arrived at using the currently-enacted tax rate of 15% on the accounting loss before tax, as follows:

	2018	2017
Profit before tax	42,882	25,543
Income tax at statutory rate of - 15%	6,432	3,831
Expenses not deductible for tax purposes	7,140	1,941
Total	13,572	5,772
<i>Effective tax rate</i>	<i>31.65%</i>	<i>22.60%</i>

(c) Deferred Tax Assets and Liabilities

Deferred tax assets, net relate to the temporary difference between the carrying value of property, equipment and intangible assets and their tax basis, and long-term provisions for retirement benefits.

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

	2018	2017
Balance as of 1 January	689	664
Effects of temporary differences (credited)/charged to the income statement	(32)	25
Balance as of 31 December	657	689

Movements in deferred tax liabilities during the year are presented in the table below:

	2018	2017
Balance as of 1 January	826	926
Effects of temporary differences (credited)/charged to the income statement	(683)	(100)
Balance as of 31 December	143	826
Net effect	651	125

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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25. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

Pursuant to Article 18 of the Law on Accounting, the Company performed reconciliation of accounts receivable and accounts payable with its debtors and creditors as of 31 December 2018.

The Company prepared and submitted to the client's 850 confirmations, out of which 787 were returned, while 63 confirmations had not been returned until the date of preparation of these financial statements.

Since these confirmations include a clause stating that "if the recipient does not return the confirmation within a certain period of time, the balance of receivables and payables shall be deemed reconciled", the Company considers that the outstanding balances stated in the remaining unreturned confirmations, are also reconciled.

Based on the performed reconciliation procedure there are no material unreconciled amounts of receivables and payables.

26. OPERATING INCOME

	<u>2018</u>	<u>2017</u>
Sales of goods		
Sales of goods to parents and subsidiaries on a foreign market (Note 38a)	10,286	24,253
Sales of goods to other related parties on the domestic market (Note 38a)	18	-
Sales of goods to other related parties on a foreign market (Note 38a)	277,386	209,800
Sales of goods on the domestic market	683,763	393,025
Sales of goods on a foreign market	3,368	8,574
Total sales of goods	<u>974,821</u>	<u>635,652</u>
Sales of products and services		
Sales of products and services to parents and subsidiaries on a foreign market (Note 38a)	29,108	56,551
Sales of products and services to other related parties on a foreign market (Note 38a)	21,329	75,900
Sales of products and services to other related parties on the domestic market (Note 38a)	8,891	-
Sales of products and services to parents and subsidiaries on a domestic market (Note 38a)	648	823
Sales of products and services on the domestic market	2,085,940	1,407,269
Sales of products and services on a foreign market	33,310	67,965
Total sales of products and services	<u>2,179,226</u>	<u>1,608,508</u>
Other operating income	<u>555</u>	<u>586</u>
Total operating income	<u>3,154,602</u>	<u>2,244,746</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

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26. OPERATING INCOME (Continued)

The most significant portion of Company's operating income is related to the income from the sale of products and services on the domestic market, which was generated by providing the services that relate to the development and implementation of IT solutions, software application development, implementation of IPTV and OTT solutions for the delivery of video content and for the building and integration of telecommunication, electrical power and traffic infrastructure.

Other operating income amounting to RSD 555 thousand is related to rental income from other related parties in the amount of RSD 152 thousand (2017: 155 thousand) (Note 38a).

27. COST OF GOODS SOLD

Cost of goods sold as of 31 December 2018 amounted to RSD 735,737 thousand (2017: RSD 506,092 thousand), out of which the amount of RSD 214,797 thousand (2017: RSD 176,739 thousand) relates to the parent company (Note 38a).

28. COST OF MATERIAL, FUEL AND ENERGY

	<u>2018</u>	<u>2017</u>
Processing material	460,530	381,970
Other material (overhead)	4,427	5,831
Spare parts	<u>3,199</u>	<u>4,074</u>
Costs of material	<u>468,156</u>	<u>391,875</u>
Fuel and energy	<u>23,311</u>	<u>23,444</u>
Total	<u>491,467</u>	<u>415,319</u>

29. WAGES, SALARIES, AND OTHER PERSONAL EXPENSES

	<u>2018</u>	<u>2017</u>
Gross salaries and compensations	175,237	179,425
Payroll taxes and contributions payable by the employer	30,614	29,412
Temporary job contracts	-	259
Remuneration to physical persons arising from other contracts	14,821	12,660
Other personal expenses and benefits	<u>28,541</u>	<u>34,548</u>
Total	<u>249,213</u>	<u>256,304</u>
Number of employees at the year end	<u>138</u>	<u>146</u>

NOTES TO THE FINANCIAL STATEMENTS
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30. COSTS OF PRODUCTIVE SERVICES

	2018	2017
Expenses of own-work and goods capitalised	888,643	606,203
Transportation cost	19,987	23,281
Maintenance	15,469	14,892
Rental expenses	74,146	12,575
Fairs	349	1,694
Advertising and marketing fees	11,217	11,351
Other services	2,034	3,311
Total	1,011,845	673,307

Out of the total amount of expenses of own-work and goods capitalised, the amount of RSD 529,052 thousand relates to related parties (Note 38a).

31. DEPRECIATION AND AMORTISATION

	2018	2017
Amortisation charge (Note 6)	1,849	397
Depreciation charge (Note 7)	23,742	19,808
Total	25,591	20,205

32. NON-MATERIAL COSTS

	2018	2017
Cost of non-productive services	465,632	297,065
Representation	24,604	22,759
Insurance premiums	3,695	3,663
Bank charges	13,394	10,002
Membership fees	2,833	1,693
Taxes	6,925	8,642
Contributions	586	976
Other non-material costs	22,237	10,034
Total	539,906	354,834

Out of the total amount of non-material costs, the amount of RSD 2,218 thousand relates to the parent company, while the amount of RSD 31,711 thousand relates to related parties (Note 38a).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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32. NON-MATERIAL COSTS (Continued)

The largest portion of other non-material costs in the amount of RSD 11,429 thousand relates to various fees.

33. FINANCIAL INCOME

	2018	2017
Financial income from parent and subsidiaries transactions (Note 38b)	1,080	3,039
Financial income from other related party transactions (Note 38b)	1,784	123
Interest income	2,334	4,650
Foreign exchange gains and gains arising from foreign currency clause application	3,554	14,334
Total	8,752	22,146

34. FINANCIAL EXPENSES

	2018	2017
Financial expenses - parent and subsidiaries transactions (Note 38b)	13,804	14,014
Financial expenses - other related parties transactions (Note 38b)	342	2,674
Interest expense	4,199	5,853
Foreign exchange losses and losses arising from foreign currency clause application	3,863	5,272
Total	22,208	27,813

35. LOSSES FROM VALUE ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
Impairment of non-current financial placements (Note 8)	12,000	24
Impairment of trade receivables (Note 11)	28,930	3,078
Impairment of short-term financial placements (Note 13)	10,000	-
Impairment of other receivables (Note 12)	5,244	-
Total	56,174	3,102

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36. OTHER INCOME

	2018	2017
Gains on sale of intangible assets, property, plant and equipment	1,960	12,500
Surpluses	15	-
Recovered advances provided for (Note 10)	10,042	-
Recovered receivables provided for (Note 11)	2,160	-
Recovered short-term loans and placements recovered for (Note 13)	2,000	-
Sundry income	5,252	3,176
Equipment value adjustment	-	1,002
Liabilities waived	42	255
Total	21,471	16,933

37. OTHER EXPENSES

	2018	2017
Losses on the sale and disposal of intangible assets, property, plant and equipment	626	37
Shortages	20	18
Direct write off of receivables	7,873	582
Other sundry expenses	1,822	943
Total	10,341	1,580

38. RELATED PARTY TRANSACTIONS

The Company's major shareholder is Telegroup Limited, London, which holds 100% of the Company's basic capital. As of 31 December the Company had four subsidiaries and a branch in Germany.

NOTES TO THE FINANCIAL STATEMENTS
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38. RELATED PARTY TRANSACTIONS (Continued)

(a) Acquisitions and Sale to Related Parties

The following transactions were carried out with related parties:

	2018	2017
<i>Sales of goods and services (Note 26)</i>		
Parent company - Telegroup LTD, Great Britain	22,836	21,377
Subsidiary - Telegroup d.o.o. Podgorica	16,559	59,428
Subsidiary - Greensoft d.o.o. Novi Sad	129	278
Subsidiary - Telegroup Finance d.o.o. Belgrade	519	545
Other related parties - Telegroup d.o.o. Banja Luka	286,892	285,709
Other related parties - Telegroup GMBH, Berlin	-	145
Other related parties - TG-SEC Banja Luka	11,822	-
Other related parties - TG-SEC d.o.o. Banja Luka, Belgrade branch	7,097	-
Other related parties - All Control d.o.o. Belgrade	81	-
Other related parties - Teamenergo d.o.o. Belgrade	1,883	-
	347,818	367,482

Goods are sold based on the pricelists and terms that would be available to third parties.

	2018	2017
<i>Purchases of goods and services (Notes 7, 27, 30 and 32)</i>		
Parent company - Telegroup LTD, Great Britain	217,015	161,109
Subsidiary - Telegroup Finance d.o.o. Belgrade	-	13,683
Subsidiary - Greensoft d.o.o. Novi Sad	1,092	1,900
Other related parties - Telegroup d.o.o. Banja Luka	23,667	-
Other related parties - Telegroup GMBH, Berlin	28,593	18,019
Other related parties - TG-SEC d.o.o. Banja Luka, Belgrade branch	32,158	-
Other related parties - All Control d.o.o. Belgrade	1,650	-
Other related parties - Teamenergo d.o.o. Belgrade	497,270	-
Other related parties - Telegroup Sofia EOOD, Bulgaria	-	606
	801,445	195,364

Goods and services are bought on normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
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38. RELATED PARTY TRANSACTIONS (Continued)

(b) Financial Income and Expenses - Related Parties

	2018	2017
<i>Financial income (Note 33)</i>		
Parent - Telegroup LTD, Great Britain	47	2,208
Subsidiary - Telegroup d.o.o., Podgorica	43	66
Subsidiary - Greensoft d.o.o., Novi Sad	991	765
Subsidiary - Telegroup Finance d.o.o., Belgrade	-	-
Other related parties - Telegroup d.o.o., Banja Luka	1,783	122
Other related parties - Telegroup Sofia EOOD, Bulgaria	-	1
	<u>2,864</u>	<u>3,162</u>
	2018.	2017.
<i>Financial expenses (Note 34)</i>		
Parent - Telegroup LTD, Great Britain	1,008	901
Subsidiary - Telegroup d.o.o., Podgorica	80	482
Subsidiary - Greensoft d.o.o., Novi Sad	44	562
Subsidiary - Telegroup Finance d.o.o., Belgrade	12,672	12,068
Other related parties - Telegroup d.o.o., Banja Luka	339	2,667
Other related parties - TG-SEC Banja Luka	3	-
Other related parties - Telegroup Sofia EOOD, Bulgaria	-	6
	<u>14,146</u>	<u>16,688</u>

NOTES TO THE FINANCIAL STATEMENTS

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38. RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end Balances Arising from Sales/Purchases of Goods/Services (Net Present Value)

	2018	2017
Receivables from related parties (Note 11)		
Parent - Telegroup LTD, Great Britain	33,449	21,325
Subsidiary - Telegroup d.o.o., Podgorica	22,213	37,589
Subsidiary - Greensoft d.o.o., Novi Sad	431	276
Other related parties - Telegroup d.o.o., Banja Luka	53,734	24,586
Other related parties - Telegroup GMBH	-	145
Other related parties - TG-SEC Banja Luka	11,820	-
Other related parties - Teamenergo d.o.o., Belgrade	598	-
Other related parties - TG-SEC d.o.o. Banja Luka, Belgrade branch	7,403	-
Other related parties - All Control d.o.o., Belgrade	28	-
	129,676	83,921
Payables to related parties (Note 21)		
Parent - Telegroup LTD, Great Britain	1,862	2,616
Other related parties - DKM Riznica	120	108
Other related parties - All Control	360	-
Other related parties - Teamenergo d.o.o.	83,801	-
Other related parties - TG-SEC d.o.o. Banja Luka, Belgrade branch	50,470	-
Other related parties - Telegroup d.o.o., Podgorica	45	43
	136,658	2,767

Receivables from related parties arise mainly from sale transactions and are due 60 days after the date of sale. Receivables are not secured in nature and bear no interest. Receivables from other related parties presented in the table above also include advances paid for goods/services. Payables to related parties arise mainly from purchase transactions and are due 60 days after the purchase date. Payables do not bear interest.

NOTES TO THE FINANCIAL STATEMENTS

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38. RELATED PARTY TRANSACTIONS (Continued)
(d) Loans to Related Parties

	2018	2017
Loans to directors, management and their family members:		
Long-term loan portion (Note 8)	6,095	6,441
Short-term loan portion (Note 13)	377	344
Total	6,472	6,785
Loans to related parties (Note 13):		
Subsidiary - Greensoft d.o.o. Novi Sad	20,437	16,482
End of year	20,437	16,482

39. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events that would require adjustments or disclosures in the notes to the accompanying financial statements, except the above mentioned event.

40. EXCHANGE RATES


The official exchange rates of the National Bank of Serbia for the major currencies, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2018 and 2017 into the functional currency (RSD), were as follows:

	31 December 2018	In RSD 31 December 2017
EUR	118.1946	118.4727
USD	103.3893	99.1155
CHF	104.9779	101.2847
GBP	131.1816	133.4302

Belgrade, 21 March 2019



Miladina Veljkovic
Head of Finance and Accounting
Department



Milan Stefanovic
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