



**TELEGROUP d.o.o. BELGRADE**

**Financial Statements for the Year ended 31  
December 2020**

**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 "Telegroup" d.o.o. Belgrade

### Opinion

We have audited the separate financial statements of the company "Telegroup" d.o.o. Belgrade (hereinafter: the "Company"), which comprise the separate balance sheet as at 31 December 2020 and the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia and accounting policies disclosed in Note 3 to the separate financial statements.

### Basis for Opinion

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

### Other information

Management is responsible for the other information. The other information comprises the Annual Business Report (excluding the financial statements and the auditor's report thereon) for the year ended 31 December 2020. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Solely based on the work we have performed during the audit of the financial statements, in our opinion, the information provided in the Annual Business Report for the year ended 31 December 2020, which has been prepared in accordance with the provisions of the Law on Accounting, is consistent with the separate financial statements in all material respects.

In addition, if based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

To the Owner of the Company "Telegroup" d.o.o. Belgrade (Continued)

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations prevailing in the Republic Serbia, 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.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

To the Owner of the Company "Telegroup" d.o.o. Belgrade (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Belgrade, 11 June 2021

  
Danijela Krtinić  
Certified Auditor



**BALANCE SHEET**  
As of 31 December 2020  
In RSD thousand

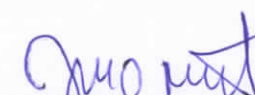
**TRANSLATION**

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6	51,114	62,240
Property, plant and equipment	7	190,442	186,897
Long-term financial placements	8	75,433	283,583
Long-term receivables	9	515,767	75,137
		<u>832,756</u>	<u>607,857</u>
<b>Deferred tax assets</b>		<u>2,637</u>	<u>1,475</u>
<b>Current assets</b>			
Inventories	10	493,627	507,791
Trade receivables	11	1,380,658	1,853,700
Other receivables	12	12,527	13,795
Short-term financial placements	13	75,125	127,989
Cash and cash equivalents	14	189,654	107,167
Value added tax receivable		-	-
Prepayments and accrued income	15	682,414	36,790
		<u>2,834,005</u>	<u>2,647,232</u>
<b>TOTAL ASSETS</b>		<u>3,669,398</u>	<u>3,256,564</u>
<b>OFF BALANCE SHEET ASSETS</b>	16	<u>1,648,093</u>	<u>1,237,230</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital	17	66,143	66,143
Reserves	17	9,665	9,665
Unrealised gains on securities and other components of other comprehensive income, net	17	(3,899)	34,176
Retained earnings	17	964,622	753,891
		<u>1,036,531</u>	<u>863,875</u>
<b>Long-term provisions and liabilities</b>			
Long-term provisions	18	6,549	6,002
Long-term liabilities	19	433,363	52,529
		<u>439,912</u>	<u>58,531</u>
<b>Deferred tax liabilities</b>		-	-
<b>Current liabilities</b>			
Short-term financial liabilities	20	181,561	139,050
Advances and deposits received and retainers	21	539,011	493,184
Accounts payable	21	749,556	1,524,200
Other short term liabilities	22	36,026	17,154
Value added tax payable	23	24,974	26,920
Other tax liabilities	23	14,595	24,209
Accruals and deferred income	23	647,232	109,441
		<u>2,192,955</u>	<u>2,334,158</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,669,398</u>	<u>3,256,564</u>
<b>OFF BALANCE SHEET LIABILITIES</b>		<u>1,648,093</u>	<u>1,237,230</u>

The accompanying notes on pages 1 to 57  
are an integral part of these financial statements.

The accompanying financial statements were approved for issue on 05 May 2020 and signed on behalf of the Company's management by:

  
Rajko Peric  
Director

  
Jelena Tomic  
Head of finance and accounting  
department

**INCOME STATEMENT**

For the period 01 January - 31 December 2020

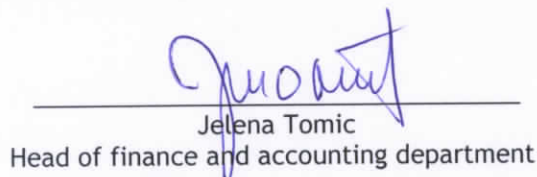
In RSD thousand

**TRANSLATION**

	Note	2020	2019
<b>OPERATING INCOME</b>			
Income from the sale of goods	26	2,061,482	1,177,535
Income from the sale of products and services	26	3,088,003	4,008,456
Other operating income	26	1,697	1,097
Income from premiums, subsidies, grants, donations, etc.	26	14,484	784
		<b>5,165,666</b>	<b>5,187,872</b>
<b>OPERATING EXPENSES</b>			
Costs of goods sold	27	(1,409,818)	(873,942)
Own-work and goods capitalised		-	288
Costs of material	28	(696,093)	(1,355,970)
Cost of fuel and energy	28	(17,372)	(25,175)
Wages, salaries and other personnel expenses	29	(484,371)	(315,821)
Cost of Productive Services	30	(1,362,997)	(1,484,165)
Depreciation and amortisation	31	(52,556)	(51,649)
Long term provisions	31	(539)	(927)
Non-material costs	32	(931,883)	(939,980)
		<b>(4,955,629)</b>	<b>(5,047,341)</b>
<b>OPERATING INCOME</b>		<b>210,037</b>	<b>140,531</b>
Financial income	33	49,994	30,867
Financial expenses	34	(22,459)	(24,419)
<b>Net financial (loss)/income</b>		<b>27,535</b>	<b>6,448</b>
Losses from fair value adjustments of other assets at fair value through profit and loss	35	(3,491)	(9,469)
Other income	36	20,574	118,775
Other expenses	37	(9,908)	(38,282)
<b>OPERATING PROFIT BEFORE TAX</b>		<b>244,747</b>	<b>218,003</b>
Net profit from discontinued operations, effects of changes in accounting policies and prior year's error adjustment		-	-
<b>PROFIT BEFORE TAX</b>		<b>244,747</b>	<b>218,003</b>
<b>INCOME TAXES</b>			
Tax expense of the period	24	(35,179)	(34,317)
Deferred tax (expenses)/income of the period	24	1,163	960
<b>NET PROFIT FOR THE YEAR</b>		<b>210,731</b>	<b>184,646</b>

The accompanying notes on pages 1 to 57  
are an integral part of these financial statements.

  
Rajko Peric  
Director

  
Jelena Tomic  
Head of finance and accounting department

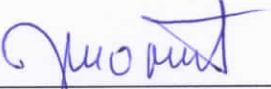
STATEMENT OF OTHER COMPREHENSIVE INCOME  
For the Year Ended 31 December 2020  
In RSD thousand

TRANSLATION

	2020	2019
NET PROFIT FOR THE YEAR	210,731	184,646
Other comprehensive income:		
Actuarial (losses)/gains on defined benefits plans	(9)	376
Gains/(losses) on translation of financial statements of foreign operations	(40)	(4,696)
Gains/(losses) on financial asset held for sale	(38,025)	(50,452)
Total other comprehensive income/(loss), net of related taxes	(38,074)	(54,772)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	172,657	129,874

The accompanying notes on pages 1 to 57  
are an integral part of these financial statements.

  
Rajko Peric  
Director

  
Jelena Tomic  
Head of finance and accounting department

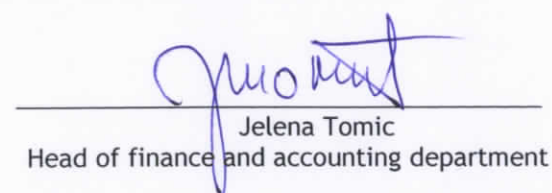
STATEMENT OF CHANGES IN EQUITY  
For the Year Ended 31 December 2020  
In RSD thousand

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 2019	66,143	6,695	2,970	470	88,478	569,245	734,001
Net profit for the year	-	-	-	-	-	184,646	184,646
Other comprehensive income:							
Actuarial (losses)/gains arising from calculation of retirement benefits	-	-	-	(4,319)	-	-	(4,319)
Unrealized (losses)/gains on financial asset held for sale	-	-	-	-	(50,453)	-	(50,453)
Balance as of 31 December 2019	<u>66,143</u>	<u>6,695</u>	<u>2,970</u>	<u>(3,849)</u>	<u>38,025</u>	<u>753,891</u>	<u>863,875</u>
Net profit for the year	-	-	-	-	-	210,731	210,731
Other comprehensive income:							
Actuarial (losses)/gains arising from calculation of retirement benefits	-	-	-	(50)	-	-	(50)
Unrealized (losses)/gains on financial asset held for sale	-	-	-	-	(38,025)	-	(38,025)
Balance as of 31 December 2020	<u>66,143</u>	<u>6,695</u>	<u>2,970</u>	<u>(3,899)</u>	<u>-</u>	<u>964,622</u>	<u>1,036,531</u>

The accompanying notes on pages 1 to 57 are an integral part of these financial statements.

  
Rajko Peric  
Director


  
Jelena Tomic  
Head of finance and accounting department

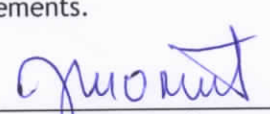
**STATEMENT OF CASH FLOWS**  
For the Year Ended 31 December 2020  
In RSD thousand

**TRANSLATION**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Sales and advances received	5,908,217	5,310,023
Interest received from operating activities	3,431	18,507
Other cash inflows from operating activities	20,960	14,555
Payments to suppliers and advances paid	(5,919,182)	(4,861,572)
Wages, salaries and other personnel expenses	(435,072)	(297,093)
Interest paid	(4,120)	(6,705)
Income tax	(44,770)	(22,376)
Cash outflows for other taxes payable	(94,620)	(32,033)
<b>Net cash flows from operating activities</b>	<u><b>(565,156)</b></u>	<u><b>123,306</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of shares and investments (net inflows)	222,101	-
Other financial placements (net inflows)	14,137	-
Interest received from investing activities	264	-
Dividends received	24,261	-
Purchase intangible assets	(700)	(100,927)
Other financial placements (net outflows)	-	-
Purchase of shares and investments (net outflows)	-	(15)
<b>Net cash flows from investing activities</b>	<u><b>260,063</b></u>	<u><b>(100,942)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term borrowings (net inflows)	551,820	46147
Other long-term liabilities	51	-
Short-term borrowings (net outflows)	(151,278)	(10,446)
Finance lease	(13,601)	(9,313)
<b>Net cash flows from financing activities</b>	<u><b>386,992</b></u>	<u><b>26,388</b></u>
<b>Total cash inflows</b>	<u><b>6,745,242</b></u>	<u><b>5,389,232</b></u>
<b>Total cash outflows</b>	<u><b>(6,663,343)</b></u>	<u><b>(5,340,480)</b></u>
<b>Net inflows/(outflows) in cash and cash equivalents</b>	<u><b>81,899</b></u>	<u><b>48,752</b></u>
Cash and cash equivalents at the beginning of the year	107,167	58,618
Foreign currency gains on translation of cash and cash equivalents	588	-
Foreign currency losses on translation of cash and cash equivalents	-	(203)
<b>Cash and cash equivalents at the end of the year</b>	<u><b>189,654</b></u>	<u><b>107,167</b></u>

The accompanying notes on pages 1 to 57  
are an integral part of these financial statements.

  
Rajko Peric  
Director

  
Jelena Tomic  
Head of finance and accounting department



# TeleGroup Belgrade

## Notes to the Financial Statements for the Year Ended 31 December 2020

Belgrade, 2021  
**ONE FOR ALL**

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 2020**

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

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**1. CORPORATE INFORMATION**

Company “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 2020, the Company has 162 employees and as of 31 December 2019 171 employees. Tax identification number of the Company is 101733237.

As of 31 December 2020 the Company has 2 subsidiaries (Note 8) and a branch in Germany.

These separate financial statements were adopted by the Founder of the Company on 5 May 2021. The adopted financial statements can be subsequently amended, based on the Decision of the Founder of the Company no later than the end of 2021.

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with the Law on Accounting (“RS Official Gazette”, no. 73/2019), the applicable provisions of the previous Law on Accounting (“RS Official Gazette”, no. 62/2013 and 30/2018 - hereinafter: the Law) and other applicable laws and by-laws in the Republic of Serbia.

For recognition, valuation, presentation and disclosure of items in the financial statements, the Company, as a large-sized legal entity, is obliged to apply the International Financial Reporting Standards (hereinafter “IFRSs”), which for the purposes of the Law include: Conceptual Framework for the Financial Reporting, International Accounting Standards - IAS, International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board, and related interpretations issued by the International Financial Reporting Interpretations Committee, the translation of which was determined and published by the ministry responsible for finance (hereinafter “the Ministry”).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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

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

According to a Decision on Establishing Translation of the International Financial Reporting Standards no. 401-00-4980/2019-16 issued by the minister of finance of the Republic of Serbia on 21 November 2019 ("Official Gazette of the Republic of Serbia", no. 92/2019), an official translation of IFRSs was established. The IFRS translation established and published by the Ministry includes the Conceptual Framework for Financial Reporting, IAS/IFRS basic texts published by the International Accounting Standards Board ("IASB"), as well as interpretations published by the IFRS Interpretations Committee ("IFRIC") in the form in which they were issued and adopted 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 (hereinafter: "IFRS translation").

The IFRS translation includes all amended and new IASs and IFRSs and related interpretations, which have been in effect for the periods beginning on or after 1 January 2018, which have been applied since the financial statements prepared for the year ended 31 December 2018. The result of the assessment of the first application of the new standards included in IFRS transactions is disclosed in Note 2.3.

The amounts in the accompanying financial statements of the Company are presented in RSD thousand, unless otherwise stated. Dinar (RSD) is the Company's functional and reporting currency. All amounts denominated in RSD are rounded to the nearest thousand, unless otherwise stated.

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

The accompanying separate financial statements include assets, liabilities, equity, financial performance and cash flows of the Company, excluding its subsidiaries: Jel-Mi Impregnacija d.o.o. Markovac and Telegroup Podgorica d.o.o. Podgorica. The Company also prepares the consolidated financial statements.

In 2020 the Company sold its shares in Greensoft d.o.o. Novi Sad and Telegroup Finance d.o.o. Belgrade, which were subsidiaries as of 31 December 2019.

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 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 historical cost convention and going concern principle.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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

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

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

**(a) *Standards, Interpretations and Amendments effective as of 1 January 2020 Officially Translated and but not yet Adopted in the Republic of Serbia***

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, became effective as of 1 January 2020 and earlier, and as such apply to the financial statements for 2020. The standards have been translated and officially published, but the Ministry of Finance has postponed their application for 2021 and, therefore, they have not been applied by the Company for 2020:

- IFRIC 23 "Uncertainty over Income Tax Treatments";
- Amendments to IFRS 9 "Financial instruments" - Prepayment Features with Negative Compensations;
- Amendments to IAS 19 "Employee Benefits" relating to plan amendment, curtailment or settlement;
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures; and
- Annual improvements to IFRS Standards 2015-2017 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23, published by the IASB in December 2017.

**(b) *Standards, Interpretations and Amendments effective as of 1 January 2020 not yet Officially Translated and Adopted in the Republic of Serbia***

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, became effective as of 1 January 2020, and are, as such, applicable to the accompanying financial statements, but have not been translated and published by the Ministry, and, therefore, have not been implemented by the Company:

- Amendments to IFRS 3 "Business Combinations" - Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Materiality (effective for annual periods beginning on or after 1 January 2020).
- Amendments to References in the IFRS Conceptual Framework. This document includes 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).
- Amendments to IFRS 9, IAS 39 and IFRS 7- "Reform of Reference Interest Rates" - Phase 1 (effective for annual periods beginning on or after 1 January 2020).

Taking into consideration the above-mentioned and potential material effects that departures of accounting regulations of the Republic of Serbia from IFRSs and IASs may have on the reality and objectivity of standalone financial statements of the Company, the accompanying financial statements cannot be deemed financial statements prepared in accordance with IASs/IFRSs.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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

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

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

**(c) *New Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and Have Not Been Early Adopted by the Company***

The following new and amended standards have been issued by the IASB, but are not effective for the annual periods beginning on 1 January 2020. They have not been early adopted by the Company:

- Amendment to IFRS 16 “Leases” - Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - “Reform of Reference Interest Rates” - Phase 2 (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 3 “Business Combinations” updating a Reference to the Conceptual Framework (effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts – Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022).
- Annual Improvements to IFRSs, 2018-2020 Cycle, make amendments to the following standards IFRS 1, IFRS 9 IFRS 16 and IAS 41 (effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023).
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2023).

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020**

A number of new standards, interpretations of standards (IFRIC) and amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2020. Of these standards, the application of the following standards has affected the changes in the Company's accounting policies and has had an effect on the accompanying separate financial statements of the Company:

- IFRS 15 “Revenue from Contracts with Customers”,
- IFRS 9 “Financial Instruments” and
- IFRS 16 “Leases”.

The application of other standards, interpretations of standards and amendments to existing standards established by the official translation of IFRS did not result in significant changes in the Group's accounting policies and did not have a significant impact on the accompanying financial statements.

An analysis of the impact of these three standards is presented below.

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

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020 (Continued)**

**2.3.1. IFRS 9 “Financial Instruments”**

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, as well as a new model of expected credit loss to measure impairment of a financial asset and new general hedge accounting requirements. It also continues the guidance on recognition and derecognition in IAS 39.

**Impact Assessment of IFRS 9**

*Classification and measurement:* IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, at fair value through profit and loss (comprehensive income) and at fair value through other comprehensive income (equity).

Financial assets are classified and measured by reference to the business model in which assets are managed and their contractual cash flow characteristics.

The business model is defined in accordance with the assessment of the Company's management on the purpose for which the financial assets are held and the objectives of financial asset management based on all available relevant information for the assessment of the business model. The business model of the Company can be defined as assets held in order to collect cash flows, and includes financial placements and accounts receivable (trade and other).

Classification and measurement of financial assets determined by assessment of the characteristics of contractual cash flows in terms of solely payments of principal and interest (SPPI test), depending on the business model, is as follows:

- Financial assets which meet SPPI test are valued at amortized cost if the business model is “hold to collect” (contractual cash flows), and at fair value through other comprehensive income if the business model is “hold to collect and sell” (both to collect contractual cash flows and sell financial assets); and
- Financial assets which fail SPPI test are measured at fair value through profit and loss, regardless of the business model.

The Company's financial instruments include trade receivables, other current and non-current receivables, trade payables, borrowings and other current liabilities, which are subsequently measured at amortized cost and fulfil the new requirements of IFRS 9 (business model test and the characteristics of contractual cash flows) to be measured at amortized cost.

The Company has no financial assets at fair value through other comprehensive income and no financial liabilities at fair value.

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

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020 (Continued)**

**2.3.1. IFRS 9 “Financial Instruments” (Continued)**

**Impact Assessment of IFRS 9 (Continued)**

Impairment (provisions): IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Financial assets measured at amortized cost (Notes 8) are subject to the impairment provisions of IFRS 9.

As of 1 January 2019, the Company applies an “expected credit loss” model when calculating impairment losses on its current trade and other receivables. The Company considers the probability of a default occurring over the contractual life of financial assets on its initial recognition. This results in greater judgement due to the need to factor in forward looking economic information when estimating the appropriate amount of provisions. Delay in payments more than 60 days from maturity date of the asset indicates that *event of default* has occurred.

The Company applies the simplified approach to recognize “lifetime” expected credit losses for its trade receivables (non-current and current) and other receivables without significant financing component, using a provision matrix where trade receivables are grouped based on different customer attributes and different historical loss patterns. Expected credit losses rates are based on Company’s historical impairment of receivables in previous three years. Historical losses rates are adjusted for current and future information about macroeconomics factors which affect the Company’s customers. The Company has identified gross domestic product, unemployment rate and inflation rate as a key macroeconomics factor.

*Hedge accounting:* There were no changes in respect of new hedge accounting requirements, as the Company does not apply hedge accounting.

The application of IFRS 9 as of 1 January 2019 did not significantly affect the separate financial statements of the Company, i.e., the classification and measurement of financial assets and liabilities, nor did it result in the adjustment of retained earnings as at 1 January 2020 based on the application of the new model of financial assets impairment.

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

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020 (Continued)**

**2.3.2. IFRS 15 “Revenue from Contracts with Customers”**

IFRS 15 “Revenue from Contracts with Customers” supersedes the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related interpretations.

IFRS 15 provides a single model based on five-step approach to revenue recognition being applied to all contracts with customers, as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract (sale of goods/rendering of services);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The application of IFRS 15 requires the management to make judgements that affect the determination of the amount and timing of revenue recognition from contracts with customers. These include:

- Determining the timing of satisfaction of performance obligations; and
- Determining the transaction price allocated to them.

On transition, there is a choice of two approaches:

- Fully retrospective application, under which IFRS 15 is applied to each prior reporting period with these being restated; or
- A cumulative catch-up approach under which IFRS 15 is applied on a retrospective basis with the cumulative effect being recognized as an adjustment of opening balance of equity on 1 January 2018 with comparative information not being restated.

Under IFRS 15, the Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The performance obligation can be fulfilled, i.e. revenue recognized over the period the services are performed or at a point in time for sale of goods when the goods are delivered to the customer.

The services provided by the Company are performance obligations satisfied over the time because customer simultaneously receives and consumes the benefits as the Company performs. There were no significant judgments required to determine when a customer obtains control of promised goods or services that are fulfilled at a point in time.

For performance obligations that it fulfils over time, the Company uses the “output” method based on time elapsed. Revenue is recognized on a monthly basis because the transaction price is allocated to such performance obligations at the time of initial sale, and revenue is recognized during the period of service to the customer.

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

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020 (Continued)**

**2.3.2. IFRS 15 “Revenue from Contracts with Customers” (Continued)**

The Company, when analysing the first application of IFRS 15, came to the conclusion that the application of this standard has no impact on the accompanying financial statements, nor did it result in the adjustment of retained earnings as at 1 January 2020.

Revenue is recognised for each contracted delivery in the amount of the transaction price. The transaction price is the contracted fee for which the Company expects to be entitled to in exchange for a transfer of promised goods or services to the customer, i.e. revenues are recognised at the same time when IAS 18 was effective.

**2.3.3. IFRS 16 “Leases”**

**IFRS 16 “Leases”** brings major changes for lessees and has a significant effect on any entity that has entered into material amounts of leases that are until 1 January 2020 accounted for as operating leases. In contrast, for lessors, the accounting requirements have largely been carried forward unchanged from IAS 17.

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset have a low value. The key headline for lessees is that in most cases a lease will result in an asset being capitalized (a “right-of-use” asset) together with the recognition of a liability for the corresponding lease payments with the affect at borrowing costs (interest expenses).

Lease costs under operating leases, which in previous years (ending in 2019) were recorded within operating expenses, are now recognized within the costs of depreciation of the right-of-use assets (Note 22) and interest expenses for the effect of discounting liabilities under operating leases (Note 25).

As at beginning of the lease, lessee recognizes a lease liability and an asset representing right to use that asset during the period of lease (a “right-of-use” asset). Interest expense on lease liability and depreciation of a right-of-use asset should be separately recognized, as required.

It is necessary to remeasure lease liability upon certain events occurred (changes in lease term, future payments due to change in index or rate applied to calculate those payments). Lessee recognizes the amount of remeasured lease liability as adjustment of value of a right-of-use asset.

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

**2.3. New Standards, Amendments and Interpretations to Existing Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2020 (Continued)**

**2.3.3. IFRS 16 “Leases” (Continued)**

On transition, there is a choice of two approaches:

- Fully retrospective application under which IFRS 16 is applied with the cumulative effect being recognized as an adjustment of opening balance of equity (retained earnings) on 1 January 2019 with comparative information being restated; or
- Modified retrospective approach under which IFRS 16 is applied with the cumulative effect being recognized as an adjustment of opening balance of equity (retained earnings) at the date of initial application i.e. on 1 January 2020 with comparative information not being restated.

The application of IFRS 16 from the annual period beginning 1 January 2020 has not significantly impacted the Company’s financial statements in respect of leasing contracts, as follows.

The Company chose the modified retrospective approach of transition to IFRS 16. Therefore, comparative figures are not restated, yet they are reported under the previously effective accounting policies.

The Company chose the modified retrospective approach of transition to IFRS 16. Therefore, comparative figures are not restated, yet they are reported under the previously effective accounting policies. At initial application of IFRS 16, right-of-use assets were measured at the amount of lease liabilities applying the average incremental borrowing rate at 2.2%. The first-time application of the standard resulted in recognition of lease liabilities in the amount of RSD 32,708 thousand and therefore, recognition of right-of-use assets in the amount of RSD 59,871 thousand in the separate balance sheet as of 1 January 2019. No adjustment was made to equity (retained) earnings on 1 January 2019 at initial application of IFRS 16 because there was no effect on retained earnings.

The Company decided to apply expedients proposed by the standard to lease contracts with leasing term being less than 12 months from the date of initial application and contracts with the underlying asset of a low value.

The Company identified the following significant categories contracts, which previously were recognised as operating lease, to be qualified as leases defined under the new standard: business premises and warehouse space.

The standard requires certain estimates primarily related to lease term. Incremental borrowing rate applied corresponds to interest rate on government bonds issued in the period closest to the beginning period of the contract and with maturity period, which is equal to lease term.

Operating lease expenses recognized in the income statement mostly relate to short-term lease agreements, small-value lease assets and a component of the lease contract.

The information on right-of-use assets based on the initial application of IFRS 16 and the related lease liabilities is disclosed in Note 5.

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

**2.4. Departure of Accounting Regulations in 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 the Decision of the Minister of Finance of the Republic of Serbia on Determining the Translation of International Financial Reporting Standards no. 401-00-4980/2019-16 dated 21 November 2019 ("RS Official Gazette", no. 92/2019). The IFRS translation has been in effect since the financial statements prepared for the year ended 31 December 2018. 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".

**2.5. 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.

**2.6. Comparative Figures**

Comparative figures represent the data included in the audited financial statements as of and for the year ended 31 December 2019, prepared in accordance with the accounting regulations prevailing in the Republic of Serbia.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

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

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

#### 2.7. 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.

The Company's management considered all available information and analysed matters that might be relevant to the Company's ability to continue as a going concern, including significant circumstances and events, management plans, as well as the impact of the global crisis triggered by the Covid-19 pandemic on the Company's business operations, as described in detail in Note 33.

#### 2.8. 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.

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### **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 - 10 years

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.2. Property, Plant and Equipment (Continued)**

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, 95/2018 and 86/2019) 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, 99/2010, 104/2018 and 8/2019), 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***

The management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired, i.e. a business model they are held within and characteristics of contractual cash flows.

As from 1 January 2020, in accordance with IFRS 9 "Financial Instruments", financial assets are classified into the following categories: financial assets at amortized cost, financial assets measured at fair value through other comprehensive income (equity) and financial assets measured at fair value through profit or loss (statement of comprehensive income).

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

*Financial Assets (Continued)*

Financial assets are measured at amortized cost if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount, unless irrevocably designated at initial recognition to fair value through profit or loss measurement option (if it leads to significant reduction/elimination of accounting mismatch).

Financial assets are measured at fair value through other comprehensive income if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and to sell financial assets and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount, unless irrevocably designated at initial recognition to fair value through profit or loss measurement option (if it leads to significant reduction/elimination of accounting mismatch).

Financial assets are measured at fair value through profit or loss only if are not measured at amortized cost or at fair value through other comprehensive income.

A business model is defined in accordance with the Company's management estimates of the purpose for which the financial assets are held and objectives of maintaining of financial assets based on all available relevant information for business model evaluation. Business model of the Company can be defined as assets held in order to collect cash flows and includes financial placements and accounts receivable (trade and other).

The Company's financial instruments include trade receivables, other current and non-current receivables, trade payables, borrowings, corporate bonds and other current liabilities, which are subsequently measured at amortized cost and fulfil the requirements of IFRS 9 (business model test and the characteristics of contractual cash flows) to be measured at amortized cost.

The Company does not have financial assets measured at fair value through other comprehensive income or financial liabilities carried at fair value.

Financial assets are included in current assets, except for maturities longer than 12 months after the reporting date, when they are classified as non-current.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

*Financial Assets (Continued)*

In addition to the above criteria, the implementation of IFRS 9 from 1 January 2020 specifies additional criteria that lead to the derecognition of financial assets. The financial asset ceases to be recognized by writing off the receivable. Also, derecognition of a financial asset occurs if subsequent changes in the contractual terms of the financial asset have occurred, which lead to significant modifications to the cash flows of the financial asset.

The Company has classified its financial assets mainly in the category of assets measured at amortized cost, except for financial assets that are measured at fair value through profit or loss. The Company has no financial assets that are measured at fair value through other comprehensive income.

In accordance with IFRS 9 “Financial Instruments”, impairment is calculated and recognized for all financial instruments that are measured at amortized cost, as well as for financial assets that are measured at fair value through other comprehensive income.

Moreover, the Company applies simplified approach to recognize “lifetime” expected credit losses over the contracted life for its trade receivables (non-current and current) and other receivables without significant financing component using a provision matrix where trade receivables are grouped based on different customer attributes and different historical loss patterns.

Expected credit losses rates are based on Company’s historical impairment of receivables in previous three years. Historical losses rates are adjusted for current and future information about macroeconomics factors, which affect the Company’s customers.

Expected credit losses are recognized in the separate statement of profit or loss as impairment of financial assets.

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was initially recognized, then the previously recognized impairment loss is reversed through separate statement of profit or loss.

The Company’s financial assets include cash and trade receivables and other receivables, loans and other receivables.

*Cash and Cash Equivalents*

Cash and cash equivalents presented in the balance sheet include cash on the account with banks. For the purpose of preparing the cash flow statement, cash and cash equivalents include the above-mentioned positions.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

*Financial Assets (Continued)*

*Trade Receivables and Other Receivables*

The Company sells its products and services on the basis of the usual terms of sale and such receivables are not interest bearing. Trade receivables and other receivables are measured at amortized cost.

In accordance with IFRS 9 “Financial Instruments”, impairment is calculated and recognized for all financial instruments that are measured at amortized cost, as well as for financial assets that are measured at fair value through other comprehensive income. The Company applies the “expected credit loss” model when calculating the allowance for trade and other receivables.

The Company applies simplified approach to recognize “lifetime” expected credit losses over the contracted life for its trade receivables and other receivables without significant financing component using a provision matrix where trade receivables are grouped based on different customer attributes and different historical loss patterns.

Expected credit losses rates are based on Company’s historical impairment of receivables in previous three years. Historical losses rates are adjusted for current and future information about macroeconomics factors, which affect the Company’s customers.

Trade receivables are recorded and measured at invoiced value net of allowance for impairment of uncollectible receivables. Allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due.

An estimate of the amount of uncollectible receivables is based on fixed percentages that apply to all receivables classified in a particular age category. Applied percentages are based on historical evidence of the amount in respect of losses incurred. Doubtful and disputed receivables are written off at the time they are identified.

Trade receivables are stated at amortized cost. Allowance for impairment of receivables on a group level is determined in a manner described in Note 3, i.e., the Company applies simplified approach to recognize “lifetime” expected credit losses over the contracted life for its trade and other receivables without significant financing component using a provision matrix where trade receivables are grouped based on different customer attributes and different historical loss patterns.

The carrying number of receivables is reduced using an allowance account, and the amount of loss is recognized in the statement of comprehensive income (Note 27). When a receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off and reversal of the previously recognized impairment loss are credited to the statement of comprehensive income (Note 26).

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

*Financial Assets (Continued)*

*Accounts Receivable and Other Receivables (Continued)*

Until 31 December 2019, the allowance for trade receivables was determined in accordance with the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, i.e., when there was objective evidence that the Company would not be able to collect all amounts receivable based on the original terms of the receivable. Significant financial difficulties of the buyer, probability that the buyer will be liquidated or financially reorganized, failure or delay in payment (more than 60 days from the due date) were considered indicators that the value of receivables is impaired. The assessment of the allowance for receivables is made on the basis of age analysis and historical experience and when collection of all or part of the receivables is no longer probable.

*Loans and Receivables*

Loans and receivables are non-derivative financial assets that are not quoted in the active market with fixed or pre-determined payment amounts. These assets are accounted for at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement at the time of the write-off or impairment of loans or receivables as well as through the depreciation process.

**Impairment of Financial Assets**

At each financial reporting date, the Company assesses whether there is any indication of impairment of a financial asset or group of financial assets. Financial assets are considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (the so-called “incurred loss”), and that event affects the estimated future cash flows of the financial asset or group of assets, which can be reliably estimated.

IFRS 9 “Financial Instruments” introduces the concept of “expected credit losses” that the Company should identify and recognise on the basis of all financial assets under the scope of this standard, rather than the “incurred loss” model according to the previously valid IAS 39 “Financial Instruments: Recognition and Measurement”.

Impairment is calculated and recognized for all financial instruments that are measured at amortized cost and for financial assets that are measured at fair value through other comprehensive income.

For the current reporting period, the Company determined impairment in accordance with the accounting policy described in Note 3.

The Company applies the simplified approach to recognize “lifetime” expected credit losses over the contracted life for its trade receivables (non-current and current) and other receivables without significant financing component using a provision matrix where trade receivables are grouped based on different customer attributes and different historical loss patterns.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

**Impairment of Financial Assets (Continued)**

Until 31 December 2019, according to the previously effective IAS 39, the Company considered evidences of impairment for financial assets measured at amortized cost at both an individual asset and a collective level. Collective assessment was carried out by grouping together assets with similar risk characteristics.

Expected credit losses and impairment losses are recognized in profit or loss (statement of comprehensive income) as impairment of financial assets.

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was initially recognized, then the previously recognized impairment loss is reversed through profit or loss (statement of comprehensive income).

**Financial Liabilities**

Under IFRS 9 “Financial Instruments” financial liabilities are classified in a similar manner to under IAS 39, hence, financial liabilities are classified as measured at amortized cost and measured at fair value through statement of comprehensive income.

Management determines the classification of its financial liabilities at initial recognition. The Company’s financial liabilities include accounts payable and trade and other payables (operating liabilities).

The Company recognizes financial liabilities in its balance sheet only when it becomes one of the counterparties to the financial instrument.

Financial liability is derecognized when the Company fulfils the obligations, or when the contractual repayment obligation either has been cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, while the difference in the respective carrying amounts is recognized in the separate statement of profit or loss.

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 invoice value.

The Company's financial liabilities include trade payables and other trade payables.

*Accounts Payable*

Accounts payable and other current liabilities are measured at amortised cost, which approximates their nominal value due to the short-term nature of these liabilities.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5. Financial Instruments (Continued)**

**Derecognition of Financial Assets and Financial Liabilities**

*Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company has retained its right to receive cash flows from the asset, but it has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- either the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting of Financial Assets and Financial Liabilities**

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.

**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.

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.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Profit Distribution**

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.

**3.10. Leases**

*Company as a Lessee*

The Company recognises the property and other assets it leases in accordance with IFRS 16 "Leases".

The Company recognises the right to use assets that are amortised/depreciated over the period and liabilities over the lease term - the lease term being the contracted/estimated lease period. The liability is due and payable based on Lessor's periodic invoices. The Company does not recognise rental costs, but it states an amortisation/depreciation cost with a right-of-use and interest as a financial expense.

Small-value leases and short-term leases of up to 12 months are still recorded as an expense of the period under the cost of productive services (Note 30).

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.10. Leases (Continued)**

***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.

**(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.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12. Revenue Recognition**

Under IFRS 15 the Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The performance obligation can be fulfilled, i.e., revenue recognized over the period the services are performed or at a point in time for sale of goods when the goods are delivered to the customer.

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. Revenue is shown net of value added tax, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be measured reliably, when future economic benefits will flow to the Company and when the specific criteria for all activities of the Company described below are met.

**(a) Sales of Goods**

Sales revenue is recognized when the customer acquires control of the product, i.e., when the Company delivers the goods to the customer and when there is no outstanding liability that could affect the acceptance of the product by the customer. Delivery is made when the products are shipped to a specific location, the risks of loss are transferred to the customer and when the customer accepts the products in accordance with the agreed conditions.

The products are sold with discounts and fees for the realized turnover, and the buyers have the right to return the defective goods. Sales revenues are stated on the basis of the price from the sales contract, less discounts and fees for realized turnover, and refunds.

IFRS 15 provides a single model based on five-step approach to revenue recognition being applied to all contracts with customers, as follows;

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognize revenue when the entity meets a performance obligation

Revenue is recognized for each separate performance obligation in the contract in the amount of the transaction price. The transaction price is the amount of fees in the contract to which the Company expects to be entitled in exchange for the transfer of the promised goods to the buyer.

**(b) Sales of services**

Revenue from the sale of services is recognized on the basis of invoiced sales, at the fair value of the consideration received or receivable when the service or sale is made.

**(c) Interest income**

Interest income is recognized on a time proportion basis using the effective interest method. When the value of receivables is reduced, the Company reduces the carrying amount of the receivable to its recoverable amount, which is the estimated value of expected cash inflows discounted at the instrument's original effective interest rate.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12. Revenue Recognition (Continued)**

**(c) Interest income (Continued)**

The uniform reversal of discounts in future periods is recognized as interest income. Interest income on loans whose collection is questionable is recognized using the original effective interest method.

**3.13. Expenditure 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 Income 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.

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.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Deferred Income Tax*

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).

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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 2020 and 2019 are presented in the following table:

	<b>2020</b>	<b>2019</b>
<b><i>Financial assets</i></b>		
Cash and cash equivalents	189,654	107,167
Securities and other long-term financial placements	60,885	106,591
Other long-term receivables	515,767	75,137
Trade receivables	1,380,658	1,853,700
Other receivables	12,527	13,795
Short-term financial placements	75,125	127,989
	<b>2,234,616</b>	<b>2,284,379</b>
<b><i>Financial liabilities</i></b>		
Long-term and short-term borrowings, leases	614,924	191,579
Accounts payable	749,556	1,524,200
Other short-term liabilities	36,026	17,154
	<b>1,400,506</b>	<b>1,732,933</b>

In 2020 and 2019, the Company had no derivative financial instruments.

The summary of significant accounting policies and methods applied, including the criteria for recognition and basis of measurement, as well as the basis for recognition of income and expenses for each category of financial assets, financial liabilities and equity instruments, are disclosed in Note 3 to the separate financial statements.

**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.

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**4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)**

**4.2. Financial Risk Factors (Continued)**

**(a) Market Risk (Continued)**

*Foreign Exchange Risk (Continued)*

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.

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:

	<b>EUR</b>	<b>USD</b>	<b>RSD</b>	<b>2020 Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	4,855	57	184,742	189,654
Securities and other long-term financial placements	55,544	-	5,341	60,885
Other long-term receivables	148,444	5,064	362,259	515,767
Trade receivables	159,342	48,043	1,173,273	1,380,658
Other receivables	9,375	-	3,152	12,527
Short-term financial placements	4,467	-	70,658	75,125
<b>Total</b>	<b>382,027</b>	<b>53,164</b>	<b>1,799,425</b>	<b>2,234,616</b>
<b>Financial liabilities</b>				
Long-term and short-term borrowings, leases	420,778	-	194,146	614,924
Trade payables	181,234	37,409	530,913	749,556
Other short-term liabilities	45	-	35,981	36,026
<b>Total</b>	<b>602,057</b>	<b>37,409</b>	<b>761,040</b>	<b>1,400,506</b>
<b>Net effect</b>	<b>(220,030)</b>	<b>15,755</b>		
<b>10%</b>	<b>(22,003)</b>	<b>1,576</b>		

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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	2019 Total
<b>Financial assets</b>				
Cash and cash equivalents	5,797	51,408	49,962	107,167
Securities and other long-term financial placements	-	-	106,591	106,591
Other long-term receivables	49,262	6,370	19,505	75,137
Trade receivables	132,635	17,066	1,703,999	1,853,700
Other receivables	11,050	-	2,745	13,795
Short-term financial placements	127,989	-	-	127,989
<b>Total</b>	<b>326,733</b>	<b>74,844</b>	<b>1,882,802</b>	<b>2,284,379</b>
<b>Financial liabilities</b>				
Long-term and short-term borrowings, leases	191,579	-	-	191,579
Trade payables	240,694	335,442	948,064	1,524,200
Other short-term liabilities	3,248	-	13,906	17,154
<b>Total</b>	<b>435,521</b>	<b>335,442</b>	<b>961,970</b>	<b>1,732,933</b>
<b>Net effect</b>	<b>(108,788)</b>	<b>(260,598)</b>	<b>920,832</b>	<b>551,446</b>
<b>10%</b>	<b>(10,879)</b>	<b>(26,060)</b>		

*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:

	2020	2019
EUR	(22,003)	(10,879)
USD	1,576	(26,060)
<b>Total</b>	<b>(20,427)</b>	<b>(36,939)</b>

If as of 31 December 2020, 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 20,427 thousand (2019: RSD 36,939 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 2020, financial assets denominated in EUR amount to RSD 382,027 thousand (31 December 2019: RSD 326,733 thousand) which accounts for 87.78% (2019: 81.36%) of the total financial assets of the Company denominated in foreign currency.

As of 31 December 2020, financial liabilities denominated in EUR amount to RSD 602,057 thousand (31 December 2019: RSD 435,521 thousand) which accounts for 94.15% (2019: 56.49%) of the total financial liabilities of the Company denominated in foreign currency.

As of 31 December 2020, liabilities arising from borrowings and finance lease are denominated in a foreign currency in the amount of EUR 3,483,754.64.

*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 2020 and 2019, 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 13% of the total income from sales (2019: 12%).

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**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):

<b>31 December 2020</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Total</b>
Long-term and short-term borrowings, leases	8,283	173,277	433,364	614,924
Trade payables	737,075	12,481	-	749,556
Other trade payables	23,761	12,265	-	36,026
	<b>769,119</b>	<b>198,023</b>	<b>433,364</b>	<b>1,400,506</b>

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**4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)**

**4.2. Financial Risk Factors (Continued)**

**(c) Liquidity Risk (Continued)**

<b>31 December 2019</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Total</b>
Long-term and short-term borrowings, leases	8,041	31,211	152,327	191,579
Trade payables	1,514,767	9,433	-	1,524,200
Other trade payables	17,154	-	-	17,154
	<b>1,539,962</b>	<b>40,644</b>	<b>152,327</b>	<b>1,732,933</b>

**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 as of 31 December 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Total borrowings (Notes 19 and 20)	614,924	191,579
Less: Cash and cash equivalents (Note 14)	(189,654)	(107,167)
<b>Net debt</b>	<b>425,270</b>	<b>84,412</b>
Equity	1,036,531	863,875
<b>Equity - total</b>	<b>1,461,801</b>	<b>948,287</b>
<b>Gearing ratio</b>	<b>29.09%</b>	<b>8.90%</b>

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

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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 Trade Receivables 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 816 thousand lower or RSD 1,019 thousand higher in comparison with the provision for retirement benefits recognized in the Company's books of account as of 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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

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**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 2020**

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

**6. INTANGIBLE ASSETS**

	Concessions, patents, licenses and similar rights	Total
<b>COST</b>		
As of 1 January 2019	<u>104,272</u>	<u>104,272</u>
Disposals and write-offs	<u>(3,108)</u>	<u>(3,108)</u>
<b>Balance as of 31 December 2019</b>	<u>101,164</u>	<u>101,164</u>
Additions	5,185	5,185
Disposals and write-offs	-	-
<b>Balance as of 31 December 2020</b>	<u>106,349</u>	<u>106,349</u>
<b>ACCUMULATED AMORTISATION</b>		
As of 1 January 2019	<u>26,001</u>	<u>26,001</u>
Amortisation charge (Note 31)	16,031	16,031
Disposals and write-offs	<u>(3,108)</u>	<u>(3,108)</u>
<b>Balance as of 31 December 2019</b>	<u>38,924</u>	<u>38,924</u>
Amortisation charge (Note 31)	16,312	16,312
Disposals and write-offs	-	-
<b>Balance as of 31 December 2020</b>	<u>55,236</u>	<u>55,236</u>
<b>CARRYING VALUE AS OF:</b>		
- 31 December 2020	<u>51,114</u>	<u>51,114</u>
- 31 December 2019	<u>62,240</u>	<u>62,240</u>

Based on the assessment of the Company's management, there is no indication that the intangible assets were impaired at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020

All amounts are expressed in RSD thousand, unless otherwise stated

TRANSLATION

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings - right-of-use assets	Plant and equipment	Plant and equipment right-of-use assets	Investment property	Constructi on in progress	Advances for property	Total
<b>COST</b>									
Balance as of 1 January 2019	9,804	107,229	-	157,702	-	820	-	-	275,555
Additions	-	-	-	-	-	-	34,324	-	34,324
First-time adoption of IFRS 16	-	-	5,626	-	14,395	-	-	-	20,021
Transfer from construction in progress to plant and equipment	-	-	-	34,324	-	-	(34,324)	-	-
Transfer from buildings to investment property	-	(370)	-	-	-	370	-	-	-
Disposals and write-offs	-	(675)	-	(8,010)	(3,750)	-	-	-	(12,435)
Balance as of 31 December 2019	9,804	106,184	5,626	184,016	10,645	1,190	-	-	317,465
Additions	-	-	14,041	-	576	-	26,264	4.200	45.081
First-time adoption of IFRS 16	-	-	-	-	-	-	-	-	-
Transfer from construction in progress to plant and equipment	-	-	-	26,264	-	-	(26,264)	-	-
Transfer from buildings to investment property	-	-	-	-	-	-	-	-	-
Disposals and write-offs	-	-	(3,604)	(15,270)	(7,091)	-	-	-	(25,965)
Balance as of 31 December 2020	9,804	106,184	16,063	195,010	4,130	1,190	-	4.200	336.581
<b>ACCUMULATED DEPRECIATION</b>									
Balance as of 1 January 2019	-	16,824	-	87,254	-	119	-	-	104,197
Depreciation (Note 31)	-	1,389	2,813	24,658	6,747	11	-	-	35,618
Transfer	-	(58)	-	-	-	58	-	-	-
Disposals and write-offs	-	(102)	-	(7.720)	(1,425)	-	-	-	(9,247)
Balance as of 31 December 2019	-	18,053	2,813	104,192	5,322	188	-	-	130.568
Depreciation (Note 31)	-	1,380	5,055	27,019	2,775	15	-	-	36,244
Disposals and write-offs	-	-	(2,553)	(13,773)	(4,348)	-	-	-	(20,674)
Balance as of 31 December 2020	-	19,433	5,315	117,438	3.749	203	-	-	146.138
<b>CARRYING VALUE AS OF:</b>									
- 31 December 2020	9,804	86,750	10,748	77,572	381	987	-	4.200	190.442
- 31 December 2019	9,804	88,131	2,813	79,824	5,323	1,002	-	-	186,897

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	<u>2020</u>	<u>2019</u>
Cost	77,395	59,982
Accumulated depreciation	<u>29,226</u>	<u>(17,492)</u>
<b>Carrying value as of 31 December</b>	<b><u>48.169</u></b>	<b><u>42,490</u></b>

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 2020 amounted to RSD 63,353 thousand (31 December 2019: RSD 57,130 thousand). The Company neither has pledges nor mortgages on buildings, plant and equipment.

Based on the Company's management estimate, property, plant and equipment as of 31 December 2020 are not impaired.

## **8. LONG-TERM FINANCIAL PLACEMENTS**

	<u>2020</u>	<u>2019</u>
Equity investments in subsidiaries (gross)	26,533	188,977
Less: allowance for impairment	<u>(12,000)</u>	<u>(12,000)</u>
<b>Equity investments in subsidiaries (net)</b>	<b><u>14,533</u></b>	<b><u>176,977</u></b>
Equity investments in associates (gross)	15	15
Less: allowance for impairment	<u>-</u>	<u>-</u>
<b>Equity investments in associates (net)</b>	<b><u>15</u></b>	<b><u>15</u></b>
Securities available for sale	-	100,905
Long-term placements to related parties (Note 38c)	55,544	-
Other long-term financial placements in foreign currency	<u>5,341</u>	<u>5,686</u>
	<b><u>60,885</u></b>	<b><u>106,59</u></b>
<b>Balance as of 31 December</b>	<b><u>75,433</u></b>	<b><u>283,583</u></b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **8. LONG-TERM FINANCIAL PLACEMENTS (Continued)**

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

<b>Name and headquarters</b>	<b>2020</b>	<b>2019</b>	<b>Interest %</b>
Jel-Mi Impregnacija d.o.o., Markovac	26,042	26,042	80.31%
Greensoft d.o.o., Novi Sad	-	3,689	
Telegroup Podgorica d.o.o., Podgorica	491	492	100.00%
Telegroup Finance d.o.o., Beograd	-	158,754	
<b>Total</b>	<b>26,533</b>	<b>188,977</b>	
<b>Total gross balance as of 31 December</b>	<b>26,533</b>	<b>188,977</b>	
Allowance for impairment	(12,000)	(12,000)	
<b>Net equity investments in subsidiaries</b>	<b>14,533</b>	<b>176,977</b>	

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

Pursuant to the Share Transfer Agreement dated 28 May 2020, the Company transferred 51% of its share in Greensoft d.o.o. Novi Sad to the acquirer Telegroup d.o.o. Banja Luka in 2020. Through this transaction, the Company incurred a loss based on the sale of shares in the amount of RSD 3,689 thousand (Note 37).

Pursuant to the Share Transfer Agreement concluded on 24 December 2020, the Company transferred 78.26% of the shares of Telegroup Belgrade to DKM Riznica d.o.o. Belgrade. The shares were sold at book value.

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

	<b>2020</b>	<b>2019</b>
<b>Balance as of 1 January</b>	12,000	12,000
Additional allowance for impairment (Note 35)	-	-
<b>Balance as of 31 December</b>	<b>12,000</b>	<b>12,000</b>

Securities available for sale in the amount of RSD 100,905 thousand (31 December 2019), which related related to the Company's investments in shares of Jubmes banka a.d. Belgrade were sold by the Company in 2020, and with respect to these matter the Company earned revenues amounting to RSD 467 thousand (Note 36) and reversed unrealised losses arising from securities available for sale amounting to RSD 38,025 thousand (Note 17).

Long-term placements to related parties in the amount of RSD 55,544 thousand relate to a loan granted by the Company to Greensoft in previous years (Note 13) but in 2020 its maturity was extended until 1 July 2024 by an annex. The interest on the approved placement is 4% annually. The collateral for the approved placement is a joint and several guarantee of Telegroup d.o.o. Banja Luka.

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **8. LONG-TERM FINANCIAL PLACEMENTS (Continued)**

Other long-term financial placements in the amount of RSD 5,341 thousand (31 December 2019: RSD 5,686 thousand) are related to a long-term loan granted to a natural person with maturity of 25 years, bearing no interest (Note 38d).

## **9. LONG-TERM RECEIVABLES**

	<u>2020</u>	<u>2019</u>
Long-term receivables from other related parties - in foreign currency (Note 38c)	32,521	-
Long-term trade receivables in RSD	287,901	19,505
Long-term trade receivables in foreign currency	104,714	-
	<u>392,615</u>	<u>19,505</u>
Long-term receivables - retention in RSD	74,358	-
Long-term receivables - retention in foreign currency	16,273	55,632
	<u>90,631</u>	<u>55,632</u>
Receivables from the Pre-packaged Reorganisation Plan	26,293	26,293
	<u>542,060</u>	<u>101,430</u>
Less: Allowance for impairment	(26,293)	(26,293)
<b>Balance as of 31 December</b>	<u><b>515,767</b></u>	<u><b>75,137</b></u>

Movements in the allowance for impairment of long-term receivables:

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January</b>	26,293	-
Allowance for impairment - transfer from trade receivables (Note 11 )	-	26,293
<b>Balance as of 31 December</b>	<u><b>26,293</b></u>	<u><b>26,293</b></u>

Other long-term receivables in the total amount of RSD 90,631 thousand 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.

Long-term trade receivables relate to trade receivables whose maturity exceeds one year.

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**
**Za godinu završenu 31. decembra 2020. godine**
*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**10. INVENTORIES**

	<u>2020</u>	<u>2019</u>
<b>Material, spare parts, tools and small inventory</b>	<b>99,176</b>	<b>4,479</b>
Goods	145,495	123,326
Less: Allowance for impairment	-	-
<b>Goods</b>	<b>145,495</b>	<b>123,326</b>
Advances paid for inventories and services:		
- parent company (Note 38c)	-	30,567
- other related parties (Note 38c)	26,210	136,111
- other legal entities	222,922	217,223
: Allowance for impairment of advances	(176)	(3,915)
<b>Advances paid for inventories and services</b>	<b>248,956</b>	<b>379,986</b>
<b>Balance as of 31 December</b>	<b>493,627</b>	<b>507,791</b>

Inventories of goods amounting to RSD 145,495 thousand were measured at fair value less costs to sell.

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

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January</b>	<b>3,915</b>	<b>11,007</b>
Recovered advances previously written-off (Note 36)	(3,915)	(7,092)
Additional impairment of advances (Note 35)	176	-
<b>Balance as of 31 December</b>	<b>176</b>	<b>3,915</b>

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**11. TRADE RECEIVABLES**

Gross trade receivables as of 31 December 2020 amount to RSD 1,400,935 thousand (31 December 2019: RSD 1,909,960 thousand), whereas the accompanying allowance for impairment as of 31 December 2020 amounts to RSD 20,277 thousand (31 December 2019: RSD 18,208 thousand).

	<u>2020</u>	<u>2019</u>
Domestic trade receivables - subsidiaries	695	1,280
Less: Allowance for impairment - subsidiaries	(695)	(1,242)
<b>Domestic trade receivables - subsidiaries (Note 38c)</b>	<u>-</u>	<u>38</u>
<b>Foreign trade receivables - parent and subsidiaries (Note 38c)</b>	<b>469</b>	<b>5,363</b>
<b>Domestic trade receivables - other related parties</b>		
Domestic trade receivables - other related parties - in RSD	23,412	105
Domestic trade receivables - other related parties - in foreign currency	16,260	-
	<u>39,672</u>	<u>105</u>
<b>Foreign trade receivables - other related parties (Note 38c)</b>	<b>132,078</b>	<b>84,099</b>
<b>Domestic trade receivables</b>		
Domestic trade receivables in RSD	1,168,973	1,720,822
Domestic trade receivables in foreign currency	55,433	55,474
	<u>1,224,406</u>	<u>1,776,296</u>
Less: Allowance for impairment of domestic trade receivables	(19,112)	(16,966)
<b>Domestic trade receivables</b>	<u><b>1,205,294</b></u>	<u><b>1,759,330</b></u>
<b>Foreign trade receivables</b>		
Foreign trade receivables in foreign currency	1,910	3,060
Foreign trade receivables - German branch	1,705	1,705
	<u>3,615</u>	<u>4,765</u>
Less: Allowance for impairment of foreign trade receivables	(470)	-
<b>Foreign trade receivables</b>	<u><b>3,145</b></u>	<u><b>4,765</b></u>
<b>Balance as of 31 December</b>	<u><u><b>1,380,658</b></u></u>	<u><u><b>1,853,700</b></u></u>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **11. TRADE RECEIVABLES (Continued)**

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

	<u>Total</u>	<u>Within credit period</u>	<u>Out of credit period</u>
Domestic trade receivables - parent and subsidiaries	695	-	695
Foreign trade receivables - parent and subsidiaries	469	-	469
Domestic trade receivables - other related parties	39,672	39,664	8
Foreign trade receivables - other related parties	132,078	39,250	92,828
Domestic trade receivables	1,224,406	1,092,790	131,616
Foreign trade receivables	3,615	3,145	470
<b>Total</b>	<b><u>1,400,935</u></b>	<b><u>1,174,849</u></b>	<b><u>226,086</u></b>

	<u>Within credit period</u>	<u>Out of credit period &lt; 60 days</u>	<u>61 to 180</u>	<u>181 to 365</u>	<u>&gt;365</u>	<u>Total</u>
Domestic trade receivables - parent and subsidiaries	-	-	-	-	695	695
Foreign trade receivables - parent and subsidiaries	-	-	44	425	-	469
Domestic trade receivables - other related parties	39,664	8	-	-	-	39,672
Foreign trade receivables - other related parties	39,250	92,828	-	-	-	132,078
Domestic trade receivables	1,092,790	63,429	32,206	18,164	17,817	1,224,406
Foreign trade receivables	3,145	-	-	470	-	3,615
<b>Total</b>	<b><u>1,174,849</u></b>	<b><u>156,265</u></b>	<b><u>32,250</u></b>	<b><u>19,059</u></b>	<b><u>18,512</u></b>	<b><u>1,400,935</u></b>

As of 31 December 2020 trade receivables amounting to RSD 20,277 thousand (31 December 2019: RSD 18,208 thousand) are completely due and impaired.

The concentration of credit risk related to receivables is not significant because the Company has a larger number of unrelated customers with individually small amounts of debt.

Accordingly, the Company's management believes that it is not necessary to make additional provisions for credit risk exposure, which exceeds the established allowance for impairment of receivables. Therefore, the maximum exposure to credit risk at the reporting date is equal to the net book value of sales receivables.

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **11. TRADE RECEIVABLES (Continued)**

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

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January</b>	18,208	128,526
Additional charge for the year (Note 35)	3,315	9,469
Recovered previously provisioned receivables (Note 36)	(1,246)	(90,361)
Direct write-off	-	(3,133)
Transfer to long-term receivables (Note 8)	-	(26,293)
<b>Balance as of 31 December</b>	<u><b>20,277</b></u>	<u><b>18,208</b></u>

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 2020 amounting to RSD 1,380,658 thousand, the amount of RSD 207,385 thousand is denominated in foreign currencies, out of which the amount of RSD 48,043 thousand is denominated in USD and RSD 159,342 thousand in EUR. The remaining portion amounting to RSD 1,173,273 thousand is expressed in domestic currency.

Other items within trade receivables do not contain impaired assets.

## **12. OTHER RECEIVABLES**

	<u>2020</u>	<u>2019</u>
Interest and dividends receivable:		
- related parties	1,097	4,403
- third parties	16,873	14,956
Receivables from employees	56	157
Receivables from state authorities for overpaid tax (Branch in Germany)	9	9
Other current receivables	222	-
<b>Gross balance as of 31 December</b>	<u><b>18,256</b></u>	<u><b>19,525</b></u>
Less: Allowance for impairment	<u>(5,730)</u>	<u>(5,730)</u>
<b>Balance as of 31 December</b>	<u><b>12,527</b></u>	<u><b>13,795</b></u>

Of total other receivables as of 31 December 2020 amounting to RSD 12,527 thousand, the amount of RSD 9,375 thousand was denominated in EUR.

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

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January</b>	5,730	5,730
Additional allowance for impairment (Note 35)	-	-
<b>Balance as of 31 December</b>	<u><b>5,730</b></u>	<u><b>5,730</b></u>

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**
**Za godinu završenu 31. decembra 2020. godine**
*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**13. SHORT-TERM FINANCIAL PLACEMENTS**

	<b>2020</b>	<b>2019</b>
Short-term loans and placements - parents and subsidiaries (Note 38d)	3,998	51,381
Less: Allowance for impairment	<u>(2,310)</u>	<u>(2,310)</u>
	<b>1,688</b>	<b>49,071</b>
Short-term domestic loans and placements- other related parties (Note 38d)	<b>8,959</b>	
Short-term domestic loans	21,016	89,383
Less: Allowance for impairment	<u>(11,000)</u>	<u>(11,000)</u>
	<b>10,016</b>	<b>78,383</b>
Other short-term financial placements	<b>54,462</b>	<b>535</b>
<b>Balance as of 31 December</b>	<b><u>75,125</u></b>	<b><u>127,989</u></b>

Of the total short-term financial placements as of 31 December 2020 amounting to RSD 75,125 thousand, the amount of RSD 4,467 thousand is denominated in EUR.

Total allowance for impairment of short-term financial placements as of 31 December 2020 amounts to RSD 13,310 thousand, while movements in the allowance for impairment of short-term financial placements are as follows:

	<b>2020</b>	<b>2019</b>
<b>Balance as of 1 January</b>	13,310	14,310
Additional allowance for impairment (Note 35)	-	-
Recovered previously provisioned short-term loans and placements (Note 36)	-	(1,000)
Derecognition	<u>-</u>	<u>-</u>
<b>Balance as of 31 December</b>	<b><u>13,310</u></b>	<b><u>13,310</u></b>

Loans granted to subsidiaries are non-interest bearing. Loans granted to other subsidiaries in the amount of RSD 2,310 thousand were 100% provided for. In previous years, the Company approved a short-term loan to Greensoft, which amounted to RSD 49,071 thousand as of 31 December 2019, but in 2020 its maturity was extended until 1 July 2024 by an annex (Note 13).

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 established a first-tier mortgage of the business premises in Nis for one placement.

Other short-term placements include funds deposited by the Company with domestic commercial banks to secure bank receivables under bank guarantee agreements in the amount of RSD 52,710 thousand, funds paid by the Company to companies in the form of deposits as a guarantee for regular settlement of liabilities under lease contracts in the amount of RSD 1,375 and current portions of long-term financial investments due within one year in the amount of RSD 377 thousand (Note 38d).

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **14. CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
Current accounts	184,110	49,382
Foreign currency account	4,762	57,155
Other cash and cash equivalents in RSD	632	579
Other cash and cash equivalents in foreign currencies	150	51
<b>Balance as of 31 December</b>	<b><u>189,654</u></b>	<b><u>107,167</u></b>

## **15. PREPAYMENTS AND ACCRUED INCOME**

	<u>2020</u>	<u>2019</u>
Prepaid expenses	467,665	8,244
Receivables for uninvoiced income	200,391	804
Other prepayments and accrued income	14,358	27,742
<b>Balance as of 31 December</b>	<b><u>682,414</u></b>	<b><u>36,790</u></b>

Of the total amount of prepaid expenses as of 31 December 2020 in the amount of RSD 467,665 thousand, the amount of RSD 2,348 thousand represents Prepaid insurance expenses, and the remainder in the amount of RSD 465,317 thousand relates to Prepaid other expenses for support services and licenses with a fixed term for a future period.

As of 31 December 2020, the Company reported revenues in the amount of total costs incurred in the current period in the amount of RSD 200,391, based on the submitted minutes of work performed. These are services that are invoiced on a turnkey basis, and which could not be invoiced without the consent of the final investor.

## **16. OFF-BALANCE SHEET ASSETS AND LIABILITIES**

	<u>2020</u>	<u>2019</u>
Guarantees	1,648,093	1,237,230
<b>Balance as of 31 December</b>	<b><u>1,648,093</u></b>	<b><u>1,237,230</u></b>

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 1,648,093 thousand (31 December 2019: RSD 1,237,230 thousand). No financial liabilities are expected to arise from contingent liabilities.

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **17. EQUITY**

	Basic capital	Reserves	Gains/loss es arising from securities	Actuarial gains or losses	Losses arising from the translation of FS of foreign transactions	Retained earnings	Total
<b>Balance as of 1 January 2019</b>	<b>66,143</b>	<b>9,665</b>	<b>88,478</b>	<b>658</b>	<b>(188)</b>	<b>569,245</b>	<b>734,001</b>
Net profit for the year	-	-	-	-	-	184,646	184,646
<i>Other comprehensive income:</i>				-	(4,696)		(4,696)
Changes in fair value of financial assets available for sale (Note 8)	-	-	(50,453)	377	-	-	(50,076)
<b>Balance as of 31 December 2019</b>	<b>66,143</b>	<b>9,665</b>	<b>38,025</b>	<b>1,035</b>	<b>(4,884)</b>	<b>753,891</b>	<b>863,875</b>
Net profit for the year					(40)	210,731	210,691
<i>Other comprehensive income:</i>							
Changes in fair value of financial assets available for sale (Note 8)			(38,025)	(10)	-	-	(38,035)
<b>Balance as of 31 December 2020</b>	<b>66,143</b>	<b>9,665</b>	<b>-</b>	<b>1,025</b>	<b>(4,924)</b>	<b>964,622</b>	<b>1,036,531</b>

### **(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.

The Company is owned by Telegroup Limited, Great Britain.

### **(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 38,025 thousand were reversed in 2020, since the shares of ALTA banka a.d. Belgrade were sold at RSD 63,347 thousand, whereat the Company generated income amounting to RSD 467 thousand (Note 36)

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **18. LONG-TERM PROVISIONS**

	<u>2020</u>	<u>2019</u>
Employee benefits and other employee benefits	5,709	5,162
Other long-term provisions	<u>840</u>	<u>840</u>
<b>Balance as of 31 December</b>	<b><u>6,549</u></b>	<b><u>6,002</u></b>

### **(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.

<b>Employee benefits and other employee benefits</b>	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January 2020</b>	<b><u>5,162</u></b>	<b><u>4,611</u></b>
Additional provisions	538	551
Effect of discounting	9	-
Utilised during the year	<u>-</u>	<u>-</u>
<b>Balance as of 31 December 2020</b>	<b><u>5,709</u></b>	<b><u>5,162</u></b>

Basic actuarial assumptions used are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	5.00%	2.25%
Future salary increases	4.00%	1.0%
Inflation rate	2.00%	2.5%
Fluctuation rate	19.14%	18.56%
Total number of employees	166	158

### **(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 2020, 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.

# NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE

Za godinu završenu 31. decembra 2020. godine

Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno

## 18. LONG-TERM PROVISIONS (Continued)

### (c) Litigations

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

As of 31 December 2020 the Company does not act as a defendant in any litigation.

## 19. LONG-TERM LIABILITIES

	2020	2019
Long-term borrowings and domestic loans	555,822	60,262
Finance lease liabilities	30,151	28,654
Operating lease liabilities	11,234	8,589
Other long-term liabilities in accordance with the Government Decree	17,717	-
<b>Total long-term liabilities</b>	<b>614,924</b>	<b>97,505</b>
<i>Less: Current portion of long-term borrowings due within one year (Note 20)</i>	(169,315)	(33,530)
<i>Less: Current portion of long-term finance lease liabilities due within one year (Note 20)</i>	(12,246)	(11,446)
<b>Total current portion of long-term liabilities due within one year</b>	<b>(181,561)</b>	<b>(44,976)</b>
<b>Balance as of 31 December</b>	<b>433,363</b>	<b>52,529</b>

Maturity of long-term loans and borrowings:

	2020	2019
From 1 to 2 years - 2022 and 2023	431,453	36,864
From 2 to 5 years	1,910	15,665
<b>Balance as of 31 December</b>	<b>433,363</b>	<b>52,529</b>

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

	2020	2019
EUR	379,470	60,262
RSD	176,352	-
<b>Balance as of 31 December</b>	<b>555,822</b>	<b>60,262</b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **19. LONG-TERM LIABILITIES (Continued)**

### **Overview of the Long-term Loans by Creditor**

Loans from domestic banks	Annual interest rate	Currency	2020		2019	
			In the currency	Amount RSD 000	In the currency	Amount RSD 000
ProCredit Bank	<b>3%+6m Euribor</b>	EUR	-	-	120,021	14,114
Sberbank Srbija a.d. Beograd	<b>3.66%+3MEURIBOR</b>	EUR	1,500,000	176.370	-	-
Vojvođanska banka OTP group	<b>3.1%G + 3MEURIBOR</b>	EUR	1,500,000	176.370	-	-
Uni Credit Bank Srbija a.d.	<b>2.5%+BELIBOR</b>	RSD	-	176.352	-	-
NLB Bank	<b>2.75%</b>	EUR	227,329	26.730	392,440	46,148
<b>Total</b>			<b>3,227,329</b>	<b>555,822</b>	<b>512,461</b>	<b>60,262</b>

Liabilities from the borrowing from Sberbank Srbija a.d. Beograd amounting to RSD 176,370 thousand relate to the loan granted in 2020, in the total amount of EUR 1,500,000 with the repayment period of 36 months, and a 6-month grace period. Interest is calculated in the grace period on a monthly basis, and after the expiration of that period at an interest rate of 3.66% + 3m Euribor per year. Blank promissory notes were provided as collateral.

Liabilities from the borrowing from Vojvođanska banka - OTP group amounting to RSD 176,370 thousand relates to the loan for working capital granted in 2020, in the total amount of EUR 1,500,000 with a repayment period of 27 months and a grace period of 6 months. Interest is calculated in the grace period on a monthly basis, and after the expiration of that period at an interest rate of 3.1%+3m Euribor per year. Blank promissory notes were given as collateral and a first and second instance pledge on receivables under the subcontractor agreement entered into between the Company and GH holding doo - ogranak Belgrade.

Liabilities from the borrowing from Uni Credit Bank Srbija a.d. u amounting to RSD 176,352 relates to the loan for working capital granted in 2020, in the total amount of RSD 176,352,000.00 with a repayment period of 24 months and a grace period of 5 months. The bank calculates the nominal interest rate at the level of one-month Belibor plus 2.50% per annum. Blank promissory notes are provided as a collateral.

Liabilities from the borrowing from NLB banci a.d. amounting to RSD 26,730 thousand relate to the loan granted in 2019 in the total amount of EUR 500,000 for 36 months, at a fixed nominal interest rate of 2.75% per annum. The loan repayment will take place in 36 equal instalments. Blank promissory notes are provided as a collateral.

Other long-term liabilities as of 31 December 2020 amount to RSD 17,717 thousand and relate entirely to a portion of deferred payroll taxes and contributions based on the state aid package due to the Covid-19 virus pandemic. The reported liabilities are due starting on 1 January 2022.

## NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE

Za godinu završenu 31. decembra 2020. godine

Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno

### 19. LONG-TERM LIABILITIES (Continued)

#### (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 - minimum lease payments:

	2020		2019	
	Present value	Future value	Present value	Future value
Up to 1 year	11,508	12,246	10,644	11,446
From 1 to 3 years	17,331	17,905	16,510	17,208
<b>Balance as of 31 December</b>	<b>28,839</b>	<b>30,151</b>	<b>27,154</b>	<b>28,654</b>

The difference between the future value of minimum 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

	2020	2019
Domestic short-term borrowings	-	94,074
Current portion of long-term borrowings due within one year (Note 19)	169,315	33,530
Current portion of long-term finance lease liabilities due within one year (Note 19)	12,246	11,446
<b>Balance as of 31 December</b>	<b>181,561</b>	<b>139,050</b>

A portion of long-term liabilities maturing in the following year amounting to EUR 289,138.08 (equivalent to RSD 33,997 thousand) relates to a loan granted by Sberbank Srbija a.d. Belgrade, a loan granted by Vojvođanska banka OTP group maturing in the following year in the amount of EUR 428,571.42 (equivalent to RSD 50,391 thousand), a loan granted by Uni Credit Bank Srbija a.d. group due in the following year in the amount of RSD 64,972 thousand and a loan granted by NLB banka due in the following year in the amount of EUR 169,714.33 (equivalent to RSD 19,955 thousand).

A portion of long-term liabilities arising from the finance lease maturing in the following year amounts to EUR 104,145.62 (equivalent to RSD 12,246 thousand).

Out of the total carrying value of short-term financial liabilities of the Company as of 31 December 2020 in the amount of RSD 181,561 thousand, the amount of RSD 116,589 thousand is denominated in a foreign currency, i.e. EUR 991,569.45.

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **21. RECEIVED ADVANCES, DEPOSITS AND RETAINERS AND ACCOUNTS PAYABLE**

	<u>2020</u>	<u>2019</u>
Advances received in RSD	373,120	382,951
Foreign currency advances received	<u>165,891</u>	<u>110,233</u>
<b>Total advances received</b>	<b><u>539,011</u></b>	<b><u>493,184</u></b>
Domestic trade payables - parent and subsidiaries (Note 38c)	315	-
Foreign trade payable - foreign parent company (Note 38c)	-	22,427
Domestic trade payables - related parties (Note 38c)	214,031	453,807
Foreign trade payable - related parties (Note 38c)	6,026	1,293
Domestic trade payables in RSD	314,636	859,265
Foreign trade payables in foreign currency	138,773	
Foreign trade payables	73,431	186,376
Foreign trade payables in RSD- branch in Germany	930	-
Other accounts payable in RSD	1,001	628
Other accounts payable in a foreign currency	<u>413</u>	<u>404</u>
<b>Total trade payables</b>	<b><u>749,556</u></b>	<b><u>1,524,200</u></b>
<b>Total accounts payable</b>	<b><u><u>1,288,567</u></u></b>	<b><u><u>2,017,384</u></u></b>

Advances received in the amount of RSD 539,011 thousand 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 2020 amounting to RSD 218,643 thousand are denominated in foreign currency, out of which the amount of RSD 37,409 thousand in USD and the amount of RSD 181,234 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.

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**22. OTHER SHORT-TERM LIABILITIES**

	<u>2020</u>	<u>2019</u>
Gross salaries and compensations	30,844	12,404
Interests payable and financing expenses	-	-
Liabilities to employees	315	595
Liabilities to individuals for contractual fees	97	221
Liabilities to individuals for contractual fees (IFRS 16)	-	542
Other liabilities	<u>4,770</u>	<u>3,392</u>
<b>Balance as of 31 December</b>	<b><u>36,026</u></b>	<b><u>17,154</u></b>

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

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

	<u>2020</u>	<u>2019</u>
<b>a) Value added tax payable</b>	<b><u>24,974</u></b>	<b><u>26,920</u></b>
<b>b) Taxes, contributions and other duties</b>		
Tax liabilities from the result	12,372	21,963
Contributions payable charged to expenses	53	50
Other liabilities for lease taxes (IFRS 16)		102
Other liabilities for taxes, contributions and other taxes	<u>2,170</u>	<u>2,094</u>
	<b><u>14,595</u></b>	<b><u>24,209</u></b>
<b>c) Accruals and deferred income</b>		
Accrued expenses	43,846	3,968
Deferred income	567,096	70,943
Other accruals and deferred income	<u>36,290</u>	<u>34,530</u>
<b>Total</b>	<b><u>647,232</u></b>	<b><u>109,441</u></b>

Deferred income totalling RSD 567,096 thousand relate to deferred income from support services and licenses with a fixed duration, and relate to the future period.

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **24. INCOME TAXES**

### **(a) Components of Income Taxes**

Major components of tax expense are as follows:

	<u>2020</u>	<u>2019</u>
Tax income /(expense) of the period		
Tax expense charged to income for the year	(35,179)	(34,317)
	<u>(35,179)</u>	<u>(34,317)</u>
Deferred tax income/(expense) of the period		
Origination and reversal of temporary differences	1,163	960
	<u>1,163</u>	<u>960</u>
<b>Total</b>	<b><u>(34,016)</u></b>	<b><u>(33,357)</u></b>

### **(a) 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:

	<u>2020</u>	<u>2019</u>
Profit before tax	244,747	218,003
Income tax at statutory rate of - 15%	36,712	32,700
Expenses not deductible for tax purposes	(1,533)	1,617
	<u>(1,533)</u>	<u>1,617</u>
<b>Total</b>	<b><u>35,179</u></b>	<b><u>34,317</u></b>
<i>Effective tax rate</i>	<i>14,37%</i>	<i>15.74%</i>

### **(b) 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:

	<u>2020</u>	<u>2019</u>
Balance as of 1 January	1,475	658
Effects of temporary differences (credited)/charged to the income statement	1,162	817
	<u>1,162</u>	<u>817</u>
<b>Balance as of 31 December</b>	<b><u>2,637</u></b>	<b><u>1,475</u></b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **24. INCOME TAXES (Continued)**

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

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January</b>	-	<b>143</b>
Effects of temporary differences (credited)/charged to the income statement	-	(143)
<b>Balance as of 31 December</b>	<u>-</u>	<u>-</u>
<b>Net effect</b>	<u>-</u>	<b>960</b>

## **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 2020.

The Company prepared and submitted to clients 358 confirmations, out of which 290 were returned, while 68 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.

The total amount of reconciled confirmations relates to:

- receivables in the amount of RSD 2,269,678 thousand; and
- payables in the amount of RSD 1,207,410 thousand.

Unreconciled confirmations relate to:

- receivables in the amount of RSD 623 thousand,
- payables in the amount of RSD 17 thousand.

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

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**
**Za godinu završenu 31. decembra 2020. godine**
*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**26. OPERATING INCOME**

	<u>2020</u>	<u>2019</u>
<b>Sales of goods</b>		
Sales of goods to domestic parents and subsidiaries	23	-
Sales of goods to parents and subsidiaries on a foreign market (Note 38a)	469	5,983
Sales of goods to other related parties on the domestic market (Note 38a)	41,954	2,296
Sales of goods to other related parties on a foreign market (Note 38a)	160,896	368,020
Sales of goods on the domestic market	1,853,473	797,212
Sales of goods on a foreign market	4,667	4,024
<b>Total sales of goods</b>	<u><b>2,061,482</b></u>	<u><b>1,177,535</b></u>
<b>Sales of products and services</b>		
Sales of products and services to parents and subsidiaries on a foreign market (Note 38a)	65,189	5,742
Sales of products and services to other related parties on a foreign market (Note 38a)	30,949	574
Sales of products and services to other related parties on the domestic market (Note 38a)	64	128
Sales of products and services on the domestic market	2,984,702	3,974,264
Sales of products and services on a foreign market	7,099	27,748
<b>Total sales of products and services</b>	<u><b>3,088,003</b></u>	<u><b>4,008,456</b></u>
<b>Other operating income</b>	<u><b>1,697</b></u>	<u><b>1,097</b></u>
<b>Income from premiums and subsidies</b>	<u><b>14,484</b></u>	<u><b>784</b></u>
<b>Total operating income</b>	<u><u><b>5,165,666</b></u></u>	<u><u><b>5,187,872</b></u></u>

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.

Of the total income from the sale of goods realized in 2020, the largest portion belongs to the Revenues from the sale of goods on the domestic market, 89.91% of the total revenues from the sale of goods.

Revenue from the sale of goods to parent and subsidiaries is RSD 492 thousand, and revenue from the sale of goods to other related parties is RSD 202,850 thousand.

Other operating income amounting to RSD 1,697 thousand is related to rental income from other related parties in the amount of RSD 594 thousand (2019: 568 thousand) (Note 38a).

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **27. COST OF GOODS SOLD**

Cost of goods sold as of 31 December 2020 amounted to RSD 1,409,818 thousand (2019: RSD 873,942 thousand), out of which the amount of RSD 122,164 (2019: 183,659 thousand) relates to the parent company, and the amount of RSD 78,050 thousand (2019: RSD 42,510 thousand) (Note 38a) relates to related parties.

## **28. COST OF MATERIAL, FUEL AND ENERGY**

	<b>2020</b>	<b>2019</b>
Processing material	686,451	1,344,340
Other material (overhead)	4,571	5,961
Spare parts	5,071	5,669
<b>Costs of material</b>	<b>696,093</b>	<b>1,355,970</b>
Fuel and energy	17,372	25,175
<b>Total</b>	<b>713,465</b>	<b>1,381,145</b>

Out of the total amount of cost of material, the amount of RSD 3,547 thousand (Note 38a) refers to related parties.

## **29. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES**

	<b>2020</b>	<b>2019</b>
Gross salaries and compensations	326,847	233,414
Payroll taxes and contributions payable by the employer	49,965	36,883
Temporary job contracts	-	-
Remuneration to physical persons arising from other contracts	89,391	9,213
Other personal expenses and benefits	18,168	36,311
<b>Total</b>	<b>484,371</b>	<b>315,821</b>
<b>Number of employees at the year end</b>	<b>166</b>	<b>158</b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **30. COSTS OF PRODUCTIVE SERVICES**

	<u>2020</u>	<u>2019</u>
Expenses of own-work and goods capitalised	1,260,067	1,330,073
Transportation cost	12,221	26,677
Maintenance	22,669	36,164
Rental expenses	12,227	68,781
Fairs	-	968
Advertising and marketing fees	53,930	18,014
Other services	1,883	3,488
<b>Total</b>	<b><u>1,362,997</u></b>	<b><u>1,484,165</u></b>

Out of the total amount of expenses of own-work and goods capitalised, the amount of RSD 696,189 thousand relates to related parties (Note 38a).

## **31. DEPRECIATION AND AMORTISATION EXPENSES**

	<u>2020</u>	<u>2019</u>
Amortisation charge (Note 6)	16,312	16,031
Depreciation charge (Note 7)	28,414	26,058
<b>Total</b>	<b><u>44,726</u></b>	<b><u>42,089</u></b>
Depreciation charge of leased property, plant and equipment IFRS 16 (Note 7)	7,830	9,560
<b>Total</b>	<b><u>52,556</u></b>	<b><u>51,649</u></b>

## **32. NON-MATERIAL COSTS**

	<u>2020</u>	<u>2019</u>
Cost of non-productive services	859,174	855,067
Representation	12,651	23,764
Insurance premiums	6,092	6,249
Bank charges	26,785	22,995
Membership fees	4,117	4,324
Taxes	9,369	7,571
Contributions	642	579
Other non-material costs	13,053	19,431
<b>Total</b>	<b><u>931,883</u></b>	<b><u>939,980</u></b>

Out of the total amount of non-material costs, the amount of RSD 41,880 thousand relates to the parent company, while the amount of RSD 186,557 thousand relates to related parties (Note 38a).

The largest portion of other non-material costs in the amount of RSD 10,953 thousand relates to donations and sponsorships.

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**
**Za godinu završenu 31. decembra 2020. godine**
*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**33. FINANCIAL INCOME**

	<u>2020</u>	<u>2019</u>
Financial income from parent and subsidiaries transactions (Note 38b)	26,603	2,853
Financial income from other related party transactions (Note 38b)	2,545	631
Interest income	5,853	20,880
Foreign exchange gains and gains arising from foreign currency clause application	<u>14,993</u>	<u>6,503</u>
<b>Total</b>	<b><u>49,994</u></b>	<b><u>30,867</u></b>

In 2020, the Assembly of Telegroup Finance d.o.o., Belgrade passed a Decision on the distribution of retained earnings. The Company, in proportion to its participation in its establishment in the amount of 78.26% on that basis, generated financial income in the amount of RSD 24,260 thousand.

**34. FINANCIAL EXPENSES**

	<u>2020</u>	<u>2019</u>
Financial expenses - parent and subsidiaries transactions (Note 38b)	1,977	11,316
Financial expenses - other related party transactions (Note 38b)	5,028	2,312
Interest expense	6,233	4,913
Foreign exchange losses and losses arising from foreign currency clause application	8,618	4,420
Other financial expenses	<u>603</u>	<u>1,458</u>
<b>Total</b>	<b><u>22,459</u></b>	<b><u>24,419</u></b>

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

	<u>2020</u>	<u>2019</u>
Impairment of trade receivables (Note 11)	3,315	9,469
Impairment of advances paid and loans (Note 10)	<u>176</u>	<u>-</u>
<b>Total</b>	<b><u>3,491</u></b>	<b><u>9,469</u></b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **36. OTHER INCOME**

	<u>2020</u>	<u>2019</u>
Gains on sale of intangible assets, property, plant and equipment	856	1,422
Gains on sale of securities (Note 8)	467	-
Surpluses	-	2
Recovered advances provided for (Note 10)	3,915	7,092
Recovered receivables provided for (Note 11)	1,246	90,361
Recovered short-term loans and placements recovered for (Note 13)	-	1,000
Sundry income	7,954	8,575
Equipment value adjustment	-	-
Liabilities waived	6,136	10,323
<b>Total</b>	<b><u>20,574</u></b>	<b><u>118,775</u></b>

## **37. OTHER EXPENSES**

	<u>2020</u>	<u>2019</u>
Losses on the sale and disposal of intangible assets, property, plant and equipment	395	107
Shortages	16	29
Losses on the sale of equity investments and securities (Note 8)	3,689	-
Direct write off of receivables	-	3,442
Other sundry expenses	5,808	34,704
<b>Total</b>	<b><u>9,908</u></b>	<b><u>38,282</u></b>

# **NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

## **38. RELATED PARTY TRANSACTIONS (Continued)**

The Company's major shareholder is Telegroup Limited, London, which holds 100% of the Company's basic capital. As of 31 December 2020 the Company had two subsidiaries and a branch in Germany.

### **(a) Acquisitions and Sale to Related Parties**

The following transactions were carried out with related parties:

	<u>2020</u>	<u>2019</u>
<b><i>Sales of goods and services (Note 26)</i></b>		
Parent company - Telegroup LTD, Great Britain	-	-
Subsidiary - Telegroup d.o.o., Podgorica	469	5,983
Subsidiary - Greensoft d.o.o., Novi Sad	158	128
Subsidiary - Telegroup Finance d.o.o., Belgrade	23	-
Other related parties - Telegroup d.o.o., Banja Luka	225,756	373,762
Other related parties - TG-SEC d.o.o. Belgrade	32,174	-
Other related parties - TG-SEC Banja Luka	-	-
Other related parties - TG-SEC d.o.o. Banja Luka		
Ogranak Beograd	71	371
Other related parties - Telegroup Sarajevo d.o.o.	329	
Other related parties - All Control d.o.o. Belgrade	20,196	2,681
Other related parties - Teamenergo d.o.o.	20,962	386
	<u><b>300,138</b></u>	<u><b>383,311</b></u>

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

	<u>2020</u>	<u>2019</u>
<b><i>Purchases of goods and services (Notes 7, 27, 30 and 32)</i></b>		
Parent company - Telegroup LTD, Great Britain	164,044	219,656
Subsidiary - Greensoft d.o.o., Novi Sad	1,190	-
Subsidiary - Telegroup Finance d.o.o., Belgrade	133	1,522
Other related parties - Telegroup d.o.o., Banja Luka	137,812	89,627
Other related parties - Telegroup GMBH, Berlin	2,234	22,981
Other related parties - TG-SEC d.o.o. Banja Luka		
Ogranak Beograd	116	131,795
Other related parties - All Control d.o.o. Belgrade	112,901	4,200
Other related parties - Teamenergo d.o.o., Belgrade	608,067	753,782
Other related parties DKM Riznica		100
Other related parties - TG-SEC d.o.o. Belgrade	165,927	171,215
	<u><b>1,192,424</b></u>	<u><b>1,394,878</b></u>

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

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**38. RELATED PARTY TRANSACTIONS (Continued)**
**(b) Financial Income and Expenses - Related Parties**

	<u>2020</u>	<u>2019</u>
<b><i>Financial income (Note 33)</i></b>		
Parent - Telegroup LTD, Great Britain	722	773
Subsidiary - Telegroup d.o.o., Podgorica		-
Subsidiary - Greensoft d.o.o., Novi Sad	1,619	2,080
Subsidiary - Telegroup Finance d.o.o., Belgrade	24,261	-
Other related parties - Greensoft d.o.o., Novi Sad	1,097	
Other related parties - Telegroup d.o.o., Banja Luka	1,449	631
	<u><b>29,148</b></u>	<u><b>3,484</b></u>
	<u>2020</u>	<u>2019</u>
<b><i>Financial expenses (Note 34)</i></b>		
Parent - Telegroup LTD, Great Britain	1,659	721
Subsidiary - Telegroup d.o.o., Podgorica		100
Subsidiary lice - Greensoft d.o.o., Novi Sad	7	184
Subsidiary - Telegroup Finance d.o.o., Belgrade	311	10,311
Other related parties - Telegroup d.o.o., Banja Luka	5,028	2,251
Other related parties - TG-SEC Banja Luka	-	61
	<u><b>7,005</b></u>	<u><b>13,628</b></u>

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**38. RELATED PARTY TRANSACTIONS (Continued)**
**(c) Year-end Balances Arising from Sales/Purchases of Goods/Services (Net Present Value)**

	2020	2019
<b>Receivables from related parties (Notes 8, 9, 10, 11)</b>		
Parent - Telegroup LTD, Great Britain		-
Subsidiary - Telegroup d.o.o., Podgorica	-	5,363
Subsidiary - Greensoft d.o.o., Novi Sad	-	38
Subsidiary - Telegroup d.o.o., Podgorica	469	
Other related parties - Telegroup d.o.o., Banja Luka	-	84,099
Other related parties - Telegorup GMBH		-
Other related parties - Telegroup Sarajevo d.o.o.	328	
Other related parties - TG-SEC Banja Luka	131,750	-
Other related parties - TG-SEC d.o.o. Belgrade	48,824	
Other related parties - Teamenergo d.o.o. Belgrade	721	49
Other related parties - TG-SEC d.o.o. Banja Luka Ogranak Beograd	-	42
Other related parties - All Control d.o.o. Beograd	22,648	14
	<b>204,740</b>	<b>89,605</b>
<b>Payables to related parties (Note 21)</b>		
Parent - Telegroup LTD, Great Britain	-	22,427
Subsidiary - Greensoft d.o.o., Novi Sad	315	
Other related parties - DKM Riznica		120
Other related parties - ALL Control	-	1,398
Other related parties - Telegroup d.o.o., Banja Luka	6,026	1,293
Other related parties - TG-SEC Banja Luka		
Other related parties - TG-SEC d.o.o. Belgrade	36,847	106,228
Other related parties - Teamenergo d.o.o.	177,184	315,288
Other related parties - TG-SEC d.o.o. Banja Luka Ogranak Beograd	-	30,773
Other related parties - Telegroup d.o.o. Podgorica	-	-
	<b>220,372</b>	<b>477,527</b>

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.

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**

Za godinu završenu 31. decembra 2020. godine

*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**38. RELATED PARTY TRANSACTIONS (Continued)**
**(d) Loans and interest to related parties**

	<u>2020</u>	<u>2019</u>
<b>Loans to directors, management and their family members:</b>		
	5,341	5,686
Short-term domestic borrowings (Note 13)	-	14,000
Short-term loan portion (Note 13)	<u>377</u>	<u>377</u>
<b>Total</b>	<b><u>5,718</u></b>	<b><u>20,063</u></b>
<b>Loans and interest to related parties (Notes 12 and 13):</b>		
Subsidiary - AGRO BYTE D.O.O.	1,688	-
Other related parties - Greensoft d.o.o., Novi Sad	<u>65,600</u>	<u>53,474</u>
<b>End of year</b>	<b><u>67,288</u></b>	<b><u>53,474</u></b>

**(e) Advances paid for inventories and services to related parties (Note 10):**

	<u>2020</u>	<u>2019</u>
Parent company - Telegroup LTD, Great Britain	-	30,567
Other related parties - Teamenergo d.o.o.	26,211	
Other related parties - Telegroup d.o.o., Banja Luka	<u>-</u>	<u>136,111</u>
<b>End of year</b>	<b><u>26,211</u></b>	<b><u>166,678</u></b>

**39. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events subsequent to the reporting date, which would require adjustments and/or disclosures in the notes to the accompanying financial statements of the Company as of and for the year ended 31 December 2020.

**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE****Za godinu završenu 31. decembra 2020. godine***Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*

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**40. EFFECTS OF THE GLOBAL CRISIS CAUSED BY THE COVID-19 PANDEMIC**

A major challenge in 2020 was the coronavirus (Covid-19) outbreak, whose expansion worldwide caused a negative impact in the global economy. Countries worldwide-and the Republic of Serbia among them have taken measures to contain the virus' expansion (for example restriction in traveling, sanitary measures, vaccination), and cushion the shock on both economic supply and demand via fiscal measures and government benefits.

The baseline scenario that the expansion of the coronavirus globally, across the EU and in Serbia will be contained and gradually slow down (as is already the case in China by the end of the first half of 2020, did not materialise. Consequently, the outbreak had a notable negative economic impact on the entire year 2020, with a tendency for such effects to continue until the end of the third quarter of 2021.

In 2020, the Company's management took all necessary measures based on the recommendations of the Ministry of Health and the Government of the Republic of Serbia and continuously followed all the activities and measures defined by the competent state bodies. One of the key measures for the prevention of the spread of the epidemic and the protection of the health of employees was, and still is, the organization of business activities of employees outside the Company's premises (work from home).

On 20 March 2020 the Government of the Republic of Serbia adopted the first set of tax measures, namely the Decree on Tax Measures during the State of Emergency, in order to mitigate the economic consequences caused by the Covid-19 outbreak, while on 10 April 2020, the Program of Economic Measures to Reduce negative effects caused by the Covid-19 virus pandemic and support for the Serbian economy was adopted.

Despite the aggravated circumstances, as can be seen from the achieved business results in 2020, the impact of the crisis caused by the Covid-19 pandemic did not have a significant negative impact on the Company's operations.

The company is taking steps to rationalize costs at all levels, increase employee productivity and increase revenue.

The company is constantly monitoring the development of the situation and has increased the level of readiness by adjusting decisions and activities in order to ensure continuity in providing services to customers, settling contractual obligations to suppliers and protecting the appropriate level of liquidity, as well as achieving the 2021 budget and its long-term plans.

It is expected that the pandemic will slow down in the coming period, which will enable the normalization of life and business of economic entities, as well as the stabilization of economic conditions.

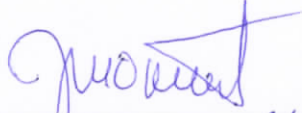
Based on currently available information and assessment of the implementation of plans, the management believes that the current situation will not significantly affect the Company's business activity in the coming period, nor the liquidity of the Company, which is stable.


**NAPOMENE UZ POJEDINAČNE FINANSIJSKE IZVEŠTAJE**
**Za godinu završenu 31. decembra 2020. godine**
*Iznosi su iskazani u RSD hiljada, osim ukoliko nije drugačije naznačeno*
**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 2020 and 2019 into the functional currency (RSD), were as follows:

	31 December 2020	In RSD 31 December 2019
EUR	117.5802	117.5928
USD	95.6637	104.9186
CHF	108.4388	108.4004
GBP	130.3984	137.5998

Belgrade, 5 May 2021

  
Jelena Tomić  
Head of Finance and Accounting

  
Rajko Perić  
Director





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