

Annual Report of
Energoprojekt Holding Plc.
for the year 2015

Pursuant to Articles 50 and 51 of the Law on Capital Market (RS Official Gazette, No. 31/2011) and pursuant to Article 3 of the Rulebook on Contents, Form and Method of Publication of Annual, Half-Yearly and Quarterly Reports of Public Companies (RS Official Gazette, No. 14/2012 and 5/2015), **Energoprojekt Holding Plc. based in Belgrade, registration No.: 07023014 hereby publishes the following:**

ANNUAL REPORT FOR 2015

C O N T E N T S

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING Plc. FOR 2015

(Balance Sheet, Income Statement, Report on Other Income, Cash Flow Statement, Statement of Changes in Equity, Notes to the Financial Statements)

2. INDEPENDENT AUDITOR'S REPORT (complete report)

3. ANNUAL BUSINESS REPORT

(Note: Annual Business Report and Consolidated Annual Business Report are presented as a single report and these contain information of significance for the economic entity.)

4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

5. DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF ANNUAL FINANCIAL STATEMENTS* (Note)

6. DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES* (Note)

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING Plc. FOR
THE YEAR 2015 (Balance Sheet, Income Statement, Report on Other
Income, Cash Flow Statement, Statement of Changes in Equity, Notes
to the Financial Statements)

BALANCE SHEET
as at 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2014.	Opening balance on 01.01.2014.
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL UNPAID	0001		-	-	-
	B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		7.486.396	7.618.819	-
01	I. INTANGIBLES (0004+0005+0006+0007+0008+0009)	0003		11.883	13.183	-
010 & part 019	1. Investments in development	0004		-	-	-
011, 012 & part 019	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		11.883	10.989	-
013 & part 019	3. Goodwill	0006		-	-	-
014 & part 019	4. Other intangible assets	0007		-	-	-
015 & part 019	5. Intangible assets in progress	0008		-	1.783	-
016 & part 019	6. Advances paid on intangible assets	0009		-	411	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	0010		2.027.691	2.039.423	-
020, 021 & part 029	1. Land	0011		-	-	-
022 & part 029	2. Buildings	0012		1.380.671	1.399.710	-
023 & part 029	3. Plant and equipment	0013		11.994	15.389	-
024 & part 029	4. Investment property	0014		588.890	584.440	-
025 & part 029	5. Other property, plant and equipment	0015		283	283	-
026 & part 029	6. Property, plant and equipment in progress	0016		-	-	-
027 & part 029	7. Investments in property, plant and equipment, not owned	0017		-	-	-
028 & part 029	8. Advances paid on property, plant and equipment	0018		45.853	45.601	-
03	III. NATURAL ASSETS (0020+0021+0022+0023)	0019		-	-	-
030, 031 & part 039	1. Forests and growing crops	0020		-	-	-
032 & part 039	2. Livestock	0021		-	-	-
037 & part 039	3. Natural assets in progress	0022		-	-	-
038 & part 039	4. Advances paid for natural assets	0023		-	-	-
04, excl. 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	0024		5.446.822	5.566.213	-
040 & part 049	1. Shares in subsidiaries	0025		5.047.931	4.954.356	-
041 & part 049	2. Shares in affiliated companies and joint ventures	0026		29.550	13.550	-
042 & part 049	3. Shares in other companies and other available for sale securities	0027		25.467	33.026	-
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028		342.438	563.771	-
part 043, part 044 & part 049	5. Long term investments in other affiliated companies	0029		-	-	-
part 045 & part 049	6. Long term investments, domestic	0030		-	-	-
part 045 & part 049	7. Long term investments, foreign countries	0031		-	-	-
046 & part 049	8. Securities held to maturity	0032		-	-	-
048 & part 049	9. Other long term financial investments	0033		1.436	1.510	-
05	V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034		-	-	-
050 & part 059	1. Receivables from parent company and subsidiaries	0035		-	-	-
051 & part 059	2. Receivables from other affiliated companies	0036		-	-	-
052 & part 059	3. Receivables from credit sales	0037		-	-	-
053 & part 059	4. Receivables from financial leasing contracts	0038		-	-	-
054 & part 059	5. Receivables from pledged assets	0039		-	-	-
055 & part 059	6. Bad debts and uncollectible claims	0040		-	-	-
056 & part 059	7. Other long term receivables	0041		-	-	-
288	C. DEFERRED TAX ASSETS	0042		-	-	-
	D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	0043		2.030.932	1.484.288	-
Class 1	I. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044		1.826	14.142	-
10	1. Material, parts, tools and small inventories	0045		-	-	-
11	2. Work and services in progress	0046		-	-	-
12	3. Finished products	0047		-	-	-
13	4. Goods	0048		-	-	-
14	5. Fixed assets for sale	0049		-	-	-
15	6. Advances paid for inventories and services	0050		1.826	14.142	-
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		488.928	420.444	-
200 & part 209	1. Local buyers - parent company and subsidiaries	0052		488.186	419.702	-
201 & part 209	2. Foreign buyers - parent company and subsidiaries	0053		-	-	-
202 & part 209	3. Local buyers - other affiliated companies	0054		705	705	-
203 & part 209	4. Foreign buyers - other affiliated companies	0055		-	-	-
204 & part 209	5. Local buyers	0056		37	37	-
205 & part 209	6. Foreign buyers	0057		-	-	-
206 & part 209	7. Other receivables from sales	0058		-	-	-
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059		105.617	96.579	-
22	IV. OTHER RECEIVABLES	0060		58.383	53.512	-
236	V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET	0061		-	-	-
23 excl. 236 & 237	VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067)	0062		522.951	451.471	-
230 & part 239	1. Short term loans and investments - parent company and subsidiaries	0063		360.454	289.257	-
231 & part 239	2. Short term loans and investments - other affiliated companies	0064		162.419	161.527	-
232 & part 239	3. Short term credits and loans, domestic	0065		-	609	-
233 & part 239	4. Short term credits and loans, foreign countries	0066		-	-	-
234, 235, 238 & part 239	5. Other short term financial investments	0067		78	78	-
24	VII. CASH AND CASH EQUIVALENTS	0068		463.343	116.713	-
27	VIII. VALUE ADDED TAX	0069		-	-	-
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070		389.884	331.427	-
	E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		9.517.328	9.103.107	-
88	F. OFF-BALANCE SHEET ASSETS	0072		22.596.458	21.346.794	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2014.	Opening balance on 01.01.2014.
1	2	3	4	5	6	7
	CAPITAL AND LIABILITIES					
	A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)	0401		8.450.766	8.418.694	-
30	I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		7.202.622	7.202.622	-
300	1. Share capital	0403		5.574.959	5.574.959	-
301	2. Shares of limited liability companies	0404		-	-	-
302	3. Investments	0405		-	-	-
303	4. State owned capital	0406		-	-	-
304	5. Socially owned capital	0407		-	-	-
305	6. Shares of cooperatives	0408		-	-	-
306	7. Issuing premium	0409		1.600.485	1.600.485	-
309	8. Other share capital	0410		27.178	27.178	-
31	II. SUBSCRIBED CAPITAL UNPAID	0411		-	-	-
047 & 237	III. TREASURY SHARES REPURCHASED	0412		-	-	-
32	IV. RESERVES	0413		134.881	134.881	-
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414		817.591	817.591	-
33 excl. 330	VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330)	0415		-	-	-
33 excl. 330	VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330)	0416		28.433	40.786	-
34	VIII. RETAINED EARNINGS (0418+0419)	0417		324.105	304.386	-
340	1. Retained earnings from previous years	0418		87.132	260.519	-
341	2. Retained earnings from current year	0419		236.973	43.867	-
	IX. NON-CONTROLLING INTEREST	0420		-	-	-
35	X. LOSSES (0422+0423)	0421		-	-	-
350	1. Losses from previous years	0422		-	-	-
351	2. Losses from current year	0423		-	-	-
	B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)	0424		262.210	262.288	-
40	I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		262.210	262.288	-
400	1. Provisions for warranty costs	0426		-	-	-
401	2. Provisions for recovery of natural resources	0427		-	-	-
403	3. Provisions for restructuring costs	0428		-	-	-
404	4. Provisions for wages and other employee benefits	0429		2.210	2.288	-
405	5. Provisions for legal expenses	0430		-	-	-
402 & 409	6. Other long term provisions	0431		260.000	260.000	-
41	II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		-	-	-
410	1. Liabilities convertible into capital	0433		-	-	-
411	2. Liabilities to parent company and subsidiaries	0434		-	-	-
412	3. Liabilities to other affiliated companies	0435		-	-	-
413	4. Liabilities for issued securities for more than one year	0436		-	-	-
414	5. Long term credits and loans, domestic	0437		-	-	-
415	6. Long term credits and loans, foreign countries	0438		-	-	-
416	7. Long term liabilities from financial leasing	0439		-	-	-
419	8. Other long term liabilities	0440		-	-	-
498	C. DEFERRED TAX LIABILITIES	0441		156.365	153.989	-
42 to 49 (excl. 498)	D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		647.987	268.136	-
42	I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		565.607	187.015	-
420	1. Short term loans from parent company and subsidiaries	0444		-	-	-
421	2. Short term loans from other affiliated companies	0445		-	-	-
422	3. Short term credits and loans, domestic	0446		565.561	170.000	-
423	4. Short term credits and loans, foreign countries	0447		-	-	-
427	5. Liabilities from fixed assets and assets from discontinued operations available for sale	0448		-	-	-
424,425,426 & 429	6. Other short term financial liabilities	0449		46	17.015	-
430	II. RECEIVED ADVANCES, DEPOSITS AND BONDS	0450		-	-	-
43 excl. 430	III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		26.351	46.936	-
431	1. Suppliers - parent company and subsidiaries, local	0452		1.677	13.268	-
432	2. Suppliers - parent company and subsidiaries, foreign countries	0453		11.503	16.480	-
433	3. Suppliers - other affiliated companies, local	0454		-	-	-
434	4. Suppliers - other affiliated companies, foreign countries	0455		-	-	-
435	5. Suppliers, local	0456		5.667	12.416	-
436	6. Suppliers, foreign countries	0457		7.504	4.772	-
439	7. Other operating liabilities	0458		-	-	-
44, 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459		23.561	27.733	-
47	V. VALUE ADDED TAX	0460		4.559	5.540	-
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461		734	688	-
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462		27.175	224	-
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		-	-	-
	E. TOTAL CAPITAL AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		9.517.328	9.103.107	-
89	F. OFF-BALANCE SHEET LIABILITIES	0465		22.596.458	21.346.794	-

Belgrade,

Date: 19.02.2016.



INCOME STATEMENT
from 01.01. until 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
	A. INCOME FROM NORMAL ACTIVITIES				
60 to 65, excl. 62 & 63	A. OPERATING INCOME (1002+1009+1016+1017)	1001		504.040	583.921
60	I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		-	-
600	1. Income from sale of goods to parent company and subsidiaries on local market	1003		-	-
601	2. Income from sale of goods to parent company and subsidiaries on foreign markets	1004		-	-
602	3. Income from sale of goods to other affiliated companies on local market	1005		-	-
603	4. Income from sale of goods to other affiliated companies on foreign markets	1006		-	-
604	5. Income from sale of goods on local market	1007		-	-
605	6. Income from sale of goods on foreign markets	1008		-	-
61	II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009		482.184	554.754
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010		422.673	410.782
611	2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets	1011		-	-
612	3. Income from sale of finished products and services to other affiliated companies on local market	1012		-	-
613	4. Income from sale of finished products and services to other affiliated companies on foreign markets	1013		-	-
614	5. Income from sale of finished products and services on local market	1014		108	70
615	6. Income from sale of finished products and services on foreign markets	1015		59.403	143.902
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016		-	-
65	IV. OTHER OPERATING INCOME	1017		21.856	29.167
	EXPENSES FROM NORMAL ACTIVITIES				
55 to 55, 62 & 63	B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0	1018		455.939	525.408
50	I. COST PRICE OF GOODS SOLD	1019		-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020		368	421
630	III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1021		-	-
631	IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1022		-	-
51 excl. 513	V. MATERIAL COSTS	1023		7.986	6.805
513	VI. FUEL AND ENERGY COSTS	1024		22.623	18.837
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025		193.160	202.510
53	VIII. PRODUCTION SERVICE COSTS	1026		135.418	204.634
540	IX. DEPRECIATION EXPENSES	1027		20.655	9.345
541 to 549	X. PROVISION EXPENSES	1028		782	-
55	XI. INTANGIBLE EXPENSES	1029		75.683	83.698
	C. OPERATING INCOME (1001-1018) ≥ 0	1030		48.101	58.513
	D. OPERATING LOSSES (1018-1001) ≥ 0	1031		-	-
66	E. FINANCIAL REVENUES (1033+1038+1039)	1032		475.673	695.280
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		465.006	655.627
660	1. Financial income from parent company and subsidiaries	1034		448.473	635.041
661	2. Financial income from other affiliated companies	1035		11.629	20.586
665	3. Share of profits in associated companies and joint ventures	1036		-	-
669	4. Other financial revenues	1037		4.904	-
662	II. INTEREST INCOME (THIRD PARTY)	1038		2.617	14.601
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039		8.050	25.052
56	F. FINANCIAL EXPENSES (1041+1046+1047)	1040		22.318	21.600
56, excl. 562, 563 & 564	I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		795	1.682
560	1. Financial expenses from transactions with parent company and subsidiaries	1042		795	1.682
561	2. Financial expenses from transactions with other affiliated companies	1043		-	-
565	3. Share of losses in affiliated companies and joint ventures	1044		-	-
566 & 569	4. Other financial expenditure	1045		-	-
562	II. INTEREST EXPENSES (THIRD PARTY)	1046		17.352	14.514
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047		4.171	5.404
	G. FINANCIAL GAINS (1032-1040)	1048		453.355	673.680
	H. FINANCIAL LOSSES (1040-1032)	1049		-	-
683 & 685	I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1050		730	-
583 & 585	J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1051		9.163	642.483
67 & 68, excl. 683 & 685	K. OTHER INCOME	1052		13.746	1.329
57 & 58, excl. 583 & 585	L. OTHER EXPENSES	1053		251.678	24.449
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		255.091	66.590
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
69-59	O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1056		-	6.989
59-69	P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1057		3.066	-
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058		252.025	73.579
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059		-	-
	S. INCOME TAX				
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060		12.676	27.364
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061		2.376	2.348
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062		-	-
723	T. MANAGEMENT EARNINGS	1063		-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064		236.973	43.867
	V. NET LOSSES (1059-1058+1060+1061-1062+1063)	1065		-	-
	I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS	1066		-	-
	II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER	1067		-	-
	III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS	1068		-	-
	IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1069		-	-
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		-	-
	2. Reduced (diluted) earnings per share	1071		-	-

Belgrade,

Date: 19.02.2016.

Legal Representative of the Company



STATEMENT OF OTHER RESULTS
from 01.01. until 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET OPERATING RESULTS				
	I. NET PROFIT (EDP 1064)	2001		236.973	43.867
	II. NET LOSSES (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE RESULTS OR LOSSES				
	a) Items not reclassifiable in the balance sheet in future periods				
330	1. Change of revaluation of intangibles, property, plant and equipment				
	a) increase in revaluation reserves	2003			863.317
	b) decrease in revaluation reserves	2004			
331	2. Actuarial gains or losses from defined income plans				
	a) gains	2005			
	b) losses	2006			
332	3. Gains and losses from equity instrument investments				
	a) gains	2007			
	b) losses	2008			
333	4. Gains and losses from share of other comprehensive profits and losses of affiliates				
	a) gains	2009			
	b) losses	2010			
	b) Items that may be reclassified in the balance sheet in future periods				
334	1. Gains and losses from translation of financial statements for foreign operations				
	a) gains	2011			
	b) losses	2012			
335	2. Gains and losses from hedging of net investments in foreign operations				
	a) gains	2013			
	b) losses	2014			
336	3. Gains and losses from cash flow hedging				
	a) gains	2015			
	b) losses	2016			
337	4. Gains and losses from available for sale securities				
	a) gains	2017		12.356	
	b) losses	2018		3	19.650
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		12.353	843.667
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020			
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			129.499
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	2022		12.353	714.168
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0	2023			
	C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		249.326	758.035
	II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0	2025			
	D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0	2026		249.326	758.035
	1. Payable to majority shareholders	2027			
	2. Payable to non-controlling shareholders	2028			

Belgrade,

Date: 19.02.2016.



Legal Representative of the Company

CASH FLOW STATEMENT
from 01.01. until 31.12.2015.

RSD thousand

Description	EDP	Total	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	3001	496.409	500.518
1. Sales and prepayments	3002	488.268	484.178
2. Interests from operating activities	3003	-	-
3. Other inflow from normal operations	3004	8.141	16.340
II. Cash outflow from operating activities (1 to 5)	3005	607.759	724.889
1. Payments to suppliers and prepayments	3006	297.558	383.819
2. Employee expenses and benefits	3007	188.384	202.350
3. Interests paid	3008	17.012	12.782
4. Income tax	3009	9.329	21.210
5. Payments based on other public revenues	3010	95.476	104.728
III. Net cash inflow from operating activities (I-II)	3011	-	-
IV. Net cash outflow from operating activities (II-I)	3012	111.350	224.371
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 to 5)	3013	430.191	800.533
1. Sale of shares and stocks (net inflow)	3014	-	-
2. Sale of intangible investments, property, plant, equipment and natural assets	3015	-	-
3. Other financial investments (net inflow)	3016	-	253.772
4. Interest received from investment activities	3017	18.791	14.287
5. Dividends received	3018	411.400	532.474
II. Cash outflow from investing activities (1 to 3)	3019	134.029	160.576
1. Purchase of shares and stocks (net outflow)	3020	94.181	151.848
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	4.063	8.728
3. Other financial investments (net outflow)	3022	35.785	-
III. Net cash inflow from investing activities (I-II)	3023	296.162	639.957
IV. Net cash outflow from investing activities (II-I)	3024	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities (1 to 5)	3025	392.627	170.000
1. Equity increase	3026	-	-
2. Long term loans (net inflow)	3027	-	-
3. Short term loans (net inflow)	3028	392.627	170.000
4. Other long term liabilities	3029	-	-
5. Other short term liabilities	3030	-	-
II. Cash outflow from financing activities (1 to 6)	3031	235.287	628.907
1. Repurchase of own shares and stocks	3032	-	-
2. Long term loans (net outflow)	3033	16.667	235.408
3. Short term loans (net outflow)	3034	-	-
4. Other liabilities	3035	-	-
5. Financial leasing	3036	-	-
6. Dividends paid	3037	218.620	393.499
III. Net cash inflow from financing activities (I -II)	3038	157.340	-
D. Net cash outflow from financing activities (II-I)	3039	-	458.907
E. TOTAL CASH INFLOW (3001+3013+3025)	3040	1.319.227	1.471.051
F. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	977.075	1.514.372
G. NET CASH INFLOW (3040-3041)	3042	342.152	-
H. NET CASH OUTFLOW (3041-3040)	3043	-	43.321
I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD	3044	116.713	151.476
J. EXCHANGE RATE GAINS FROM CASH TRANSLATION	3045	4.478	8.558
K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION	3046	-	-
L. CASH BALANCE AT END OF REPORTING PERIOD (3042-3043+3044+3045-3046)	3047	463.343	116.713

Belgrade,

Date: 19.02.2016.

Legal Representative of the Company



STATEMENT OF CHANGES IN EQUITY
as at 31.12.2015.

No.	DESCRIPTION	Equity component															
		30 Equity capital		31 Subscribed capital unpaid		32 Provisions		35 Losses		047 & 237 Treasury shares repurchased		34 Retained earnings		330 Revaluation reserves		331 Actuarial gains or losses	
		EDP	3	EDP	4	EDP	5	EDP	6	EDP	7	EDP	8	EDP	9	EDP	10
1	2																
1	Opening balance on 01.01.2014. a) debit balance b) credit balance	4001	-	4019	-	4037	-	4055	-	4073	-	4091	-	4109	-	4127	-
		4002	7.202.622	4020	-	4038	134.881	4056	-	4074	-	4092	684.911	4110	52.910	4128	-
2	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4003	-	4021	-	4039	-	4057	-	4075	-	4093	-	4111	-	4129	-
		4004	-	4022	-	4040	-	4058	-	4076	-	4094	-	4112	-	4130	-
3	Adjustment of opening balance on 01.01.2014. a) adjustment of debit balance (1a+2a-2b) ≥ 0 b) adjustment of credit balance (1b-2a+2b) ≥ 0	4005	-	4023	-	4041	-	4059	-	4077	-	4095	-	4113	-	4131	-
		4006	7.202.622	4024	-	4042	134.881	4060	-	4078	-	4096	684.911	4114	52.910	4132	-
4	Changes in previous 2014. year a) debit balance activity b) credit balance activity	4007	-	4025	-	4043	-	4061	-	4079	-	4097	424.392	4115	144.281	4133	-
		4008	-	4026	-	4044	-	4062	-	4080	-	4098	43.867	4116	908.962	4134	-
5	Closing balances previous year at 31.12.2014. a) debit balance (3a+4a-4b) ≥ 0 b) credit balance (3b-4a+4b) ≥ 0	4009	-	4027	-	4045	-	4063	-	4081	-	4099	-	4117	-	4135	-
		4010	7.202.622	4028	-	4046	134.881	4064	-	4082	-	4100	304.386	4118	817.591	4136	-
6	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4011	-	4029	-	4047	-	4065	-	4083	-	4101	-	4119	-	4137	-
		4012	-	4030	-	4048	-	4066	-	4084	-	4102	-	4120	-	4138	-
7	Adjustment of opening balance current year at 01.01.2015. a) adjustment of debit balance (5a+6a-6b) ≥ 0 b) adjustment of credit balance (5b-6a+6b) ≥ 0	4013	-	4031	-	4049	-	4067	-	4085	-	4103	-	4121	-	4139	-
		4014	7.202.622	4032	-	4050	134.881	4068	-	4086	-	4104	304.386	4122	817.591	4140	-
8	Changes in current 2015. year a) debit balance activity b) credit balance activity	4015	-	4033	-	4051	-	4069	-	4087	-	4105	218.626	4123	-	4141	-
		4016	-	4034	-	4052	-	4070	-	4088	-	4106	238.345	4124	-	4142	-
9	Closing balance at 31.12.2015. a) debit balance (7a+8a-8b) ≥ 0 b) credit balance (7b-8a+8b) ≥ 0	4017	-	4035	-	4053	-	4071	-	4089	-	4107	-	4125	-	4143	-
		4018	7.202.622	4036	-	4054	134.881	4072	-	4090	-	4108	324.105	4126	817.591	4144	-

Belgrade,

Date: 19.02.2016.

No.	DESCRIPTION	Other results component											RSD thousand	
		332 Gains and losses from equity instrument investments	EDP	333 Gains and losses from share of other profits and losses of affiliates	EDP	334 & 335 Gains and losses from foreign operations and translation of financial statements	EDP	336 Gains and losses from cash flow hedging	EDP	337 Gains and losses from available for sale securities	EDP	Total capital [Σ (row 1b col.3 to col.15) - Σ (row 1a col.3 to col.15)] ≥ 0	EDP	Losses exceeding capital [Σ (row 1a col.3 to col.15) - Σ (row 1b col.3 to col.15)] ≥ 0
1	2	11	12	13	EDP	14	EDP	15	EDP	16	17			
1	Opening balance on 01.01.2014. a) debit balance b) credit balance	4145 - 4146	4163 - 4164	4181 - 4182	4199 - 4200	4217 - 4218	21.136 - -	4235	4244	8.054.188	4244	-	-	
2	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4147 - 4148	4165 - 4166	4183 - 4184	4201 - 4202	4219 - 4220	- -	4236	4245	-	4245	-	-	
3	Adjustment of opening balance on 01.01.2014. a) adjustment of debit balance (1a+2a-2b) ≥ 0 b) adjustment of credit balance (1b-2a+2b) ≥ 0	4149 - 4150	4167 - 4168	4185 - 4186	4203 - 4204	4221 - 4222	21.136 -	4237	4246	8.054.188	4246	-	-	
4	Changes in previous 2014, year a) debit balance activity b) credit balance activity	4151 - 4152	4169 - 4170	4187 - 4188	4205 - 4206	4223 - 4224	20.560 910	4238	4247	-	4247	-	-	
5	Closing balance previous year at 31.12.2014. a) debit balance (3a+4a-4b) ≥ 0 b) credit balance (3b-4a+4b) ≥ 0	4153 - 4154	4171 - 4172	4189 - 4190	4207 - 4208	4225 - 4226	40.786 -	4239	4248	8.418.694	4248	-	-	
6	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4155 - 4156	4173 - 4174	4191 - 4192	4209 - 4210	4227 - 4228	- -	4240	4249	-	4249	-	-	
7	Adjustment of opening balance current year at 01.01.2015. a) adjustment of debit balance (5a+6a-6b) ≥ 0 b) adjustment of credit balance (5b-6a+6b) ≥ 0	4157 - 4158	4175 - 4176	4193 - 4194	4211 - 4212	4229 - 4230	40.786 -	4241	4250	8.418.694	4250	-	-	
8	Changes in current 2015, year a) debit balance activity b) credit balance activity	4159 - 4160	4177 - 4178	4195 - 4196	4213 - 4214	4231 - 4232	3 12.356	4242	4251	-	4251	-	-	
9	Closing balance at 31.12.2015. a) debit balance (7a+8a-8b) ≥ 0 b) credit balance (7b-8a+8b) ≥ 0	4161 - 4162	4179 - 4180	4197 - 4198	4215 - 4216	4233 - 4234	28.433 -	4243	4252	8.450.766	4252	-	-	



Belgrade,

Date: 19.02.2016.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR 2015**

Belgrade, 2016

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1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is an open joint stock company for holding operations.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 – other law and 5/2015) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on March 16, 2012 and by passing the Articles of Association on the General Assembly meeting on January 12, 2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding Plc. data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of April 18, 2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on Harmonization of the Memorandum and Articles of Association of Energoprojekt Holding Plc. adopted in compliance with provisions of the new Companies Law, the Decision on Harmonization with the Companies Law and Company Articles of Association from 2006 ceased to apply.

Pursuant to the Decision BD 8020/2005 of May 20, 2005, the Company was re-registered and transferred to the Company Register of the Serbian Business Registers Agency from the Court Register of the Commercial Court of Belgrade with the previous registration on the registry inserts number 1-2511-00.

Based on the Decision No. VIII Fi 8390/99 of June 30, 2000 passed by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from "Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies", at the time registered by Decision No. FI 5843/91 of June 13, 1991 of the same Court, to "Energoprojekt Holding joint stock company for holding operations".

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of January 12, 1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement on Organizational Changes in the Former Composite Organization of Associated Labour "Energoprojekt" and the Associated Workers' Organizations, at a referendum held on December 8, 1989.

General Company Data

<i>Head Office</i>	Beograd, Bulevar Mihaila Pupina 12
<i>Registration Number</i>	07023014
<i>Registered business code and name of the business activity</i>	6420 – holding company
<i>Tax Identification Number</i>	100001513

According to the registration with the Serbian Business Registers Agency, **Company main business activity** is the activity of holding companies (6420).

The Company is a parent company that forms a **group of companies with the short business name of the Energoprojekt Group** with a number of subsidiaries in the country and abroad, as well as with an affiliated company (joint venture) in the country.

Company's subsidiary companies in the country are as follows:

- Energoprojekt Visokogradnja Plc.;
- Energoprojekt Niskogradnja Plc.;
- Energoprojekt Oprema Plc.;
- Energoprojekt Hidroinzenjering Plc.;
- Energoprojekt Urbanizam i arhitektura Plc.;
- Energoprojekt Energodata Plc.;
- Energoprojekt Industrija Plc.;
- Energoprojekt Entel Plc.;
- Energoprojekt Garant Ltd.;
- Energoprojekt Promet Ltd. and
- Energoprojekt Sunnyville Ltd.

In 2015, the Company established a new company in the country, Energoprojekt Sunnyville d.o.o. (Ltd.), Beograd for realization of own investment construction in Belgrade and paid in the founder's contribution in the amount of RSD 2,500 thousand.

Subsidiary companies abroad – international companies are as follows:

- Zambia Engineering and Contracting Company Limited, Zambia,
- Energoprojekt Holding Guinee S.A, Guinea,
- I.N.E.C. Engineering Company Limited, Great Britain,
- Encom GmbH Consulting, Engineering & Trading, Germany,
- Dom 12 S.A.L, Lebanon,
- Energo (Private) Limited, Zimbabwe and
- Energo Kaz d.o.o., Kazakhstan.

In 2015 in Zambia, the Energoprojekt Zambia Limited company was established, with ownership structure comprising of 80% Zambia Engineering and Contracting Company Limited, Zambia and 20% Energoprojekt Holding Plc.

In 2015, the Company recorded in its books the Energo Kaz d.o.o.(Ltd.), Kazakhstan company, established in 2009, but with no activity till 2014.

Company's affiliated company (joint venture) in the country is:

- Enjub Ltd.

The affiliated company in the country is:

- Fima SEE Activist Plc.

The share percentage of Energoprojekt Holding in the capital of the FIMA SEE Activist Plc. closed investment fund exceeded 20.00% in 2015, whereby the said investment fund became an affiliated company of Energoprojekt Holding.

The following table contains data on the ownership share in subsidiaries.

<i>Equity investments in subsidiary legal entities</i>	
<i>Name of subsidiary company</i>	<i>% ownership</i>
<i>In the country:</i>	
Energoprojekt Visokogradnja Plc.	100,00
Energoprojekt Niskogradnja Plc.	100,00
Energoprojekt Oprema Plc.	67,87
Energoprojekt Hidroinzenjering Plc.	100,00
Energoprojekt Urbanizam i arhitektura Plc.	100,00
Energoprojekt Energodata Plc.	100,00
Energoprojekt Industrija Plc.	62,77
Energoprojekt Entel Plc.	86,26
Energoprojekt Garant Ltd.	92,94
Energoprojekt Promet Ltd.	100,00
Energoprojekt Sunnyville Ltd.	100,00
<i>Abroad:</i>	
Zambia Engineering and Contracting Company Limited, Zambia	100,00
Energoprojekt Holding Guinee S.A, Guinea	100,00
I.N.E.C. Engineering Company Limited, Great Britain	100,00
Encom GmbH Consulting, Engineering & Trading, Germany	100,00
Dom 12 S.A.L, Lebanon	100,00
Energo (private) Limited, Zimbabwe	100,00
Energo Kaz d.o.o., Kazakhstan	100,00

Ownership share of the Company in other affiliated legal entities in the country is presented in the following table.

<i>Equity share in other affiliated legal entities in the country</i>	
<i>Name of the joint company</i>	<i>% ownership</i>
Enjub Ltd.	50,00
<i>Name of the affiliated company</i>	<i>% ownership</i>
Fima SEE Activist Ltd.	20,93

In addition to the above listed subsidiaries and other affiliated legal entities, the Company has its representative office in Baghdad, Iraq as well, which has been in the dormant status since 2015.

The Company is, according to criteria specified by the Law on accounting and auditing, classified as a **medium-sized legal entity**.

The average number of employees with the Company in the reporting period, based on the actual number of employees at the end of each month, is 70 (as at December 31, 2014: 71).

The company's shares are A-listed on the Belgrade Stock Exchange and these are traded in a regulated stock market.

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from January 1 till December 31, 2015** that were approved by the Supervisory Board of the Company on February 25, 2016, at the 38th meeting and that are subject to an audit by an external auditor.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

2. MANAGEMENT STRUCTURE

Key management of the Company in 2014 included the following persons:

- Vladimir Milovanovic - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Zoran Radosavljevic - Executive Manager for corporate projects, development and quality (in retirement since September 19, 2015);
- Mr Zoran Jovanovic - Executive Manager for legal affairs; and
- Dragan Tadic - Executive Manager for "Real Estate" projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at December 31, 2015 is presented in the Note 34.1.

4. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Financial statements of the Company were prepared in compliance with the Law on Accounting and Auditing (RS Official Gazette, No. 62/2013 – hereinafter: the Law).

Pursuant to the Law, in recognizing, valuation, presentation and disclosure of items in financial statements, large legal entities, legal entities obliged to prepare consolidated financial statements (mother legal entities), public companies, that is, companies preparing to become public, irrespective of their size, shall apply International Financial Reporting Standards (hereinafter: IFRS). IFRS, within the meaning of the Law, are:

- The Framework for the preparation and presentation of financial statements,
- International Accounting Standards – IAS,
- International Financial Reporting Standards - IFRS and related Interpretations, issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these Standards and the related Interpretations, as approved by the International Accounting Standards Committee, the translation of which was adopted and published by the Ministry in charge of finances.

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014). These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

Chart of Accounts and content of accounts in the Chart of Accounts were prescribed by the Rules on Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014).

In preparation of Company financial statements, the following laws and by-laws were taken into account, among others:

- Law on Corporate Income Tax (RS Official Gazette, No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 – other law, 142/2014, 1/2015 – authentic interpretation and 112/2015);
- Law on Added Value Tax (RS Official Gazette, No. 84/2004, 86/2004 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 – other law, 142/2014 and 83/2015);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax (RS Official Gazette, No. 99/2010, 8/2011, 13/2012, 8/2013 and 20/2014 – other Rules);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax (RS Official Gazette, No. 24/2014, 30/2015);

- Rules on Method of Classification of Non-Current Assets and on Method of Calculation of Depreciation for Taxing Purposes (RS Official Gazette, No. 116/2004 and 99/2010);
- Rules on Transfer Prices and Methods Applied in compliance with the “at arm’s length” principle in determining the price of transactions among related parties (RS Official Gazette, No. 61/2013 and 8/2014).

Among the legal acts comprising the internal regulations of the Company, in preparation of the financial statements of the Company, the Rules on Accounting and Accounting Policies of the Company, as adopted on November 27, 2015 by the Executive Board of the Company, was used. In addition to the above listed, other internal acts of the Company were used, such as, for example, the Collective Agreement of Energoprojekt Holding Plc. regulating employment in the country.

Basic accounting policies applied in preparation of these financial statements were listed in the Note no. 7.

The Law on Capital Market (RS Official Gazette, No. 31/2011 and 112/2015) set down mandatory data to be included in the annual, six monthly and quarterly statements of public companies with securities listed in the regulated markets.

It should be noted here that in certain cases, not all the relevant provisions of the IFRS or of the Interpretations thereof were taken into account in preparation of the Company financial statements.

The accounting regulations of the Republic of Serbia, and thus the presented financial statements of the Company, deviate from IFRS in the following aspects:

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013) , the financial statements in the Republic of Serbia for the year 2014 are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 – “Presentation of Financial Statements“; and
- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

In addition to the above stated, some deviations were due to the different publishing dates of the Standards and the relevant Interpretations thereof, which are subject to continuous modifications, and the effective dates when these Standards and relevant Interpretations thereof come into force in the Republic of Serbia. Thus, for example, the deviations from the Standards came as the consequence of the fact that the published Standards and relevant Interpretations, which came into force, have not yet been officially translated or adopted in the Republic of Serbia; as the consequence of the fact that the published Standards and relevant Interpretations have not yet come into force; or as the consequence of some other reasons beyond effective control or influence of the Company.

The new Standards, Interpretations and/or amendments to the existing Standards in force in the current period that have not yet been officially translated or adopted in the Republic of Serbia

By the date of adoption of the financial statements attached hereto, the following version of IAS, IFRS and the Interpretations that are integral parts of the Standards, as well as the amendments thereto, as issued by the International Accounting Standards Board, or by the International Financial Reporting Standards' Interpretations Committee, despite the fact that they came into force on January 1, 2015 and that are as such applicable to the financial statements for the reporting period, have not yet been officially translated or published by the Ministry, and thus cannot be applied by the Company:

- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - “Investment Entities” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting (effective for the annual periods beginning on or after January 1, 2014); and
- IFRIC 21 “Levies” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), which are the result of the annual standards' improvement project, “Cycle 2010-2012”, published by the IASB in December 2013, primarily through the removal of inconsistencies and clarification of text (in force for the annual periods beginning on or after July 1, 2014),
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), which are the result of the annual standard's improvement project, “Cycle 2011-2013”, published by the IASB in December 2013, primarily through the removal of inconsistencies and clarification of text (effective for annual periods beginning on or after July 1, 2014), and
- Amendments to IAS 19, Employee Benefits – Defined benefit plans (effective for annual periods beginning on or after July 1, 2014).

The new Standards, Interpretations and Amendments to the existing Standards that have not yet come into force

By the date of adoption of the attached financial statements, the following IAS, IFRS and Interpretations that are integral parts of these Standards, as well as the Amendments thereto, were issued by the International Accounting Standards Board, and/or by the International Financial Reporting Interpretations Committee, but have not yet come into force, nor have they been officially translated or published by the Ministry, and thus were not applied by the Company:

- Amendments to various Standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) that were introduced as the result of the annual improvements to the Standards, Annual Improvements Cycle 2012-2014, published by the IASB in September 2014, primarily through removal of inconsistencies and explanations of the texts (effective for annual periods beginning on or after January 1, 2016);
- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2018).
- Amendments to IFRS 11, “Joint Arrangements”, Accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after January 1, 2016;

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

Despite all the above mentioned potential discrepancies, application of all the amendments to above listed Standards would not bear any significant influence on the financial position of the Company or to the results of its operations.

5. ACCOUNTING PRINCIPLES

The following principles were applied in the preparation of Company financial statements:

- The Going Concern Principle,
- The Consistency Principle,
- The Prudence Principle,
- The Substance over Form Principle,
- The Accrual Principle,
- The Item by Item Assessment Principle.

By complying with the **Going Concern Principle**, the financial statements are prepared under the assumption that the proprietary position, financial standing and business results of the Company, as well as the economic policy of the country and economic situation in its immediate environment, enable the Company to operate for an unlimited period.

The Consistency Principle means that the valuation method for assets and changes in assets, liabilities, capital, income, expenses and business results, that is, for the Company's balance items, remains the same over a longer period. If, for example changes are implemented due to required harmonization with the legislation, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The Prudence Principle means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over Form Principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

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

In other words, compliance with the Accrual Principle provides information on past transactions and other events in the manner most useful to users for reaching their economy-related decisions.

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

6. PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE

Prior period errors represent omitted or false data presented in financial statements of the Company for one or several periods as a result of misuse or lack of use of reliable information, which were available when the financial statements for respective periods were approved for issue and which were expected to be obtained and taken into consideration upon preparation and presentation of the respective financial statements.

A **materially significant error**, discovered in the current period that refers to a previous period is an error that has significant influence on financial statements for one or several prior periods and due to which these financial statements cannot be considered anymore as reliable.

Materially significant errors are corrected retroactively in the first series of financial statements approved for publishing after these errors have been discovered, by correcting comparative data for presented prior period(s) when errors occurred or if the error occurred prior to the earliest presented prior period, opening balances for assets, liabilities and capital for the earliest presented prior period will be corrected.

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Company will correct opening balances for assets, liabilities and capital for the earliest period that can be corrected retroactively (may be also the current period).

Subsequently *identified errors that are not of material significance* are corrected against expenses or in favour of revenues for the period in which they were identified.

The materiality of an error is valued pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements.

Materially significant errors are valued pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1.5% of the total income in the previous year**.

7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

Principal accounting policies that are applied in the preparation of these financial statements are presented herein. These policies are consistently applied to all included years, unless otherwise stated.

Important accounting policies applied to Company financial statements that are subject of these Notes and presented in the following text, are primarily based on the Rules on Accounting and Accounting Policies of the Company. If certain accounting aspects are not clearly defined in the Rules, the applied accounting policies are based on the legislation, professional and internal regulations in force.

As for the general data, we are hereby noting that in compliance with IAS 21 – “The Effects of Changes in Foreign Exchange Rates”, the RSD is the **functional and presentation reporting currency** in financial statements of the Company.

In preparation of Company financial statements, relevant provisions IAS 10 – “Events after the Reporting Period” were considered. They refer to events that occur between the balance sheet date and the date when the financial statements were authorized for issue. More precisely, **for effects of the event that provide evidence on circumstances at the balance sheet date**, already recognized amounts in financial statements of the Company were corrected in order to mirror corrected events after the balance sheet date; and **for effects of the event that provide evidence on circumstances after the balance sheet date**, no adjustments of recognized amounts were applied, and if there were any, these Notes will disclose the nature of events and the valuation of their financial effects, or, if impossible to evaluate the financial effects thereof, it is disclosed that such estimate cannot be made.

7.1. Valuation

In preparation and presentation of financial statements in compliance with the requirements of the legal regulations in force in the Republic of Serbia, the Company management is required to use the best possible valuations and reasonable assumptions. Although, understandably, the actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

Within the context of valuation, the business policy of the Company is to disclose information on the **fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. Despite all the above, the Company pays close attention to these problems and its management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

7.2. Effects of Foreign Exchange Rates

Transactions in foreign currency, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the transaction date.

Pursuant to the provisions of IAS 21 – Changes in foreign exchange rates, monetary items in foreign currency (assets, receivables and liabilities in foreign currency) are recalculated at each balance sheet date by applying the valid exchange rate or the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Company in foreign business, included pursuant to IAS 21) are recognized as revenues or expenses of the Company for the period in which they occurred.

Official middle exchange rates of the National Bank of Serbia, at the balance sheet date, for foreign currencies used for the recalculation of monetary items in dinar counter value, are presented in the following table.

Official Middle Exchange Rates of the National Bank of Serbia

<i>Currency</i>	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>Amount in RSD</i>	
1 EUR	121,6261	120,9583
1 USD	111,2468	99,4641
1 GBP	164,9391	154,8365

7.3. Revenues

Revenues in accordance with IAS 18 - Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues, other revenues (including also revenues from the property value adjustment), and income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors.

Among the **operating revenues**, the most important are the sales revenues from the sales of goods, products and services, and as other revenues the following may appear: income from the own use of products, services and merchandize, increase of finished goods, work in progress and services in progress (if there were any reductions in the finished goods, work in progress and services in progress, during the year, the total operating revenues shall be reduced by the amount of such reduction), income from premiums, subventions, donations, etc.; and other operating income.

For the purpose of financial reporting, within the operating revenues in Income Statement no income from the own use of products, services and merchandize and income from the change in value of products, services and merchandize (increases, i.e., decreases in the value of inventories of unfinished and finished products and unfinished services), and instead operating expenses are corrected by such amounts in the Income Statement.

Income from the sales of merchandize is recognized when the following conditions are met cumulatively:

- The company has transferred to the buyer significant risks and benefits from the ownership of the product and goods,
- The company does not keep the share in management of the product sold and merchandize that is usually related to ownership, nor does it keep the control over products and goods sold,
- The amount of income cannot be measured in a reliable manner,
- Economic benefit for the Company related to such transaction is probable, and
- Costs incurred or cost that will be incurred in such transactions can be measured in a reliable manner.

Operating revenues from provision of services, in compliance with the relevant provisions of IAS 18 – Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date.* The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the economic benefit for the Company related to such transaction is probable, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

Financial revenues include financial revenues from the related parties, gains arising from foreign currency fluctuations, income from interest and other forms of financial revenues.

Revenues from dividends are recognized when the right to receive the dividend is established.

Within **other income** (that additionally include income from the adjustments of value of other property measured at fair value through Income Statement), in addition to other income, *gains* are presented that may, but do not have to result from the usual activities of the Company. Gains are increases in economic benefits of the Company and as such, by their nature, are not different from other revenues. For example, gains include gains from the sales of property, plant and equipment; at greater value from accounting one at the moment of sale.

Within **income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors and transfer of income**, income according to the names of account of this groups are presented and the transfer of total income at the end of the period, which are, for the purposes of financial reporting, presented as net effect, after the decrease for the relevant expenses.

7.4. Expenses

Expenses are the outflow of economic benefits over a given period that result in the decrease of the capital of the Company, except for the reduction that refers to the allocation of profit to owners or reduction that resulted from partial withdrawal of capital from operations by the owner. Expenses include outflow of assets, impairment of assets and/or increase of liabilities.

Expenses include operating expenses, financial expenses, other expenses (including impairment-related expenses for other assets measured at fair value through Income Statement) and operating loss from the discontinuing operations, effects of change in accounting policy and corrections of prior period errors.

Operating expenses include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

For the purposes of financial reporting, operating expenses are corrected in the Income Statement for the amount of income from the own use of products and merchandize and income from the depreciation of inventories of products (increase, i.e., decrease in the value of inventories of unfinished and finished products and unfinished services).

Financial expenses include financial expenses arising from the related legal entities, gains arising on the translation of foreign currency, interest-related expenses and other financial expenses.

Other expenses (that additionally include expenses from depreciation of other assets measured at fair value through Income Statement), include losses that may or may not arise from usual activities of the Company. Losses (for example, shortages or losses that result from the sale of assets at a less value than the accounting value) represent a decrease of economic benefits and, as such, do not vary from other expenses.

Within **operating loss from discontinuing operations, effects of changes in accounting policy, corrections of prior period errors and transfer of expenses**, expenses according to the names of accounts comprising this group are presented and the transfer of total expenses at the end of accounting period, which are for the purposes of financial reporting presented in net effect, after offsetting against relevant income.

7.5. Interest and Other Borrowing Costs

Borrowing costs include interest and other costs borne by the Company in relation to the borrowing of funds.

Based on relevant provisions IAS 23 – Borrowing costs, Interest and other borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the acquisition, construction or production of a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost) of that asset.

7.6. Income Tax

Income tax is recorded in Company books as the sum of:

- The current tax; and
- The deferred tax.

The current tax is the amount of obligation for the payable (recoverable) income tax that refers to the taxable income (tax loss) for the respective period. In other words, the current tax is payable income tax defined in the tax return pursuant to tax regulations.

The deferred tax includes:

- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is recorded in books pursuant to respective provisions IAS 12 – Income taxes that, *inter alia*, specify that *deferred tax assets and liabilities should not be discounted*.

Deferred tax assets include income tax, recoverable in future periods in respect of:

- Deductible temporary differences,
- Unused tax losses transferred to the following period and
- Unused tax credit transferred to the following period.

Deductible temporary difference arises in cases where an expense has already been recorded in Company books, on certain bases, which, from the taxation aspect, is to be recognized in the following periods. Some typical examples of cases where the deductible temporary differences arise include the following: tax value of assets that are subject to depreciation exceeds the accounting value thereof; from the taxation aspect, certain provisions are not recognized (IAS 19, issued guarantees and other sureties), impairment of assets (merchandise, materials, etc.) and impairment of investment immovable property; from the taxation aspect expenses for unpaid public revenues that do not depend on business performance and losses occurring when securities are measured at fair value and effect is presented through Income Statement.

For assets that are subject to depreciation, deferred tax assets are recognized for all **deductible temporary differences** between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist

if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

The amount of deferred tax assets is determined by applying the prescribed (or notified) income tax rate on Company income on the amount of deductible temporary difference that is determined as at the Balance Sheet date.

If at the end of previous year the temporary difference was deductible, on the basis of which the deferred tax assets were recognized, and at the end of current year, on the basis of the same assets, the temporary difference is taxable, the previously established deferred tax assets are released in their entirety, and at the same time the deferred tax liabilities are recognized in the amount determined as at the Balance Sheet date.

A deferred tax asset based on **unused tax losses** is recognized only in case that the Company management may reliably assess that the Company will generate taxable income in future periods that may be reduced based on unused tax losses.

A deferred tax asset based on **unused tax credit** for investments in fixed assets is recognized only up to the amount for which a taxable income in the tax balance will be realized in future periods or calculated income tax for the reduction of which the unused tax credit may be used, only until this type of tax credit may be used in the legally prescribed manner.

Deferred tax assets may be recognized on other grounds for which the Company assesses income tax will be recoverable in future (for example, for provisions for non-due retirement bonus, specified pursuant to provisions IAS 19 – Employee Benefits).

Deferred tax liabilities include income taxes payable in future periods against deductible temporary differences.

Taxable temporary difference arises in cases where a certain expense is recognized from the taxation aspect, while from the accounting aspect it will be recognized in the Company books in the following periods.

With respect to assets that are subject to depreciation, deferred tax liabilities are recognized always if there is a deductible temporary difference between the accounting value of assets that are subject to depreciation and their tax base. Deductible temporary difference occurs if the accounting value is greater than its tax base.

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

The amount of deferred tax liability is determined by applying the prescribed (or expected) tax rate on the Company profit on the amount of taxable temporary difference that is determined as at the Balance Sheet date.

On each Balance Sheet date, the deferred tax liabilities are reduced to the amount determined based on temporary difference as at that date. If at the end of the previous year the temporary difference was taxable, on the basis of which the deferred tax liabilities were recognized, and at the end of the current year, based on the same assets, the temporary difference is deductible, the previously established deferred tax liabilities are released in their entirety, and at the same time the deferred tax assets of the Company are recognized in the amount determined as at the Balance Sheet date.

Deferred tax liabilities may be recognized on other grounds for which the Company assesses income tax will be recoverable in future against taxable temporary differences.

7.7. Intangible Assets

Intangible assets are assets without identifiable physical substance, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc.

The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

To recognize an intangible asset, it must comply with the provisions of IAS 38 – Intangible assets:

- That it is likely that future economic benefits, attributable to assets, will flow to the Company;
- That the Company has control over the asset, and
- That the purchase price (cost) can be reliably measured.

If one of the requirements is not fulfilled, expenses on the basis of intangible investments are recognized as debit to expenses in the period in which the expenses were incurred.

Accounting recognition of internally generated intangibles is dependent upon an assessment of whether they are created:

- In the research phase, or
- In the development phase.

Intangible assets generated from *research or research phase of an internal project*, will not be recognized as intangible asset. Expenditures related to research or to a research phase of an internal project are recognized as expenses in the period of occurrence.

The cost of an internally generated intangible asset generated from *development* activities (or the research phase of an internal project) includes all the directly attributable expenses necessary to generate, produce and prepare the asset for the use as intended by the Company management.

Initial measuring of intangible assets is performed at its cost (purchase price).

Subsequent measuring of intangible assets, after initial recognition, is performed at their cost (purchase price) reduced by the accumulated depreciation and accumulated losses from impairment (in compliance with the provisions of IAS 36 – Impairment of assets).

7.8. Property, Plant and Equipment

Property, plant and equipment are tangible assets that are: used in production, supply of goods and services, for rental to others or for administrative purpose; and which are expected to be used for more than one accounting period.

The above general principle for the recognition of property, plants and equipment is not applied exclusively in cases of recognition of assets of lesser value that are registered as inventory items (such as, for example, spare parts and servicing equipment). The total value of such assets is transferred to current expenses when the item is first put in service.

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost) of the item can be reliably measured.

Initial measuring of property, plant and equipment **is performed at purchase cost (purchase price), which includes: the purchase price and all the related costs of acquisition, that is, all the directly attributable costs of bringing the assets to the condition of functional readiness.**

With the aim to perform subsequent measuring of property, plant and equipment, these are grouped in the following categories:

- a) Land,
- b) Facilities,
- c) Plants and equipment, and
- d) Other.

Subsequent measuring of the category “Buildings” is performed according to the fair value, which imply the market value, or the most probable value that can realistically be achieved in the market, at the Balance Sheet date. The fair value is to be determined by appraisal, which is to be performed by expert appraiser, based on the evidence collected on the market. Where there is no evidence of the fair value on the market, due to the specific nature of facilities and due to the fact that such items are only rarely sold, except as a part of continuous business operation, it may be necessary that the Company performs an assessment of the fair value by using the income approach or the approach of depreciated costs of replacement. Any change in the fair value of facilities is to be recognized in principle in the total equity, within the revaluation reserve position.

Subsequent measuring of all other categories within the Property, Plant and Equipment position, other than the facilities, is to be performed in compliance with the cost (purchase price) decreased by the accumulated depreciation and accumulated losses due to impairment (pursuant to IAS 36).

Measuring of subsequent expenses for property, plant and equipment is performed when:

- It is a case of the investments that extend the useful life of the use of such asset,
- It increases the capacity,
- It improves the asset, whereby the quality of product is improved, or
- It reduces the production costs compared with the costs prior to such investment.

The costs of servicing, technical maintenance, minor repairs and other, do not increase the value of an asset, but comprise the expense for the period.

Investments in other person's property, plant and equipment are presented and recognized in a special account, if it is probable that the Company will make the future economic benefits related to such asset. Amortization of investment in other person's property, plant and equipment is performed on the basis of the estimated useful life of such assets, which may be equal or shorter than the validity period of the lease agreement.

7.9. Lease

Lease is an agreement according to which the lessor transfers the right to use the object of lease to the lessee for an agreed period of time in exchange for a single payment or for a series of payments.

In case of a **financial lease** (lease whereby all the risks and benefits related to ownership of the assets are essentially transferred, and upon expiry of the lease period, the property right may, but does not necessarily need to, be transferred), in compliance with the provisions of the IAS 17 - Leases, the lessee performs the **initial measurement** by recognizing the lease as an asset and liability in their Balance Sheet, according to the amounts of its fair value at the beginning of the lease, or according to the present value of the minimum payments for the lease, whichever is lower. The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in an at arm's length transaction.

In calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or as the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset identical to the lease.

All initial direct expenses borne by the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to periods within the leasing term and a constant periodic interest rate is applied to the outstanding balance.

In case of **business (operational) lease** (the lease whereby all the risks and benefits related to the ownership of the assets are not essentially transferred), the lease payments are recognized as expense, and in general at the linear basis during the lease period.

7.10. Amortisation of Intangible Assets, Property, Plant and Equipment

Asset value (of intangible assets, property, plant and equipment) is allocated by **amortisation** to the period of its useful life.

The lifetime of an asset is determined by applying the time method, so that the lifetime of the asset may be understood as a time period when the asset is at Company's disposal for use.

The amount to be depreciated, or the acquisition price or some other amount used as a substitute for the acquisition price in financial statements of the Company, reduced by the residual value (remaining value) is to be systematically allocated over the lifetime of the asset.

Residual value is the evaluated amount that the Company would have received today, if it had disposed of an asset, after the deduction of the estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a useful lifetime.

The residual value of intangible assets is always presumed to be zero, except in the following cases:

- When there is an obligation of a third party to purchase intangible asset at the end of its useful life, or
- When there is an active market for the intangible asset, with the presumption that such market will exist at the end of the useful lifetime of the asset as well, when the residual value may be determined by referring to such market.

The residual value and the remaining useful lifetime of the asset are examined at the end of each financial year by the competent valuers. In case that the new valuations are different from the previous valuations, the change is treated by changing the accounting assessment and it is recognized in the books on the basis of IAS 8 – Accounting Policies, Changes in Accounting Policies and Errors.

The residual value may be increased as the result of a valuation for an individual asset to the amount that is equal to the book value of such asset or larger than such value. In that case, the depreciation cost will, during the remaining useful lifetime of such asset, be zero, unless, as the result of subsequent valuations, the residual value is reduced to the amount that is lower than the book value.

Amortization of assets is performed by the **linear write-off** (proportional method), and the **calculation of amortisation starts** from the beginning of the following month from the moment when the asset becomes available for use, i.e., employment, or when it is at the location and ready-for-use as intended by the Company.

Amortization of intangible assets is conditional on the assessment of whether the useful lifetime is unlimited or limited. Intangible assets are not subject to amortization if it is estimated that the useful lifetime is unlimited, that is, if, based on the analysis of all the relevant factors, the end of the period when it is expected that the intangible asset will cease to generate incoming net cash flows for the Company cannot be foreseen.

Amortisation is not calculated for assets the value of which is not impaired over time (such as, for example, the works of art) nor for assets with unlimited lifetime (land, for example).

For an assets acquired by means of financial lease, amortization is calculated in the same manner as for other assets, except when it is not known whether the Company will acquire the ownership right on such asset, when the assets is amortized in its entirety in a shorter period than the lease period or the useful lifetime.

Calculation of amortization ceases when the asset is derecognized (ceases to be recognized as an asset) and when it is reclassified as a non-current asset held for sale or within discontinuing operations. Thus, amortization is calculated even when the asset is not used, that is, even when the asset is not being used actively, if such asset is not reclassified as a non-current asset held for sale or within the discontinuing operations.

Calculation of assets' amortisation is performed for tax balance purposes in compliance with the applicable legislation.

Assets that are, in accordance with the IFRS 5 – Non-Current Assets Held for Sale and Discontinuing Operations, classified as assets held for sale, as at the balance sheet date are presented as working capital and are assessed at the lower value of the accounting value and fair value reduced by the costs of sale.

7.11. Impairment of Intangible Assets, Property, Plant and Equipment

At each balance sheet date, competent persons, from the Company or external, check if there are indications that the accounting value of an asset (intangible assets, property, plant and/or equipment) is impaired, that is, if the accounting value exceeds the recoverable amount for the asset in question.

If there are indications of impairment, appraisal of recoverable amount is performed in compliance with the relevant provisions of IAS 36.

Recoverable amount is the higher amount of:

- The fair value, reduced by the costs of sales; and
- The use value.

Fair value reduced by the costs of sales is the expected net selling price of the asset or the amount that can be achieved in the sale of an asset in an at arm's length transaction between knowledgeable, willing parties, reduced by the disposal costs.

Use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used in determining the asset's present value reflects current market estimates of the time value of money, as well as the risks characteristic for the asset in question.

Recoverable amount is estimated for each asset separately or, if that is not possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows independent to the greatest degree from the cash flow related to other assets or groups of assets.

If it has been established that the value is decreased, the accounting value is reduced to the recoverable amount. The loss due to the decrease is captured as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.12. Investment Property

An **investment property** is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- The sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 – Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost) can be measured reliably.

An **investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to an already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as an asset, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost) of that expenditure can be measured reliably. In the opposite case, the subsequent expenditure is presented as an operating expense in the period in which it was incurred.

After the initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

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

Investment properties are not subject to the calculation of depreciation or to the valuation of the decrease in value of the property.

Investment property is not recognized as such any more upon the disposal thereof or if it is not in use any more and no future benefits are expected from the disposal thereof. Gains or losses from decommissioning or disposal of investment property are recognized in Income Statement in the year in which the asset was disposed of or decommissioned.

7.13. Inventories

Inventories are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

Inventories are (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost) and
- Net realizable value.

The purchase price (cost) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of materials and goods as basis for the valuation of inventories of materials and goods, include the cost price, import duties and other fiscal expenditure (other than the recoverable tax amounts, such as the input value added tax), transportation costs, handling costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted on the occasion of determining the purchase costs.

Valuation of material and goods inventories spent is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items, spare parts and servicing equipment), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

Conversion costs and other costs incurred in bringing the inventories to their present location and condition are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labour costs, direct material costs and indirect costs, or general production costs and non-production costs and borrowing costs.

Net realizable value is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

7.14. Non-Current Assets Held for Sale

The Company recognizes and presents a non-current asset (or available group of assets) as an **asset held for sale** in compliance with IFRS 5 – Non-Current Assets Held for Sale and Discontinuing Operations if its accounting value can primarily be recovered by means of a sales transaction and not by means of its further use. To fulfil this requirement:

- The asset (or group for disposal) must be available for immediate sale in the current condition, solely under the usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very probable.

A non-current asset recognized as an asset held for sale **is to be measured** (presented) at a lower value than:

- The accounting value, and
- The fair value reduced by the costs of sale.

The accounting value is the present (non-write off) value stated in business books of the Company.

The fair value is the amount at which the asset may be traded between knowledgeable and willing parties in an at arm's length transaction, or the market value on the date of sale.

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

Non-current assets held for sale are not depreciated.

Written-off assets, as well as assets with insignificant non-write off value will not be recognized as assets held for sale.

7.15. Financial Instruments

Financial instruments include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is conditional upon their classification that is to be performed by the Company in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified by provisions of IAS 39:

- Financial assets at fair value through income statement,
- Held-to-maturity financial assets (investments),
- Loans (credits) and receivables, and
- Financial assets available for sale.

Financial assets or liabilities at fair value through income statement include financial assets and liabilities the changes in fair value of which are recorded as revenues or expenses in the balance sheet.

A financial asset or liability classified in this category must fulfil either one of the following conditions:

- Classified as held for trading, or
- After initial recognition, it will be classified and stated as a financial asset (liability) through income statement.

A financial asset of liability is classified as held for sale, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (other than the derivate as a hedging instrument).

The Company may indicate that a financial instrument is disclosed through the income statement only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valued based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

Held-to-maturity financial assets (investments) are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intends and may hold to maturity, excluding those marked by the Company at fair value through the income statement account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

Loans (credits) and receivables are non-derivative financial assets of the Company with fixed or identifiable payments and fixed maturity that are not quoted in an active market, other than:

- The assets that the Company intends to sell immediately or within a short period of time and that would then be classified as assets held for sale;
- The assets marked by the Company at fair value through the income statement after initial recognition;
- The assets marked by the Company as available for sale after their initial recognition, or
- The assets for which the owner cannot recover the entire amount of their initial investment to any significant degree, which will be classified as assets available for sale.

Available-for-sale financial assets are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

On the occasion of the **initial measurement** of a financial instrument, the Company performs the measurement at fair value through income statement increased, in case that the financial instrument has not been marked for measurement at fair value with changes of fair value through income statement, by the transaction costs that are directly attributable to the acquisition thereof.

Subsequent measurement of financial instruments is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- Loans and receivables, measured at amortized cost using the effective interest method;
- Financial assets (investments) held-to-maturity, measured at amortized cost using the effective interest method; and
- Investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

The fair value of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through income statement. Available-for-sale financial instruments

are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

Amortized cost is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

7.16. Cash and Cash Equivalents

The most liquid forms of financial assets of the Company are **cash and cash equivalents**, valued at nominal or fair value. Cash and cash equivalents consist of: securities, petty cash in RSD and in foreign currencies, deposits in accounts in RSD and foreign currencies with banks, allocated monetary assets for letters of credit opened in the country, letters of credit in foreign currencies, short-term high liquidity investments with short maturity period which may be transferred into cash that are not under the influence of significant risk of value changes, monetary assets the use of which is limited or value decreased, etc.

Criteria according to which the Company assets are classified within cash and cash equivalents are specified in the relevant provisions of IAS 7 – Statement of Cash Flows, according to which:

- Cash includes cash and demand deposits, and
- Cash equivalents and short-term, highly liquid investments, that can be quickly turned into known cash amount and that are not under the influence of significant risk of value changes, which implies investments with short maturity term (of three months or shorter).

7.17. Short-Term Receivables

Short term receivables from the sale of products, goods and services to related parties and other legal and physical persons in the country and abroad, as well as the receivables on other bases (receivables for interest and dividend, receivables from employees, receivables from state authorities and organizations, receivables from overpaid taxes and contributions, etc., expected to be realized within 12 months from the balance sheet date.

Short term trade receivables from the sale are measured by the cost stated in the issued invoice, and subsequently at invoice value reduced by the correction of value based on uncollectible receivables. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are presented as gains and losses from exchange posted in revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of realisability and probability of default for all receivables or if receivables have any decrease in value.

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectability of receivables.

If there is a decrease in the value of receivables, the following steps are taken:

- Indirect write-off, or
- Direct write-off.

Indirect write-off of receivables for which the Company is debited is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables on the value adjustment account, upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal of the expert services in the course of the year, is made by the Executive Board of the Company.

Direct write-off of receivables is performed based on the assessment of Company management if there is almost no probability of recovery (in cases where the receivables are outdated, debtors are bankrupt, etc.). The decision on direct write-off of receivables, after consideration and upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal by the expert services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balances as at the balance sheet date, i.e., during the year.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial Investments

Short term investments refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

As for other assets that are presented as short-term assets, Company securities the realization (collection) of which is expected within the period of one year from the balance sheet date are also presented within the short-term financial investments. Thus, for example, securities that are classified as securities held to maturity are presented as short-term financial investments – the portion thereof that will mature within the period of one year.

Long-term financial investments include investments in long-term financial assets, such as: the long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 – Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company's books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 – Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established.

The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

7.19. Liabilities

A liability is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

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

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

In addition to the above, the *prudence principle* is applied in valuation, which means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. However, the prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), since in such case the financial statements would not be impartial and would therefore be unreliable.

Liabilities include: long-term liabilities (liabilities to related parties; long-term loans and credits in the country and abroad, liabilities for long-term securities, liabilities for financial lease and other long-term liabilities); short-term financial liabilities (short-term credits and loans from related parties, short-term credits and loans in the country and abroad, a portion of the long-term credits and loans, as well as other liabilities with maturity up to one year and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term liabilities are liabilities expected to be settled within one year from the balance sheet date including the part of *long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

For liabilities presented in a foreign currency, as well as for the liabilities with foreign currency clause, calculation in functional currency is performed at the middle exchange rate on the transaction date. The change in exchange rate until the settlement date is presented as positive (negative) differences in exchange rate. Liabilities in a foreign currency are calculated on the balance sheet date by using the exchange rate valid as at the balance sheet date, and any differences in exchange rates are recognized as income or expenses of that period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

7.20. Provisions, Contingent Liabilities and Contingent Assets

A provision, according to IAS 37 - *Provisions, contingent liability and contingent assets*, means a liability of uncertain due date or amount.

The Company recognizes provisions only if the following conditions are met:

- The Company has a present obligation (legal or constructive) as a result of a past event,
- It is probable that an outflow of resources will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

The essence of provisions is to form provisions only for liabilities from past events that exist independently from future events. Therefore, provisions are not recognized for future operating losses. For purposes of recognition of provisions, it is considered as probable that the requested settlement of Company's liabilities will cause an outflow of resources representing an economic benefit when it is more probable than not that an outflow of resources will occur, or when the probability that settlement of these liabilities by the Company will cause an outflow of resources, is greater than the probability that it will not.

Provisions may be made on various bases, and specifically, these may include: provisions for costs during the warranty period, provisions for recovery of natural resources, provisions for retained deposits and caution money, provisions for restructuring costs, provisions for fees and other employee benefits, provisions for lawsuits and for other purposes.

In the measurement of provisions, the amount recognized as provision is the best valuation of Company's expenditure requested to settle a present liability at the balance sheet date. In other words, it is the amount the Company has to pay at the balance sheet date to settle liabilities or to transfer liabilities to third parties.

Long term provision for expenses and risks are tracked by sorts, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is cancelled. Cancellation of provisions is credited as income.

When the performance of the time value of money is significant, the provision amount represents the present value of expenditure expected to settle the obligation. Discount rates are used in the calculation of the present value or pre-tax rates that reflect current market valuations of the time value and liability-related risks.

Contingent liability is:

- A possible liability that arises from past events and may be confirmed only if one or several uncertain future events, that are not entirely in the scope of influence of the Company, occur or not; or
- A present liability that arises from past events, yet not recognized, because it is not probable that an outflow of resources that represents economic benefit of the Company will be required to settle the obligation or because the amount of liability cannot be reliably valued.

A contingent liability is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible and this possibility is not very small.

A contingent liability is permanently revalued (at least at the balance sheet date). If the outflow of economic benefits based on contingent liabilities becomes possible, provisions and expenses are recognized in financial statements of the Company for the period when the change occurred (unless in rare cases when a reliable valuation is not possible).

A contingent asset is an asset that may arise from past events and its existence will be confirmed only if one or several future events, which are not entirely in the scope of influence of the Company, occur.

A contingent asset is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible.

Contingent assets are permanently revalued (at least at the balance sheet date) to ensure that financial statements reflect the development of the event. If it is certain that the outflow of economic benefit based on contingent assets, related asset and revenue are recognized in financial statements of the Company for the period when they occurred.

7.21. Employee Benefit

In terms of **taxes and compulsory social security contributions**, the Company shall, according to regulations applied in the Republic of Serbia, pay for contributions to various public funds for social security. These liabilities include contributions paid by employees and contributions paid by the employer in amounts calculated according to prescribed rates. The Company has legal obligation to suspend calculated contributions from gross earnings of employees and to transfer the amount on their behalf to public funds.

Contributions paid by employees and contributions paid by the employer are recorded as expenses of the Company for the respective period. The company, upon retirement of employees, keeps no obligation to pay them any benefits.

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the IAS 19 – Employee benefits are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

In the valuation of liabilities upon employment termination and pursuant to respective IAS 19 provisions, the discount rate is determined according to the market yield at the balance sheet date for

high yield corporate bonds. Alternatively, also specified in IAS 19, until the a developed market for corporate bonds in the Republic of Serbia is established, market yields for government bonds will be used for the (for discount rate of) valuation of liabilities of the Company upon employment termination (at the balance sheet date). The value date and deadline for corporate or government bonds should be in accordance with the value date and deadline for obligations related to the income after employment termination. If the Company, for the valuation of obligations upon employment termination and due to undeveloped market for government bonds, uses the government bond yield as reference with maturity date shorter than the estimated maturity of payments based on respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

Retirement bonus is paid by the Company to employees in compliance with the newly amended provisions of the Collective Agreement, which were brought in line with the legal provisions (in the amount of two average gross salaries in the Republic of Serbia in accordance with the latest published data of the Republic authority in charge of statistics).

7.22. Information on Business Segments

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

8. FINANCIAL RISKS

Uncertainty in future events is among the basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

From the Company's point of view, there is a large number of potential risks that may more or less have adverse effects on the Company's business.

Certain (specific) risks are determined by internal factors, such as: *concentration risk*, which, in the Company's case, may be manifested as exposure to any one or a small group of buyers or suppliers; *operational risk*, that means the possibility of adverse effect due to unintentional or deliberate omissions by employees, inappropriate internal procedures and processes, inadequate information system management in the Company, etc.; *reputational risk*, that means a possibility that the Company's market position deteriorates due to the loss of trust or bad reputation (public institutions, suppliers, buyers, etc.) of the Company; *legal risk*, that means a possibility of adverse effects due to penalties and sanctions that derive from lawsuits due to the failure to fulfil contractual or legal obligations; etc.

Since the majority of these and some other risks not mentioned herein is set forth in detail in other chapters of the Notes or in other internal regulations of the Company (for example, the Rules on Accounting Practices and Policies of the Company regulates the minimization of operational risks by

introducing procedures and work instructions), focus is placed here on the **financial risks** that primarily include the following:

- Credit risk,
- Market risk and
- Liquidity risk.

Financial risks are significantly affected by external factors that are not directly controlled by the Company. In that sense, financial risk is considerably affected by the Company's environment which, apart from economic development, is likewise committed to legal, financial and other relevant aspects that define system risk level.

Generally, comparing markets of developed economies, companies that operate on markets with insufficient economic development, macroeconomic stability and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. Insufficient development of the financial market makes it impossible to use a wide spectrum of *hedging* instruments, characteristic for developed markets. Companies that operate in the Republic of Serbia do not have the possibility to use many derivative instruments in financial risk management due to the fact that these instruments are not widely used nor there is an organized continuous market for financial instruments.

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects to the financial condition and operations of the Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management.

Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following will be presented below:

- Company financial risk profile, or the assessment of the financial risks' structure and level that the Company is exposed to in the course of its operations;
- Measures undertaken to manage the identified financial risks that the Company is exposed to; and
- Capital risk management, which, despite not specifically considered as a financial risk belonging to any of the individual financial risks' category, significantly affects the risk levels of each of the risk types considered.

8.1. Credit Risk

A **credit risk** is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following data is presented in the Tables below:

- The structure of short-term receivables with no impairment in value;
- The structure of short-term receivables with impairment in value; and
- Aging structure of short-term receivables with no impairment.

Structure of short-term receivables for which no decrease in value has been performed	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Trade receivables:</i>		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	322.647	233.001
Energoprojekt Niskogradnja Plc.	8.980	8.383
Energoprojekt Hidroinzenjering Plc.	22.115	46.603
Energoprojekt Entel Plc.	9.013	8.964
Energoprojekt Energodata Plc.	26.632	30.404
Energoprojekt Industrija Plc.	75.149	74.737
Energoprojekt Urbanizam i Arhitektura Plc.	15.348	17.429
Energoprojekt Oprema Plc.	8.119	
Energoprojekt Garant Ltd.	183	181
Enjub Ltd.	705	705
<i>Total</i>	<i>488.891</i>	<i>420.407</i>
b) Buyers domestic (externally)	37	37
Total	488.928	420.444
<i>Receivables from specific operations:</i>		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	102.017	86.085
Energoprojekt Niskogradnja Plc.	35	1.944
Energoprojekt Hidroinzenjering Plc.	383	1.229
Energoprojekt Entel Plc.	62	507
Energoprojekt Energodata Plc.	73	662
Energoprojekt Industrija Plc.	98	707
Energoprojekt Urbanizam i arhitektura Plc.	560	100
Energoprojekt Oprema plc.	87	571
Energoprojekt Garant Ltd.	454	471
Enjub Ltd.	1.775	1.353
<i>Total</i>	<i>105.544</i>	<i>93.629</i>
b) Receivables from specific operations - other legal entities		
Napred razvoj Plc.		2.881
Others	73	69
Total	105.617	96.579
<i>Other receivables:</i>		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		317
Energoprojekt Niskogradnja Plc.		3.336
Enjub Ltd.	46.372	35.634
<i>Total</i>	<i>46.372</i>	<i>39.287</i>
b) Other receivables - other	12.011	14.225
Total	58.383	53.512
TOTAL	652.928	570.535

Domestic trade receivables – subsidiaries pertain to receivables based on service agreements concluded to regulate services rendered to subsidiaries, based on which the Company was presented with blank bills of exchange with authorization as collaterals.

Structure of short-term receivables with impairment	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Receivables from specific transactions:		
Zekstra Group - Zekstra LTd. (Notes 17 and 28)	855	851
Napred razvoj Plc.	2.881	
<i>Impairment</i>	(3.736)	(851)
TOTAL		

Aging structure of short-term receivables with no impairment performed	<i>In RSD thousand</i>	
	<i>2014</i>	<i>2013</i>
Related parties:		
a) Current	51.024	43.201
b) Up to 30 days	12.488	14.463
c) 30 - 60 days	9.850	13.915
d) 60 - 90 days	13.181	17.324
e) 90 - 365 days	105.148	129.019
f) 365 days +	449.116	335.401
<i>Total</i>	<i>640.807</i>	<i>553.323</i>
Buyers - domestic:		
a) Current	37	37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
<i>Total</i>	<i>37</i>	<i>37</i>
Other:		
a) Current	11.306	13.545
b) Up to 30 days	188	310
c) 30 - 60 days	233	270
d) 60 - 90 days	78	
e) 90 - 365 days	202	139
f) 365 days +	77	2.911
<i>Total</i>	<i>12.084</i>	<i>17.175</i>
TOTAL	652.928	570.535

Non-due current receivables in the total amount of RSD 62.367 thousand include receivables from buyers amounting to RSD 48.309 thousand and are mostly due within 15 days after invoicing date or in accordance with agreed payment terms and conditions.

8.2. Market Risk

A market risk is a risk of adverse effects to the financial result and capital of the Company due to losses under specific balance sheet items as a result of negative price shifts on the market and other relevant financial parameters.

The market risk includes three risk types:

- The currency risk,
- The interest risk and
- The price risk.

The currency risk, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

The sensitivity analysis, presented in the following text, indicates that variations in the exchange rate will affect significantly variations in financial results of the Company. Therefore, we may conclude that the **Company is exposed to the currency risk**.

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>31.12.2015</i>	<i>31.12.2014</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
16.457.561	16.612.558	4.965.632	270.674

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies.

The sensitivity rate of 10 % presents the valuation of maximum reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, *appreciation of the national currency* would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities. Therefore, all variables remaining unchanged, *depreciation of the national currency* would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	139.772	197.669

The interest risk is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The interest-bearing structure of **financial assets and liabilities** of the Company with fluctuating interest rate at the balance sheet date is presented in the following Table.

Interest bearing structure of financial assets and liabilities with fluctuating interest rate	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Interest-bearing financial assets with fluctuating interest rate:		
Short-term loans granted to related parties	162.419	171.859
TOTAL	162.419	171.859
Interest-bearing financial liabilities with fluctuating interest rate:		
Short-term credits	565.561	170.000
TOTAL	565.561	170.000
DIFFERENCE	(403.142)	1.859

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to the positive effects of net interest income.

Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, the *interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

Due to the presented changes in Company's financial assets and liabilities with fluctuating interest rates, the sensitivity analysis of the Company to the interest rate growth of 1% is presented in the following Table. The 1% sensitivity rate is the estimate of potentially reasonably expected interest rate fluctuations.

The sensitivity analysis of results in case of interest rate growth of 1%	<i>In RSD thousands</i>	
	<i>2015</i>	<i>2014</i>
NET EFFECT ON THE CURRENT PERIOD RESULTS	(4.031)	19

The sensitivity analysis has showed that the negative change in interest rates (of 1%) has an effect on the change in business results, since the interest bearing financial liabilities with fluctuating interest rates significantly exceed the interest bearing financial assets with fluctuating interest rate, and it can thus be concluded that the **Company is exposed to the interest risk**.

In relation to the potential interest risks related to financial obligations, the *supplier risk management policy* as applied in the Company shall be briefly presented below.

As presented in the Table, the interest-bearing structure of financial obligations with fluctuating interest rate, trade payables to suppliers (obligations related to the invoices issued and to non-invoiced obligations), are not included in the group.

The basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default*.

The key Suppliers according to the obligations as at the balance sheet date are presented in the following Table.

Structure of liabilities to suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Suppliers in the country and abroad - subsidiaries and other related parties:</i>		
Encom GmbH Consulting, Engineering&Trading, Germany	11.463	16.481
Energoprojekt Energodata Plc.	1.656	
Energoprojekt Oprema Plc.		12.774
Others	61	493
Total	13.180	29.748
<i>Suppliers in the country (externally):</i>		
PUC Beogradske elektrane	954	894
Health Protection Institute ZTP	444	444
Dedinje	407	407
Algotech Ltd.	346	344
Constantine the Great Ltd.	329	
Tehnomarket Ltd.	283	
Tabulir komerc	276	196
Telekom Srbija Plc.	242	
Compacc Ltd.	237	
EPS Snabdevanje Ltd.		3.492
Agency for investments and housing		3.114
Neo Systems		1.335
Others	2.149	2.190
Total	5.667	12.416
<i>Suppliers abroad (externally):</i>		
IATA	6.931	2.836
Others	573	1.936
Total	7.504	4.772
TOTAL	26.351	46.936

The Company provided four blank promissory notes as payment securities, in compliance with the provisions of the Agreement, to its supplier EPS Snabdevanje Ltd.

Trade payables to Suppliers were broken down and presented by aging structure in the following Table.

Aging structure of trade payables	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Related parties:		
a) Current	1.714	479
b) Up to 30 days	3	12.789
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		1.391
f) 365 days +	11.463	15.089
Total	13.180	29.748
Domestic suppliers:		
a) Current	3.507	7.478
b) Up to 30 days	1.979	1.371
c) 30 - 60 days	181	155
d) 60 - 90 days		37
e) 90 - 365 days		260
f) 365 days +		3.114
Total	5.667	12.415
International suppliers:		
a) Current	7.504	4.772
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	7.504	4.772
TOTAL	26.351	46.935

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments cash flows will fluctuate due to the change in market prices (not prices that result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market. The Company is not exposed to this kind of risk.

8.3. Liquidity Risk

Liquidity risk is a risk of having difficulties to fulfil due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The most important liquidity indicators for the Company are presented in the following Table, and specifically:

- Current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following Table.

Liquidity Indicators	Satisfactory general standards	<i>2015</i>	<i>2014</i>
General liquidity ratio	2:1	3,13:1	5,54:1
Rigorous ratio	1:1	3,13:1	5,48:1
Operating cash flow ratio		0,72:1	0,44:1
Net working capital (in RSD thousand)	Positive value	1.382.945	1.216.152

The results of the ration analysis indicates that the Company was **liquid** during 2015, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;
- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

8.4. Capital Risk Management

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *return on average own capital employed* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicators	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Net profit/loss	236.973	43.867
Average capital:		
a) Capital at the beginning of the year	8.418.694	8.054.188
b) Capital at the end of the year	8.450.766	8.418.694
Total	8.434.730	8.236.441
Average return rate on own capital at the end of the year	2,81%	0,53%

Financial structure adequacy is reflected in the amounts and type of debts.

The most important indicators of the Company's financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- The ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

Financial Structure Indicators	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities	647.987	268.136
Total assets	9.517.328	9.103.107
Ratio of borrowed funds to total assets	0,07 : 1	0,03 : 1
Long-term assets:		
a) Capital	8.450.766	8.418.694
b) Long-term provisions and long-term liabilities	418.575	416.277
Total	8.869.341	8.834.971
Total assets	9.517.328	9.103.107
Ration of long-term to total assets	0,93 : 1	0,97 : 1

The net debt ratio indicates the capital coverage against net debt.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) plus Loss Above Equity, and
- Cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Net debt:		
a) Liabilities	647.987	268.136
b) Cash and cash equivalents	463.343	116.713
<i>Total</i>	<i>184.644</i>	<i>151.423</i>
Capital	8.450.766	8.418.694
Net debt to capital ratio	1 : 45,77	1 : 55,60

INCOME STATEMENT

9. OPERATING INCOME

9.1. Income from Sale of Products and Services

Structure of income from the sale of products and services is presented in the following table.

Structure of income from sale of products and services	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Income from sale of finished products and services to parent company and subsidiaries on local market	422.673	410.782
Income from sale of finished products and services on local market	108	70
Income from sale of finished products and services on foreign markets	59.403	143.902
TOTAL	482.184	554.754

Income from sale of finished products and services to parent companies and subsidiaries on local market are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 422.673 thousand (last year comparative period: RSD 410.782 thousand).

Structure of income from sale of finished products and services to and subsidiaries on local market is presented in the table below.

Structure of income from the sale of finished products and services to subsidiaries on local market	<i>In RSD thousands</i>	
	<i>2015</i>	<i>2014</i>
Energoprojekt Garant Ltd	1.811	1.761
Energoprojekt Visokogradnja Plc.	74.631	72.531
Energoprojekt Niskogradnja Plc.	92.880	90.267
Energoprojekt Hidroinzenjering Plc.	33.567	32.623
Energoprojekt Entel Plc.	89.652	87.129
Energoprojekt Energodata Plc.	8.976	8.724
Energoprojekt Industrija Plc.	20.143	19.576
Energoprojekt Urbanizam i arhitektura Plc.	5.954	5.787
Energoprojekt Oprema Plc.	95.059	92.384
TOTAL	422.673	410.782

Income from sale of finished products and services on local market in the amount of RSD 108 thousand (last year comparative period: RSD 70 thousand) were generated from the sales of flight tickets.

Income from sale of finished products and services on foreign market in the amount of RSD 59.403 thousand (last year comparative period: RSD 143.902 thousand) refers to the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

9.2. Other Operating Income

Structure of other operating income	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Incomes from the rent collected from parent, subsidiary and other affiliated companies	19.506	28.084
Incomes from the rent collected from other legal entities on local market	290	802
Other operating income (externally)	2.060	281
TOTAL	21.856	29.167

Incomes from the rent collected from parent, subsidiary and other affiliated companies amounting to RSD 19.506 thousand (last year comparative period: RSD 28.084 thousand), were generated based on renting of the "Samacki Hotel" complex in 24 Batajnicki Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 15.135 thousand (last year comparative period: RSD 23.836 thousand) and from the rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 4.371 thousand (last year comparative period: RSD 4.248 thousand).

Incomes from the rent collected from other legal entities on local market amounting to RSD 290 thousand (last year comparative period: RSD 802 thousand), were generated primarily from renting of the ground floor space of the Energoprojekt building to Telekom Srbija Company in the amount of RSD 145 thousand.

Other operating income amounting to RSD 2.060 thousand (last year comparative period: RSD 281 thousand) were generated from the Trinity capital Ltd., based on the acquisition of a geodetic survey shot, production of the cadastral topographic plan and acquisition of analysis and certificate of compliance with criteria for construction of high facilities in Block 26 in Novi Beograd, in the amount of RSD 1.580 thousand and from the award bonus of airline companies for the turnover from the sales of air tickets in the amount of RSD 480 thousand.

10. INCREASE/DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS

Structure of increase/decrease of finished goods, work in progress and services in progress	In RSD thousand	
	2015	2014
Increase of finished goods, work in progress and services in progress	368	421
TOTAL	368	421

11. MATERIAL COSTS AND FUEL AND ENERGY COSTS

Structure of material cost and fuel and energy costs	In RSD thousand	
	2015	2014
Material costs:		
a) Costs of other materials (overheads)	7.690	6.416
b) Costs of one-off write-off of tools and inventory	296	389
<i>Total</i>	<i>7.986</i>	<i>6.805</i>
Fuels and energy costs:		
a) Costs of fuel	2.346	2.402
b) Costs of electrical energy and heating	20.277	16.435
<i>Total</i>	<i>22.623</i>	<i>18.837</i>
TOTAL	30.609	25.642

Costs of other material (overheads) amounting to RSD 7.690 thousand (last year comparison period: RSD 6.416 thousand) refer to the costs of office supplies amounting to RSD 2.146 thousand (last year comparison period: RSD 2.219 thousand), professional and expert literature, magazines, etc. amounting to RSD 1.426 thousand (last year comparison period: RSD 1.411 thousand) and other material costs amounting to RSD 4.118 thousand (last year comparison period: RSD 2.786 thousand).

12. EMPLOYEE EXPENSES AND BENEFITS

Structure of employee expenses and benefits	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Expenses of wages and fringe benefits (gross)	143.725	153.248
Taxes and contributions on wages and contributions on wages payable by employer	20.383	22.058
Service agreements contributions	6.815	3.984
Copyright agreements contributions	734	825
Costs of contributions for contract fees for temporary and periodical engagement	1.410	3.358
Considerations to General Manager and/or Management and Supervisory Board members	9.849	9.352
Other personnel expenses and fringe benefits	10.244	9.685
TOTAL	193.160	202.510
Average number of employees	70	71

Other personnel expenses and fringe benefits amounting to RSD 10.244 thousand (last year comparison period: RSD 9.685 thousand) refer to the business trips' expenses amounting to RSD 7.308 thousand (last year comparison period: RSD 5.148 thousand), Company expenses for employee commuting reimbursements amounting to RSD 2.463 thousand (last year comparison period: RSD 2.520 thousand), solidarity fund allowances and other employee compensations amounting to RSD 473 thousand (last year comparison period: RSD 2.017 thousand).

13. PRODUCTION SERVICE COSTS

Structure of production service cost	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Production service cost	59.403	143.902
Transportation services cost	3.125	2.585
Repairs and maintenance services' costs	47.080	34.481
Rental costs	148	759
Trade fairs' costs	53	50
Advertising costs	11.013	12.404
Costs of other services	14.596	10.453
TOTAL	135.418	204.634

Production service costs amounting to RSD 59.403 thousand (last year comparison period: RSD 143.902 thousand) refer to the realization of the Agreement on the Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Transportation services' costs in the amount of RSD 3.125 thousand (last year comparison period: RSD 2.585 thousand), refer to the landline costs and mobile phone costs, Internet services, taxi services, parking services for cars, toad tolls, etc.

Repairs and maintenance services costs amounting to RSD 47.080 thousand (last year comparison period: RSD 34.481 thousand) pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 44.667 thousand (last year comparison period: RSD 31.055 thousand) and to the ongoing maintenance of equipment amounting to RSD 2.413 thousand (last year comparison period: RSD 3.426 thousand).

Advertising costs amounting to RSD 11.013 thousand (last year comparison period: RSD 12.404 thousand) pertain to the sponsorship expenses, media presentation, costs of advertising in papers and on billboards, printing of Corporate Survey and Company Annual Report and other costs.

Costs of other services amounting to RSD 14.596 thousand (last year comparison period: RSD 10.453 thousand) refer to the photocopying costs and costs of technical and operational support provided by the Energoprojekt Energodata Company in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other: RSD 6.946 thousand (last year comparison period: RSD 3.438 thousand), licenses' costs: RSD 4.623 thousand (last year comparison period: RSD 4.118 thousand); utility services: RSD 2.612 thousand (last year comparison period: RSD 2.518 thousand), occupational safety and car registration expenses: RSD 415 thousand (last year comparison period: RSD 379 thousand).

14. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision expenses	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Depreciation expenses:		
a) Depreciation of intangible assets (Note 24)	2.785	508
b) Depreciation of property, plant and equipment (Note 25.1)	17.870	8.837
<i>Total</i>	<i>20.655</i>	<i>9.345</i>
Provisions expenses		
Provisions for employee expenses and benefits	782	
<i>Total</i>	<i>782</i>	
TOTAL	<i>21.437</i>	<i>9.345</i>

As at December 31, 2015, an appraisal of residual value and the remaining useful life for the property and equipment of significant booking value was performed.

A rise in depreciation expenses compared with the comparable period of the previous year came primarily as the result of the rise in property depreciation expenses – for the Energoprojekt office building, since as at December 31, 2015, the appraised residual value of the property in question was lower than its revalorized value as at December 31, 2015 (there were no calculation of depreciation costs for the property in question in 2014, because the present value of this property as at December 31,

2014 was lower than its residual value as at December 31, 2014, because valuation of property after the initial recognition, until December 31, 2014, was performed according to the purchase cost model, following which the cost model was abandoned in favour of the revaluation model - Note 25.1).

Provisions for employee expenses and benefits amount to 782 thousand, and in 2014 revenues based on cancellation of long-term provisions for employee expenses and benefits were recorded (Notes 19.1 and 35.1).

15. INTANGIBLE EXPENSES

Structure of intangible expenses	In RSD thousand	
	2015	2014
Intangible expenses	27.445	29.685
Expense account	8.118	6.066
Insurance premiums expenses	1.057	1.111
Payment operations' expenses	3.518	1.366
Membership fee expenses	1.458	1.308
Tax duties	26.343	35.349
Other non-operating expenses	7.744	8.813
TOTAL	75.683	83.698

Intangible expenses amounting to RSD 27.445 thousand (last year comparison period: RSD 29.685 thousand), pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

Expense accounts amounting to RSD 8.118 thousand (last year comparison period: RSD 6.066 thousand), include primarily the catering services.

Insurance premium expenses amounting to RSD 1.057 thousand (last year comparison period: RSD 1.111 thousand), refer to the insurance of property and persons.

Payment operations expenses amounting to RSD 3.518 thousand pertain to the local payment operations costs in the amount of RSD 3.509 thousand (last year comparison period: RSD 1.359 thousand) and to the international payment operations amounting to RSD 9 thousand (last year comparison period: RSD 7 thousand).

Membership fee expenses amounting to RSD 1.458 thousand (last year comparison period: RSD 1.308 thousand) include membership fees to Chambers (Serbian Chamber of Commerce) representing a salary expense liability of RSD 215 thousand (last year comparison period: RSD 234 thousand) and other Chambers' membership fees and Associations' fees in the amount of RSD 1.243 thousand (last year comparison period: RSD 1.074 thousand).

Tax duties in the amount of RSD 26.343 thousand (last year comparison period: RSD 35.349 thousand) refer predominantly to the property tax amounting to RSD 25.645 thousand (last year comparison period: RSD 35.160 thousand).

Other intangible expenses amounting to RSD 7.744 thousand (last year comparison period: RSD 8.813 thousand) predominantly refer to printing of the Energoprojekt Company newspaper in the amount of RSD 3.192 thousand (last year comparison period: RSD 2.706 thousand), while the remaining amount of RSD 4.552 pertains to duties and lawsuit expenses, the cost share in salaries of persons with disabilities, TV subscription fee, etc. (last year comparison period: RSD 6.107 thousand pertained predominantly to services rendered by international companies of Encom GmbH Consulting, Engineering & Trading, Germany, and I.N.E.C. Engineering Company Limited, Great Britain, in the amount of RSD 2.685 thousand presented jointly for both the companies).

16. FINANCIAL INCOME AND FINANCIAL EXPENSE

16.1. Financial Income

Structure of financial income	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Financial income from transactions with parent companies and subsidiaries	448.473	635.041
Financial income from other affiliated companies	11.629	20.586
Income from dividends	4.904	
<i>Total financial income from the related parties and other financial income</i>	<i>465.006</i>	<i>655.627</i>
Interest income (third party)	2.617	14.601
Exchange rate gains and positive currency clause effects (third party)	8.050	25.052
TOTAL	475.673	695.280

Financial income from transactions with parent companies and subsidiaries amounting to RSD 448.473 thousand (last year comparison period: RSD 635.041 thousand), refer to interest income from subsidiaries amounting to RSD 34.192 thousand (last year comparison period: RSD 33.721 thousand), income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 7.772 thousand (last year comparison period: RSD 68.834 thousand) and to the income from the profit share (dividends) in the amount of RSD 406.509 thousand (last year comparison period: RSD 532.486 thousand) from the following subsidiaries:

- Energoprojekt Garant Plc. in the amount of RSD 45.747 thousand (last year comparison period: RSD 43.847 thousand);
- Energoprojekt Entel Plc. in the amount of RSD 265.322 thousand (last year comparison period: RSD 264.593 thousand); and
- Energoprojekt Oprema Plc. in the amount of RSD 95.440 thousand (last year comparison period: RSD 224.046 thousand).

Financial income from other related parties in the amount of RSD 11.629 thousand (last year comparison period: RSD 20.586 thousand) relates to the interest income: RSD 10.447 thousand (last year comparison period: RSD 10.572 thousand and to the effects of the foreign exchange clauses: RSD 1.182 thousand (last year comparison period: RSD 10.014 thousand) from the joint venture Enjub Ltd.).

Income from dividends in the amount of RSD 4.904 thousand relates to the Energo Broker Ltd.

Interest income (third party) in the amount of RSD 2.617 thousand refers to the interest calculated on the term deposits (last year comparison period: RSD 14.601 thousand).

Positive differences in exchange rates and income from the effects of foreign currency clause in the amount of RSD 8.050 thousand, pertain to the positive differences in exchange rates in the amount of RSD 4.873 thousand and income from the effects of foreign currency clause in the amount of RSD 3.177 thousand, the largest portion of which pertains to the effects of foreign currency clause based on the receivables for income from the construction of Embassy building in Abuja that was not invoiced in the amount of RSD 2.429 thousand.

16.2. Financial Expense

Structure of financial expense	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Financial expenses from transactions with parent company and subsidiaries	795	1.682
<i>Total financial expense incurred from related parties and other financial expense</i>	<i>795</i>	<i>1.682</i>
Interest expenses (third party)	17.352	14.514
Exchange rate losses and negative currency clause effects (third party)	4.171	5.404
TOTAL	22.318	21.600

Financial expenses from transactions with parent companies and subsidiaries in the amount of RSD 795 thousand (last year comparison period: RSD 1.682 thousand) pertain to the expenses incurred from the effects of foreign currency clauses and negative effects of foreign exchange rates from transactions with subsidiaries.

Interest expense (third party) in the amount of RSD 17.352 thousand relate primarily to the interest expense from domestic current liquidity loans granted by the Komercijalna bank, Alpha bank, Erste bank and Eurobank in the amount of RSD 17.349 (last year comparison period: RSD 14.514 thousand, based primarily on the domestic loans granted by the Republic of Serbia Development Fund, Komercijalna bank, Erste bank and Alpha bank).

17. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of income from value adjustment of other assets disclosed at fair through income statement	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Income from value adjustment of long-term financial investments and securities available for sale	730	
TOTAL	730	0

Income from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 730 was recorded based on the increase in the nominal value of the Energo Broker Plc. shares, in which the Company had made equity investments (Note 26.1).

18. EXPENSE FROM VALUE ADJUSTMENTS OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of expenses from value adjustments of other assets disclosed at fair value through Profit or Loss	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Expenses from value adjustments of long-term financial investments and securities available for sale	6.282	641.632
Expenses from value adjustments of receivables and short-term financial investments	2.881	851
TOTAL	9.163	642.483

Expenses from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 6.282 thousand were recorded based on the assessment made by the Company management and pertain to the impairment (write-off) of equity shares in Pik Becej - Hotel Bela Ladja Plc. in the amount of RSD 5.986 thousand (the company is in the liquidation procedure, and it is not expected for the relevant value to be regained from bankruptcy estate) and the impairment (write-off) of equity share in the subsidiary company Energoprojekt Promet Ltd. in the amount of RSD 295 thousand (the company is not operational for almost ten years and its losses exceed its equity) (Note 26.1).

In 2014, the amount of RSD 641.632 thousand pertained to the reduction of value of Company assets based on the impairment of equity share in the Energoprojekt Visokogradnja subsidiary, in compliance with IAS 36 – Impairment of Assets, based on the Report produced by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade, on the appraisal of the Energoprojekt Visokogradnja equity for the needs of IAS/IFRS implementation as at December 31, 2014 (Note 26.1).

Expense from adjustment of value of receivables and short-term financial investments in the amount of RSD 2.881 thousand (last year comparison period: RSD 851 thousand) pertain to the correction of value of receivables from Napred Razvoj Plc. based on which a lawsuit is in progress (Notes 29 and 45).

19. OTHER INCOME AND OTHER EXPENSES

19.1. Other Income

Structure of other income	<i>In RSD thousand</i>	
	2015	2014
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	5	
Income from decrease in liabilities	7.913	
Income from cancellation of long-term and short-term provisions		1.208
Other not mentioned income	1.378	121
Income from adjustment of value of property, plant and equipment	4.450	
TOTAL	13.746	1.329

Income from the decrease in liabilities in the amount of RSD 7.913 thousand pertain primarily to the write-off of liabilities for dividends for 2002 in the amount of RSD 4.299 thousand (due to the expiry of the general time limit of ten years) and to the write-off of liability owed to the Agency for Investments and Housing from 2010 in the amount of RSD 3.114 thousand (since the plaintiff's action against the Company was withdrawn), as per the inventory as at December 31, 2015.

Other not mentioned income in the amount of RSD 1.378 thousand pertain primarily to the income from damage compensation from Energoprojekt Garant Plc. in the amount of RSD 1.276 thousand and to the income from the sale of used paper in the amount of RSD 93 thousand (previous year comparison period: RSD 121 thousand pertained primarily to the income from the sale of used paper: RSD 100 thousand).

Income from the adjustment of value of property, plant and equipment in the amount of RSD 4.450 thousand (in the previous year comparison period, expenses were recorded on this basis in the amount of RSD 19.277 thousand) pertain to the adjustment of fair value of investment property, and specifically of the Samacki hotel complex in the amount of RSD 4.014 thousand and of the Stari Merkator business facility in the amount of RSD 436 thousand (Note 25.2.).

19.2. Other Expenses

Structure of other expenses	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	555	1.164
Losses incurred from sale of equity investments and securities		646
Expense from direct write-off of receivables	243.416	689
Other not mentioned expense	7.707	2.673
TOTAL	251.678	24.449

Expenses based on direct write-off of receivables in the amount of RSD 243.416 thousand (previous year comparison period: RSD 689 thousand) pertain primarily to Energoprojekt Visokogradnja company in the amount of RSD 218.927 thousand (based on the direct write-off of receivables based on the Loans' Agreements, interest on loans and property tax for the "Samacki hotel" complex), Energoprojekt Hidroinzenjering in the amount of RSD 24.325 thousand (based on direct write-off of receivables based on the invoices for services rendered in 2009 and 2010) and to Energoprojekt Promet company in the amount of RSD 120 thousand (based on the direct write-off of receivables from the Loan Agreement), due to the insolvency and poor standing of the above mentioned companies.

Other not mentioned expenses in the amount of RSD 7.707 thousand pertain to the donations granted in the amount of RSD 6.958 thousand, fines and penalties in the amount of RSD 333 thousand and to the expenses incurred based on the contributions for pension and disability insurance for the period from May 31 to December 31, 1991 for an employee of the Energoprojekt Hidroinzenjering, based on the Agreement on Temporary Assignment to Work with the Company for the work performed in Iran – Representative Office in Teheran, in the amount of 416 thousand (previous year comparison period: RSD 2.673 thousand pertained primarily to the humanitarian aid for the flood victims in Serbia: RSD 1.268 thousand and to the donations granted: RSD 1.237 thousand).

20. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS

Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		6.989
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3.066	
TOTAL	(3.066)	6.989

Net loss from discontinued operations, effects of change in accounting policy and corrections of errors from previous years in the amount of RSD 3.066 thousand pertain to the corrections of errors from previous years that are not of any material significance, primarily based on the losses incurred during the realization of the Construction Agreement for the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria in the amount of RSD 4.340 thousand and the income based on the recorded increase in the nominal value of shares of the Energo Broker Ltd. in which the Company has made its equity investments in the amount of RSD 1.344 thousand – Note 26.1 (previous year comparison period: RSD 6.989 thousand profit pertained primarily to the income from passing-through of the property tax expenses for the “Samacki hotel“ complex for the period from 2011 till 2013, which are, according to the Lease Agreement, to be borne by the tenant Energoprojekt Visokogradnja, in the amount of RSD 6.467 thousand).

21. PROFIT / LOSS BEFORE TAX

Structure of gross result	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Operating income	504.040	583.921
Operating expenses	455.939	525.408
Operating result	48.101	58.513
Financial income	475.673	695.280
Financial expenses	22.318	21.600
Financial result	453.355	673.680
Income from value adjustment of other assets disclosed at fair value through income statement	730	
Other revenues	13.746	1.329
Expenses from value adjustment of other assets disclosed at fair value through income statement	9.163	642.483
Other expenses	251.678	24.449
Result of other revenues and expenses	(246.365)	(665.603)
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		6.989
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3.066	
TOTAL INCOME	994.189	1.287.519
TOTAL EXPENSE	742.164	1.213.940
PROFIT/LOSS BEFORE TAX	252.025	73.579

22. PROFIT TAX AND NET PROFIT

Breakdown of calculation of profit tax and net profit	<i>In RSD thousand</i>	
	2015	2014
Profit before tax	252.025	73.579
Capital gains/(losses) in Profit or Loss		(646)
Adjustment and net correction of revenues/(expenses) in tax balance	(167.518)	109.492
Taxable profit	84.507	182.425
Amount of loss in tax balance from previous years up to the amount of taxable profit		
Other taxable profit	84.507	182.425
Capital gains/(losses) calculated in compliance with the law		(626)
Capital losses carried from previous years up the amount of capital profit calculated in compliance with the law		
Other capital gains		
Tax basis	84.507	182.425
Calculated tax (15% of tax base)	12.676	27.364
Total deductions from the calculated tax		
Calculated tax after deductions	12.676	27.364
Profit/(loss) before tax	252.025	73.579
Tax loss of the period	12.676	27.364
Deferred tax loss of the period (Note 40)	2.377	2.348
Net profit	236.972	43.867

23. EARNINGS PER SHARE

Indicator	<i>In RSD thousand</i>	
	2015	2014
Net profit	236.972	43.867
Average number of shares during the year	10.931.292	10.931.292
Earnings per share (in RSD)	21,68	4,01

Earnings per share is calculated by dividing the profit for ordinary shareholders by the average weighted number of ordinary shares in circulation for the period.

BALANCE SHEET

24. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software and other rights	Intangible assets in preparation	Advances paid for intangible assets	Total
Purchase price				
Balance as at 01.01.2014	2.326	8.837	321	11.484
Correction of opening balance				
Transfer from one form to another	8.084	(8.084)		
New purchases	3.149	1.783	90	5.022
Disposal and decommissioning	(1.184)			(1.184)
FX gains and losses				
Others		(753)		(753)
Balance as at 31.12.2014	12.375	1.783	411	14.569
Correction of opening balance				
New purchases	1.944			1.944
Increase by transfer from investments in progress	2.194	(1.783)	(411)	
Other transfers from/to				
Disposal and decommissioning	(688)			(688)
Balance as at 31.12.2015	15.825			15.825
Impairment of value				
Balance as at 01.01.2014	2.037			2.037
Correction of opening balance				
Depreciation	508			508
Disposal and decommissioning	(1.159)			(1.159)
Impairments				
Others				
Balance as at 31.12.2014	1.386			1.386
Correction of opening balance				
Depreciation	2.785			2.785
Disposal and decommissioning	(229)			(229)
Impairments				
Others				
Balance as at 31.12.2015	3.942			3.942
Net book value				
31.12.2014	10.989	1.783	411	13.183
31.12.2015	11.883			11.883

25. PROPERTY, PLANT AND EQUIPMENT

25.1. Property, Plant and Equipment Exclusive of Investment Property

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Other property, plant and equipment	Advances paid for property, plant and equipment	Total
<i>Purchase price</i>					
Balance as at 01.01.2014	919.807	94.148		43.220	1.057.175
Correction of opening balance					
New purchases during the year		2.929			2.929
Other transfers from / (to)		(283)	283		
Disposal and decommissioning	(4.965)	(2.936)			(7.901)
Profit/(loss) included in Report on Other Result (account group 330)	863.329				863.329
Other increases / (decreases)	(384.461)			2.381	(382.080)
Balance as at 31.12.2014	1.393.710	93.858	283	45.601	1.533.452
Correction of opening balance					
New purchases during the year		1.533			1.533
Other transfers from / (to)					
Disposal and decommissioning		(3.782)			(3.782)
Profit/(loss) included in Report on Other Result (account group 330)					
Profit/(loss) included in Income Statement					
FX gains and losses				252	252
Other increases / (decreases)					
Balance as at 31.12.2015	1.393.710	91.609	283	45.853	1.531.455
<i>Impairment</i>					
Balance as at 01.01.2014	388.252	72.591			460.843
Correction of opening balance					
Amortization	88	8.749			8.837
Disposal and decommissioning	(3.891)	(2.871)			(6.762)
Other increases / (decreases)	(384.449)				(384.449)
Balance as at 31.12.2014		78.469			78.469
Correction of opening balance					
Amortization	13.039	4.831			17.870
Disposal and decommissioning		(3.685)			(3.685)
Other increases /decreases					
Balance as at 31.12.2015	13.039	79.615			92.654
<i>Net book value</i>					
Balance as at 31.12.2014	1.393.710	15.389	283	45.601	1.454.983
Balance as at 31.12.2015	1.380.671	11.994	283	45.853	1.438.801

On December 31, 2015 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated, based on which depreciation costs were calculated for the reporting period.

Assessment of Fair Value of Buildings

On December 31, 2014, due to the changes in accounting policies with regard to measuring of buildings after the initial recognition, transition was made from the acquisition price model to the revalorisation model.

The Company booked the “Energoprojekt Building” in its books and presented its value according to the revalorized value model as at the valuation date.

The fair value of buildings is usually the market value thereof that is established through valuation performed by independent qualified valutors based on market evidence.

In cases where there are no evidence of the fair value of the property in the market, due to the specific nature of the building and because such items are rarely put on sale, the Company performs valuation of fair value of the property by using the income approach or the depreciated replacement cost approach.

The appraisal of fair value of the Energoprojekt office building as at December 31, 2014 in the amount of RSD 1.393.710 thousand was performed by an external independent qualified valuator by using the comparative method. The reduction to the fair value of the building in question as at December 31, 2014 was performed by completely eliminating the correction of its value in the amount of RSD 384.461 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 863.329 thousand.

In compliance with the relevant provisions of IAS 16, bearing in mind that the fluctuations of the fair value of the building in question are insignificant, it was not necessary to perform any appraisal of its fair value as at December 31, 2015 (but once in three or five years), so that the revalorized value of the building in question as at December 31, 2015 amounted to RSD 1.380.671 thousand (decrease compared to the estimated value as at December 31, 2014 for the amount of annual amortization).

Starting from the appraisal of the fair value as at December 31, 2014, as well as based on the assessment of the determined residual value as at December 31, 2015 and determined useful lifetime of the building in question (100 years; the remaining useful life as at December 31, 2015: 66 years), the amortization costs for the building in question over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 13.039 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the following Table.

In RSD thousand

N o.	Building	Opening balance	Residual value as at the balance sheet date	Remaining useful life	Depreciation	Gains/(losses) included in Report on Other Income	Closing balance
1	Energoprojekt office building	1.393.710	518.606	66	13.039		1.380.671
	TOTAL	1.393.710	518.606		13.039		1.380.671

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 530.381 thousand.

Advances for property, plant and equipment in the amount of RSD 45.853 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria in the amount of RSD 45.853 thousand.

The Company management was of the opinion that property and equipment value as at December 31, 2015 was not impaired compared with the presented value.

As at December 31, 2015, the Company has no property or equipment mortgaged or taken as lien to be used as collateral for financial obligations.

25.2. Investment Property

Investment property	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Balance as at January 1	584.440	603.717
Profit/(losses) included in Income Statement (Note 19.1)	4.450	(19.277)
Closing balance	588.890	584.440

In relation to the investment property, the following amounts were recognized in Income Statement:

Profit and loss related to investment property included in Profit and Loss	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Rental income (Note 9.2)	15.135	23.836
Direct operating expenses incurred from investment property that generated rental income during the year	(9.035)	(2.046)
Direct operating expenses incurred from investment property that did not generate rental income during the year	(409)	(466)
TOTAL	5.691	21.324

Adjustment of the opening and closing balance of the fair value of investment property is presented in the following Table.

<i>In RSD thousand</i>				
No.	Investment property	Opening balance	Profit / (losses) included in Profit and Loss	Closing balance
1	Samacki hotel complex	498.887	4.014	502.901
2	Stari merkator office space	85.553	436	85.989
	TOTAL	584.440	4.450	588.890

In its books, the Company posted the fair value of its investment property according to its value determined by means of its fair value assessment as at December 31, 2015.

Valuation of the fair value of investment property as at December 31, 2015 was performed by independent valuers holding recognized and relevant professional qualifications and recent relevant work experience with relevant locations and categories of investment property appraised. Due to the current situation on the property market at the time when the assessment was performed and the reduced number of sales transactions compared with previous years due to the economic crisis, the valuers mostly relied on their knowledge of the market and professional judgment and less on the results of comparable transactions in the past.

In valuation of the fair value of the Company's investment property, the external independent qualified valuator relied on the following valuation techniques:

- For the "Samacki Hotel" complex: the cost approach, due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location;
- For the "Stari Merkator" office space: the comparative approach, due to the characteristics of the facility subject to appraisal and due to the fact that there is an offer of similar facilities for sale/rent in the market, on a similar location.

As at the balance sheet date, there are no limitations pertaining to the sales potential of the investment property in question, nor any limitations pertaining to generating income from the property rent or disposal.

Investment property in the amount of RSD 588.890 thousand refers to the following facilities:

- The "Samacki Hotel" complex, with the total area of 8.034,00 m², with the municipal construction land use rights for the total area of 18.598,00 m², in 24 Batajnicki Put Street in Zemun in the amount of RSD 502.901 thousand. Income amounting to RSD 15.135 thousand was generated from the rent of the property in question to Energoprojekt Visokogradnja Company in the reporting period (Note 9.2).
- The "Stari Merkator" office space with the total area of 643 m², in 5 Palmira Toljatija Street in Novi Beograd in the amount of RSD 85.989 thousand. In the reporting period, this property was not rented. Due to the present inauspicious situation for the rent of property in the Republic of Serbia, it has been quite difficult to find adequate tenant for this property.

26. LONG-TERM FINANCIAL INVESTMENTS

Structure of long-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Shares in subsidiaries	5.762.996	5.669.421
Shares in affiliated companies and joint ventures	30.612	14.612
Shares in other companies and other available for sale securities	132.435	152.507
Long-term investments in parent companies and subsidiaries	342.438	563.771
Other long-term financial investments	1.436	1.510
<i>Total</i>	<i>6.269.917</i>	<i>6.401.821</i>
<i>Impairment</i>	<i>(823.095)</i>	<i>(835.608)</i>
TOTAL	5.446.822	5.566.213

26.1. Share Investments

Equity investments relate to investments in shares and stocks as shown in the following Table.

Structure of share investments	% share	In RSD thousand	
		31.12.2015	31.12.2014
Share in subsidiaries			
Energoprojekt Visokogradnja Plc.	100,00%	1.826.137	1.825.076
Energoprojekt Niskogradnja Plc.	100,00%	1.102.293	1.012.084
Energoprojekt Oprema Plc.	67,87%	121.316	121.316
Energoprojekt Hidroinzenjering Plc.	100,00%	427.626	427.626
Energoprojekt Urbanizam i arhitektura Plc.	100,00%	192.642	192.642
Energoprojekt Promet Ltd.	100,00%		295
Energoprojekt Energodata Plc.	100,00%	194.862	194.863
Energoprojekt Industrija Plc.	62,77%	61.209	61.209
Energoprojekt Entel Plc.	86,26%	216.422	216.422
Energoprojekt Garant Plc.	92,94%	597.545	597.545
Energoprojekt Sunnyville Ltd.	100,00%	2.500	
I.N.E.C. Engineering Company Limited, Great Britain	100,00%	70.311	70.311
Encom GmbH Consulting, Engineering & Trading, Germany	100,00%	3.493	3.493
Dom 12 S.A.L., Lebanon	100,00%	924.749	924.749
Energoprojekt Kaz Ltd.	100,00%	101	
Zambia Engineering and Contracting Company Limited, Zambia	100,00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100,00%	1.628	1.628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100,00%	19.574	19.574
<i>Impairment</i>		(715.064)	(715.064)
Total		5.047.931	4.954.356
Share in affiliated companies and joint ventures			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	40,00%	1.063	1.063
Fima see Activist a.d. Beograd	20,93%	16.000	
Enjub Ltd.	50,00%	13.550	13.550
<i>Impairment</i>		(1.063)	(1.063)
Total		29.550	13.550
Share in other companies and other available for sale securities			
a) Banks and financial organizations			
Dunav Osiguranje Plc.	0,01%	5.814	5.814
Jubmes banka Plc.	1,41%	120.176	120.176
Energoprojekt broker Plc.	17,64%	6.445	4.371
Fima see Activist Plc. Beograd	15,97%		16.160
<i>Impairment</i>		(106.968)	(119.382)
Total		25.467	27.139
b) Other companies			
Pik Becej – Hotel Bela ladja Plc., Becej	4,36%		5.986
<i>Impairment</i>			(99)
Total		-	5.887
TOTAL		5.102.948	5.000.932

Equity investments for which impairment was performed are presented in the following Table.

Share investments - impairment	<i>In RSD thousand</i>		
	<i>Gross investment amount</i>	<i>Impairment</i>	<i>Net investment amount</i>
Share in subsidiaries:			
Energoprojekt Visokogradnja Plc.	1.826.137	(641.632)	1.184.505
Energoprojekt Urbanizam i arhitektura Plc.	192.642	(44.277)	148.365
I.N.E.C. Engineering Company Limited, Great Britain	70.311	(7.953)	62.358
Energoprojekt Holding Guinee S.A., Guinea	1.628	(1.628)	-
Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur	19.574	(19.574)	-
Total	2.110.292	(715.064)	1.395.228
Share in affiliated companies and joint ventures:			
Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria	1.063	(1.063)	-
Total	1.063	(1.063)	0
Share in other legal entities and other securities available for sale:			
Banks and financial organizations			
Dunav osiguranje Plc.	5.814	(5.377)	437
Jubmes banka Plc.	120.176	(101.591)	18.585
Total	125.990	(106.968)	19.022
TOTAL	2.237.345	(823.095)	1.414.250

Share investments are long-term investments in shares and stocks of subsidiaries and affiliates, joint ventures, banks and insurance companies (securities available for sale), as well as in other companies.

Share investments in subsidiaries, affiliates and joint ventures are disclosed in compliance with the method for disclosing investments at cost. Company recognizes revenues in the amount received from the distribution of retained earnings of the investment user incurred after the acquisition date.

The increase in equity investment in the Energoprojekt Visokogradnja Company in 2015 compared with the reference year, which amounted to RSD 1.061 thousand, came as the result of the Decision of the Supervisory Board of the Company on compulsory redemption of shares from all the remaining shareholders at price determined in compliance of the provisions of the Law on Companies; the Company redeemed the remaining 2.000 shares of the Energoprojekt Visokogradnja Company at the said price and thus became the owner of 100% interest in this Company.

Increase in share investment in Energoprojekt Niskogradnja Plc. in 2015 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 90.209 thousand as the difference in share price, with accrued interest. Namely, based on the shareholder's decision passed on the General Meeting of the Energoprojekt Niskogradnja Plc. on December 6, 2013, the Company, as the majority shareholder of the Energoprojekt Niskogradnja Plc. conducted the compulsory redemption of shares of

this Issuer, in compliance with the procedure laid down in the Law on Companies. The minority shareholders were paid the price of RSD 1.563,08 per share, in compliance with the valuation performed by a certified appraiser. A number of minority shareholders of the Energoprojekt Niskogradnja Plc. contested the price per share paid and asked the Court to determine the value of shares in an out-of-court procedure. The Commercial Court in Belgrade, before which the out-of-court procedure was conducted, ordered expert valuation and determined that the price per individual share of the Energoprojekt Niskogradnja Plc. is to amount to RSD 2.769,55. Upon appeal submitted by the Company, the Commercial Court of Appeal confirmed the Decision of the Commercial Court in Belgrade on March 20, 2015. Based on the said Court Decision, the Company is obliged to pay to the shareholders who require the difference in the prices of shares to be paid to them the differences in share price, together with the legally prescribed default interest.

As per inventory as at December 31, 2015, based on management assessment, the Company wrote-off the equity share in Energoprojekt Promet company in the amount of RSD 295 thousand, since this company is not operational for almost ten years and that its losses exceed its capital amount (Note 18).

In 2015, the Company founded a new company in the country, the Energoprojekt Sunnyville Ltd., Beograd, for realization of own investment construction in Belgrade and paid in the founding capital amounting to RSD 2.500 thousand.

In 2015, the Company posted in its books the Energo Kaz Ltd. Kazakhstan (as its 100% owner), since it paid the amount of RSD 101 thousand as its founding interest to Energoprojekt Visokogradnja Plc. In 2010, Energoprojekt Visokogradnja paid KZT 200.000 (Kazakhstani tenge), based on the decision of the Company Board of Directors, as the founding capital of this Company.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641.632 thousand was performed on December 31, 2014 in compliance with IAS 36 – Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at December 31, 2014.

Impairment of share investment in subsidiaries and affiliated companies abroad (Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur; Energoprojekt Holding Guinee S.A., Guinea; I.N.E.C. Engineering Company Limited, Great Britain, and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria) was performed in 2004 in compliance with the initial implementation of IAS provisions.

Share investment in Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria were completely impaired because in addition to the fact that these Companies have no assets, they do not perform any business activities for a number of years now. The process of their dissolution in compliance with the local legislation has not been concluded yet. The above mentioned Companies shall not be included in the Group for consolidation of Energoprojekt Group.

In 2015, the percentage of equity investment in Fima See Activist Plc., Beograd was increased to exceed 20%, which was the result of the decisions passed by the Shareholders' Assembly of that company on the decrease in its shareholders' equity and cancellation of own shares that were bought pro-rata from the existing company shareholders, whereby the Fima See Activist Plc., Beograd company became an affiliated company that is, starting from 2015, included in the Group for consolidation of Energoprojekt Group.

Share in other companies and other available for sale securities are measured at market (fair) value.

In 2015, due to the above presented reasons, passing-through was performed for the equity share in Fima See Activist Plc., Beograd company from the position Equity investments in other legal entities and other securities available for sale to the position of Equity investments in affiliated companies.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily, as the result of the adjustment of the value of shares in Company's portfolio of shares (Jubmes banka Plc. and Dunav Osiguranje Plc.) with their fair value in the secondary securities' market as at the financial statements date (which are presented in the account for impairment of equity investments and profit and loss from securities available for sale).

The Company has made equity investments in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at December 31, 2015:

- Dunav Insurance Plc.: 527 shares, with the market value as at the balance sheet day of RSD 830,00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 4,582.00 per share.

The Company management could not make a reliable assessment of the fair value of their equity investments in the shares of Energobroker Plc. The shares of this Company are not listed and data on their latest market value is not publicly available. The Company's equity investments in the shares of Energobroker Plc. are presented at purchase price in the amount of RSD 6.445 thousand. The increase in equity investment in Energo Broker Plc. shares compared with the previous year came as the result of the correction of errors from previous years in the amount of RSD 1.344 thousand (based on the recording of the increase in the nominal value of shares from the previous years), and based on the increase in the nominal value of shares in 2015 in the amount of RSD 730 thousand (from RSD 45,000.00 to RSD 50,750.00, based on the Decision of the General Assembly of the Company on turning the emission premium into the shareholders' equity). The percentage of the Company's share in the equity of the Energo Broker Plc. has remained unchanged (Notes 17 and 20).

In 2015, based on the assessment made by the Company management, the Company wrote off its equity investment in the Pik Becej – Hotel Bela Ladja Plc. in the amount of RSD 5.887 thousand, considering the above mentioned company being in liquidation procedure, and it is not expected for the relevant value to be regained from bankruptcy estate.

Maximum exposure to credit risk as at the financial statements date is the fair value of debt securities classified as available-for-sale.

Financial assets available for sale are presented in RSD.

26.2. Long-Term Financial Investments

Structure of long-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Long-term investments in parent companies and subsidiaries	342.438	563.771
<i>Impairment provision</i>		
<i>Total</i>	<i>342.438</i>	<i>563.771</i>
Other long-term financial investments:		
a) Housing loans granted to employees	1.436	1.510
<i>Impairment provision</i>		
<i>Total</i>	<i>1.436</i>	<i>1.510</i>
TOTAL	<i>343.874</i>	<i>565.281</i>

Long-term financial investments in parent companies and subsidiaries in the amount of RSD 342.438 thousand refer to the long-term loans granted to subsidiary companies:

- Energoprojekt Niskogradnja Company in the amount of RSD 306.361 thousand, with 4% annual interest rate and maturity period of 2 years, based on the Agreement on Debt Rescheduling No. 20/151 dated December 31, 2015; and
- Energoprojekt Sunnyville Ltd. in 2015, in the amount of RSD 36.077 thousand, with 4% annual interest rate and maturity period of 3 years.

The above Companies provided 2 (two) signed solo promissory notes to the Company each, to be filled out by beneficiary and for the entire amount of their loans, as collaterals for loan repayment based on the Long-Term Loan Agreements signed with these subsidiaries.

In compliance with the Decision of the Company Executive Board, on December 31, 2015, due to insolvency and poor standing of the company, the long-term investment in Energoprojekt Visokogradnja in the amount of RSD 96.047 thousand (receivables based on the long-term loan: RSD 95.096 thousand and receivables on the basis of interest on the long-term loan: RSD 951 thousand RSD) was directly written off.

The long-term housing loans granted to employees that are presented among other long-term financial investments refer to four interest-free housing credits granted to employees, two of which were granted on June 10, 1992 for the repayment period of 38.5 years, and the remaining two loans were granted on November 28, 1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 78 thousand (Note 31).

27. INVENTORIES

Structure of inventories	In RSD thousand	
	31.12.2015	31.12.2014
Advances paid for inventories and services:		
a) Advances paid for inventories and services to parent companies and subsidiaries	483	13.352
b) Advances paid for inventories and services to other related legal entities		
b) Advances paid for material, spare parts and inventory	288	675
d) Advances paid for goods		
c) Advances paid for services	1.055	115
<i>Total</i>	<i>1.826</i>	<i>14.142</i>
<i>Impairment provision</i>		
TOTAL	1.826	14.142

Advance payments paid for services in the amount of RSD 1.055 thousand primarily pertain to advance payment to BDO Ltd. in the amount of RSD 647 thousand (for auditing of the financial statements for 2015) and to the M&V Investments Company in the amount of RSD 292 thousand (for the Company liability comprising of the difference in share prices in the compulsory redemption of Energoprojekt Niskogradnja Plc. shares in 2015, with default interest incurred (Note 26.1).

28. RECEIVABLES FROM SALES

Structure of receivables from sales	In RSD thousand	
	31.12.2015	31.12.2014
Local buyers - parent company and subsidiaries	488.186	419.702
Local buyers - other affiliated companies	705	705
Local buyers	37	37
<i>Impairment provision</i>		
TOTAL	488.928	420.444

Local buyers – parent companies and subsidiaries refer to the receivables based on Service Agreements concluded with subsidiary companies, based on which the Company was presented with blank solo promissory notes to be filled out by beneficiary as collaterals for collection.

Structure of local buyers – parent companies and subsidiaries is presented in the following table.

Structure of local buyers - parent company and subsidiaries	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Trade receivables domestic - subsidiaries</i>		
Energoprojekt Visokogradnja Plc.	322.647	233.001
Energoprojekt Niskogradnja Plc.	8.980	8.383
Energoprojekt Hidroinzenjering Plc.	22.115	46.603
Energoprojekt Entel Plc.	9.013	8.964
Energoprojekt Energodata Plc.	26.632	30.404
Energoprojekt Industrija Plc.	75.149	74.737
Energoprojekt Urbanizam i Arhitektura Plc.	15.348	17.429
Energoprojekt Oprema Plc.	8.119	
Energoprojekt Garant Ltd.	183	181
Total	488.186	419.702
<i>Trade receivables domestic - other related parties</i>		
Enjub Ltd.	705	705
Total	705	705
<i>Trade receivables domestic (externally)</i>	37	37
Total	37	37
TOTAL	488.928	420.444

In compliance with the decision of the Company Executive Board, on December 31, 2015, due to insolvency and poor standing of the company, receivables from the Energoprojekt Hidroinzenjering company based on the Services Agreements from 2009 and 2010 were written off in the amount of RSD 24.325 thousand (Note 19.2.).

The Company has not been presented with any collection collaterals for local buyers – other affiliated companies and local buyers (external).

Receivables from sale and other receivables from sale bear no interest.

Other Receivables from Sales positions do not include any impaired assets. Accounting value of receivables from sales is equivalent to their fair value.

Age structure of receivables based on sales is presented in the following table, and information on reconciliation of claims and liabilities is presented in Note 43.

Age structure of receivables from sale	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Buyers domestic - parent companies and subsidiaries:</i>		
a) Current	40.550	31.879
b) Up to 30 days	8.116	10.089
c) 30 - 60 days	8.116	10.089
d) 60 - 90 days	8.116	10.089
e) 90 - 365 days	75.073	81.367
f) 365 days +	348.215	276.189
Total	488.186	419.702
<i>Buyers domestic - other related legal entities:</i>		
a) Current		
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	705	705
Total	705	705
<i>Buyers domestic (externally):</i>		
a) Current	37	15
b) Up to 30 days		22
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	37	37
TOTAL	488.928	420.444

29. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Receivables from special transactions from parent companies and subsidiaries	103.769	92.276
Receivables from special transactions from other affiliated companies	1.775	1.353
Receivables from special transactions from other companies	3.809	3.801
<i>Impairment provision</i>	(3.736)	(851)
TOTAL	105.617	96.579

Detailed information on receivables from special transactions and the change in impairment provisions for receivables from special transactions are presented in the following table.

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Receivables from special transactions from parent companies and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.	102.017	86.085
Energoprojekt Niskogradnja Plc.	35	1.944
Energoprojekt Hidroinzenjering Plc.	383	1.229
Energoprojekt Entel Plc.	62	507
Energoprojekt Energodata Plc.	73	662
Energoprojekt Industrija Plc.	98	707
Energoprojekt Urbanizam i arhitektura Plc.	560	100
Energoprojekt Oprema Plc.	87	571
Energoprojekt Garant Ltd.	454	471
Total	103.769	92.276
<i>Receivables from special transactions from other related legal entities:</i>		
Enjub Ltd.	1.775	1.353
Total:	1.775	1.353
<i>Receivables from special transactions from other legal entities:</i>		
Music school S. Binicki	41	38
Zekstra grupa-Zekstra Ltd.	855	851
Music Ivan	30	30
United Union Organization of Energoprojekt	2	1
Napred razvoj Plc.	2.881	2.881
Total:	3.809	3.801
<i>Impairment provision for receivables from special transactions:</i>		
Zekstra grupa-Zekstra Ltd.	855	851
Napred razvoj Plc.	2.881	
Total:	3.736	851
TOTAL	105.617	96.579

Receivables from special transactions from parent companies and subsidiaries in the amount of RSD 103.769 thousand pertain predominantly to receivables from Energoprojekt Visokogradnja in the amount of RSD 102.017 thousand that were primarily posted based on receivables for the lease of Samacki hotel complex in the amount of RSD 70.940 thousand and receivables for airplane tickets in the amount of RSD 31.006 thousand.

The following table contain information on the change in impairment provisions for receivables from special transactions.

Changes in impairment provisions for receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Balance as at January 1	851	
Additional impairment provision	2.881	851
Direct write-off of the previously impaired receivables		
Collected impaired receivables		
FX gains and losses	4	
TOTAL	3.736	851

Impairment provision for receivables from special transactions in the amount of RSD 3.736 thousand pertain to the impairment provision for receivables as per inventory count as at December 31, 2014 from Zekstra group – Zekstra Ltd. Beograd company in the amount of RSD 855 thousand (EUR 7 thousand) and as per inventory count as at December 31, 2015 from Napred Razvoj Plc. in the amount of RSD 2.881 thousand (Notes 18 and 45).

Age structure of receivables from special transactions is presented in the following table.

Age structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Receivables from special transactions from parent company and subsidiaries</i>		
a) Current	7.759	8.538
b) Up to 30 days	4.372	4.374
c) 30 - 60 days	1.734	3.826
d) 60 - 90 days	2.413	4.480
e) 90 - 365 days	22.024	41.784
f) 365 days +	65.467	29.274
Total	103.769	92.276
<i>Receivables from special transactions from other related legal entities</i>		
a) Current	84	
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		6
e) 90 - 365 days	29	507
f) 365 days +	1.662	840
Total	1.775	1.353
<i>Receivables from special transactions from other legal entities</i>		
a) Current	43	39
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	30	2.911
Total	73	2.950
TOTAL	105.617	96.579

30. OTHER RECEIVABLES

Structure of other receivables	In RSD thousand	
	31.12.2015	31.12.2014
Interest and dividend receivable:		
a) Interest and dividend receivable from parent companies and subsidiaries		3.653
b) Interest and dividend receivable from affiliated companies	46.372	35.634
c) Interest agreed and default interest from other legal entities		122
<i>Total</i>	<i>46.372</i>	<i>39.409</i>
Receivables from employees		
Receivables for overpaid profit tax	11.150	13.126
Receivables for fringe benefits' returns	861	977
<i>Impairment provisions</i>		
TOTAL	58.383	53.512

Structure of interest and dividend receivables in the amount of RSD 46.372 thousand is presented in the following table.

Structure of interest and dividend receivables	In RSD thousand	
	31.12.2015	31.12.2014
<i>Interest receivables from parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.		317
Energoprojekt Niskogradnja Plc.		3.336
<i>Total</i>	<i>0</i>	<i>3.653</i>
<i>Potraživanja za kamatu od ostalih povezanih pravnih lica:</i>		
Enjub Ltd.	46.372	35.634
<i>Total</i>	<i>46.372</i>	<i>35.634</i>
<i>Interest receivables from other legal entities:</i>		
Unicredit banka Plc.		53
Alpha banka Plc.		8
Piraeus banka Plc.		61
<i>Total</i>	<i>0</i>	<i>122</i>
TOTAL	46.372	39.409

Receivables for fringe benefits' returns in the amount of RSD 861 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

In compliance with the decision of the Company's Executive Board, as at December 31, 2015, due to insolvency and poor standing of the company, receivables from Energoprojekt Visokogradnja based on interest on short-term loans were written off in the amount of RSD 13.217 thousand.

Age structure of other receivables is presented in the following table.

Age structure of other receivables	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Other receivables from parent company and subsidiaries:</i>		
a) Current		37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		3.616
Total	-	3.653
<i>Other receivables from other related legal entities:</i>		
a) Current	2.631	2.748
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days	2.652	2.748
e) 90 - 365 days	8.022	5.361
f) 365 days +	33.067	24.777
Total	46.372	35.634
<i>Other receivables - other:</i>		
a) Current	11.263	13.529
b) Up to 30 days	188	287
c) 30 - 60 days	233	270
d) 60 - 90 days	78	
e) 90 - 365 days	202	139
f) 365 days +	47	
Total	12.011	14.225
TOTAL	58.383	53.512

31. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Short-term loans and investments - parent companies and subsidiaries	360.454	289.257
Short-term loans and investments - other affiliated companies	162.419	161.527
Short-term credits and loans domestic		609
Portion of other long-term financial investments with maturity date up to one year (Note 26.2)	78	78
<i>Impairment provision</i>		
TOTAL	522.951	451.471

Short-term loans and investments – subsidiaries and other affiliated companies pertain to the loans approved with maturity dates up to 12 months and with interest rate ranging from 4% annually (hereinafter: p.a.) to 3M Euribor + 6.5 % p.a., as presented in the following table below.

No.	Borrower and Agreement No.	Loan amount in 000 EUR	Receivables' balance based on loan in 000 EUR	Receivables' balance based on loan in 000 RSD	Maturity date	Loan conditions
1	EP Visokogradnja Plc.					
	Debt Rescheduling Agreement No. 37/175	2.350	2.350	285.814	31.12.2016.	4 % p.a.
2	EP Energodata Plc.					
	Debt Rescheduling Agreement No. 21/05	364	364	44.292	31.12.2016.	4 % p.a.
3	EP Urbanizam i arhitektura Plc.					
	Agreement on Debt Rescheduling No. 19/2727	250	250	30.348	31.12.2016.	4 % p.a.
Total subsidiaries		2.964	2.964	360.454		
4	Enjub Ltd.					
	Annex no. 8 of the Loan Agreement No. 367	137	137	16.724	31.12.2016.	3M Euribor + 6.5% p.a.
	Annex no. 4 of the Loan Rescheduling Agreement No. 115	1.198	1.198	145.695	31.12.2016.	3M Euribor + 6.5% p.a.
Total other related parties		1.335	1.335	162.419		
TOTAL		4.299	4.299	522.873		

In compliance with the decision of Company's Executive Board, on December 31, 2015, receivables from Energoprojekt Visokogradnja for a portion of loan in the amount of RSD 102.880 thousand were directly written off due to insolvency and poor standing of the company, and the repayment of the remaining portion of receivables was rescheduled based on the Loan Agreement and loan maturity deadline was extended.

In cases of individual subsidiary companies (Energoprojekt Energodata and Energoprojekt Urbanizam i arhitektura), loan repayment was rescheduled based on Loan Agreements, so that the principal was increased for the calculated uncollected interest on loans granted and loan maturity dates were postponed, and in case of Enjub company, loans' maturity dates were postponed based on an Annex to the Loans Agreement.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries and the joint venture.

As collaterals for loan repayment pursuant to:

- Annex No. 8 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16.724 thousand (EUR 137 thousand), the Company (in addition to bills of exchange) has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment;
- Annex No. 4 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 145.695 thousand (EUR 1.198 thousand), a mortgage bond was issued (mortgage has not been registered) for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina (Note 42).

Portion of other long-term financial investments with maturity of up to one year in the amount of RSD 78 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 26.2).

32. CASH AND CASH EQUIVALENTS

Structure of cash and cash equivalents	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Current (business) account	30.349	1.310
Foreign currency account	238	281
Foreign currency petty cash	4	17
Other cash:		
a) Short-term term deposits	432.329	91.687
b) Other cash	423	23.418
<i>Total</i>	<i>432.752</i>	<i>115.105</i>
TOTAL	463.343	116.713

Within the Company's **the current (business) accounts and foreign currency accounts**, cash held with business banks locally and abroad (with Banca Intesa, Unicredit Bank, Hypo-Alpe-Adria Bank, Jubmes Bank, Alpha Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Raiffeisen Bank, Erste Bank, Komercijalna Bank, Piraeus Bank, Eurobank Srbija and the Trade Bank of Iraq).

Short term deposits in the amount of RSD 432.329 thousand refer to the short term deposits held with business banks in the country (Unicredit Bank, Hipo Alpe-Adria bank and Eurobank) with 1 to 3 months' terms, with interest rate ranging from 0.70% to 1.35% annually and with the option to terminate the term deposit contract at any given moment. The term deposits are in EUR, USD and RSD, and specifically: EUR 480 thousand, USD 350 thousand and RSD 335.000 thousand.

Other cash in the amount of RSD 423 thousand refer to the overnight deposits with Alpha Bank.

33. VALUE ADDED TAX AND PREPAYMENTS AND DEFERRED EXPENSES

Structure of prepayments and deferred expenses	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Prepayments:</i>		
a) Prepaid expenses - parent company and subsidiaries	2.403	1.447
b) Prepaid subscriptions for expert and professional publications	779	461
c) Prepaid insurance premiums	26	18
<i>Total</i>	<i>3.208</i>	<i>1.926</i>
<i>Receivables for accrued non-invoiced income:</i>		
Receivables for accrued non-invoiced income - other legal entities	385.828	328.336
<i>Total</i>	<i>385.828</i>	<i>328.336</i>
<i>Other prepayments and deferred expenses:</i>		
a) Prepaid value added tax	139	359
b) Other prepayments and deferred expenses	709	806
<i>Total</i>	<i>848</i>	<i>1.165</i>
TOTAL	389.884	331.427

Prepaid expenses - parent companies and subsidiaries in the amount of RSD 2.403 thousand refer to prepayments for licensing costs (Energoprojekt Energodata Company) and to the costs of property and personal insurance (Energoprojekt Garant Company).

Receivables for accrued non-invoiced income in the amount of RSD 385.828 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00.

Prepaid value added tax includes added value tax from prepared invoices for the reporting period; the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December 2015 was filed.

Other prepayments and deferred income in the amount of RSD 709 thousand relate primarily to the pre-paid membership fees, antivirus licenses, etc.

34. CAPITAL

In RSD thousand

DESCRIPTION	Share capital	Other share capital	Issuing premium	Reserves	Revaluation reserves	Unrealized gains/losses on securities	Retained earnings	Total
Balance as at January 1, 2014	5.574.959	27.178	1.600.485	134.881	52.910	(21.136)	684.911	8.054.188
Net profit for the year							43.867	43.867
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						(19.650)		(19.650)
b) Revaluation					863.329			863.329
c) Other - levelling of present value, IAS 12 et al.					(129.510)			(129.510)
Total - other comprehensive result					733.819	(19.650)		714.169
Total comprehensive result for 2014					733.819	(19.650)	43.867	758.036
Corrections					30.862		(30.865)	(3)
Increase in share capital								
Profit distribution							(393.527)	(393.527)
Balance as at December 31, 2014	5.574.959	27.178	1.600.485	134.881	817.591	(40.786)	304.386	8.418.694
Net profit for the year							236.973	236.973
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						12.353		12.353
b) Revaluation								
c) Other - levelling of present value, IAS 12 et al.								
Total - other comprehensive result						12.353		12.353
Total comprehensive result for 2015						12.353	236.973	249.326
Corrections							1.372	1.372
Pincrease in share capital								
Profit distribution							(218.626)	(218.626)
Balance as at December 31, 2015	5.574.959	27.178	1.600.485	134.881	817.591	(28.433)	324.105	8.450.766

34.1. Equity Capital

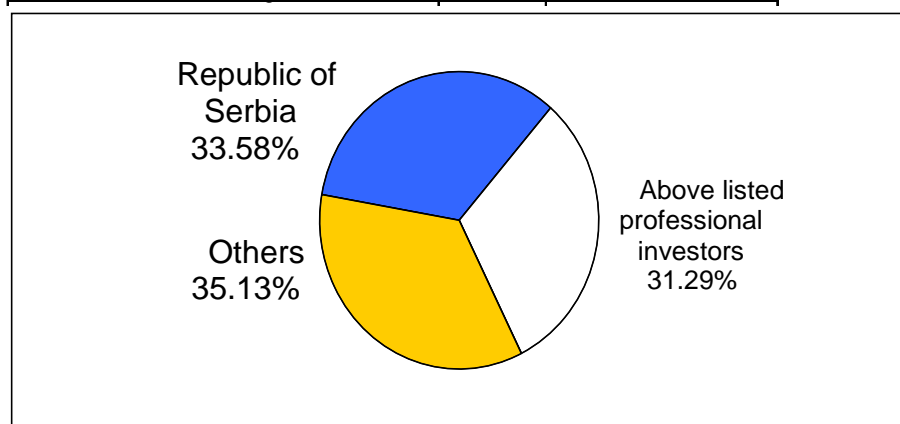
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at December 31, 2015 is as follows:

	No. of shares	% of total issue
Shares owned by physical persons	3.095.007	28.31%
Shares owned by legal persons	6.807.190	62.27%
- Republic of Serbia	3.671.205	33.58%
- Other legal entities	3.135.985	28.69%
Aggregate (custody) account	1.029.095	9.41%
Total no. of shares	10.931.292	100%

No. of shareholders with equity investments	No. of persons			No. of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
Up to 5%	7.239	219	7.458	4.347.541	676.861	5.024.402	39.77%	6.19%	45.96%
5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 10% to 25%	1	0	1	2.235.685	0	2.235.685	20.45%	0%	20.45%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	1	0	1	3.671.205	0	3.671.205	33.58%	0.00%	33.58%
More than 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total no.	7.241	219	7.460	10.254.431	676.861	10.931.292	93.81%	6.19%	100.00%

Order of top 10 shareholders as per the no. of shares/votes:

Name	No. of shares	% of total issue
Republic of Serbia	3.671.205	33.58%
Napred Razvoj Plc. Novi Beograd	2.235.685	20.45%
East Capital (Lux) - Balkan Fund	370.593	3.39%
Vojvodjanska bank Plc. Novi Sad- joint acc	220.868	2.02%
Societe generale bank-custody acc - fo	174.885	1.60%
Raiffeisen bank Plc. – custody acc. - ks	98.848	0.90%
Raiffeisen bank Plc. – custody acc. - ks	97.058	0.89%
Societe general bank - custody acc - fo	80.199	0.73%
NLB bank Plc., Beograd – custody acc - ks	72.320	0.66%
Gustavia Fonder Aktiebolag	70.000	0.64%



Structure of equity capital is presented in the following table below.

Structure of equity capital	In RSD thousand	
	31.12.2015	31.12.2014
Share capital:		
a) Share capital in parent companies, subsidiaries and other affiliated companies		
b) Share capital (externally)	5.574.959	5.574.959
<i>Total</i>	<i>5.574.959</i>	<i>5.574.959</i>
Issuing premiums	1.600.485	1.600.485
Other share capital	27.178	27.178
TOTAL	7.202.622	7.202.622

Share capital consists of 10.931.292 ordinary shares with nominal value of RSD 510.00 (RSD 5.574.959 thousand) and nominal book value of RSD 773.08.

Share capital - ordinary shares include founding shares and shares issued during operations which carry management right, right to a share of the shareholding company's profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association, i.e., decision on share issue.

The company's shares are A-listed on the Belgrade Stock Exchange.

Issuing premium is positive difference between the achieved selling price per share and the nominal value of such shares, which is the result of the conversion of shares of the Energoprojekt Group subsidiaries into Company shares at the par value of 1:1 in 2006.

Other share capital was created by the reposting of non-business assets sources in 2005 and it amounts to RSD 27.178 thousand.

34.2. Reserves

Structure of reserves	In RSD thousand	
	31.12.2015	31.12.2014
Legal reserves	23.185	23.185
Statutory and other reserves	111.696	111.696
TOTAL	134.881	134.881

Legal reserves were mandatorily formed until 2004, by incremental annual payments of a minimum of 5% of the profits until the reserves' level reaches at least 10% of the equity capital.

In compliance with the Company's Statute, **statutory reserves** were made until 2011 and the shareholders determined the amount of such reserves at the General Meeting, which could not be less than 5% of the net profit.

34.3. Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Revaluation reserves based on revaluation of property - Energoprojekt building	817.591	817.591
TOTAL	817.591	817.591

The following was disclosed in the Revaluation reserves from revaluation of property – Energoprojekt building position, in the amount of RSD 817,591 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at December 31, 2014 in the amount of RSD 863.329 thousand (Note 25.1);
- Levelling of the present value per m² of the Energoprojekt building in the amount of RSD 98.543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 – Income Taxes, in the amount of RSD 144,281 thousand.

34.4. Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330)

Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Unrealized losses on securities available for sale	28.433	40.786
TOTAL	28.433	40.786

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 12.353 thousand pertain to the cancellation of unrealized losses based on securities available for sale of the Fima See Activist Plc., Beograd company in the amount of RSD 5.840 thousand (on the basis of an increase in the equity investment in this company in excess of 20% and on such basis, passing-through from the position Equity investments in other legal entities and other securities available for sale into the position of Equity investments in affiliated legal entities) and Pik Becej – Hotel Bela Ladja Plc. in the amount of RSD 99 thousand (based on the write-off of equity investment in this company), as well as to the adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (the negative effect of which could not be covered with the positive effects of the change in the fair value of the given security) in the amount of RSD 6.414 thousand (Note 26.1.).

34.5 Retained Earnings

Structure of retained earnings	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Retained earnings from previous years:		
a) Balance as at January 1 of the reporting period	304.386	684.911
b) Correction of profit based on income tax	1.372	(2)
c) Other corrections (IAS 12 et al.)		(30.863)
d) Profit distribution	(218.626)	(393.527)
<i>Total</i>	<i>87.132</i>	<i>260.519</i>
Retained earnings from current years	236.973	43.867
TOTAL	<i>324.105</i>	<i>304.386</i>

In 43rd repeat General Meeting of the Company held on June 16, 2015, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at December 31, 2014, in the amount of RSD 304.386 thousand in the following manner:

- For dividend payment, gross amount of RSD 20,00 per share to Company shareholders, or in the total amount of RSD 218.626 thousand;
- The remaining portion of the profit in the amount of RSD 85.760 thousand, to be allocated in undistributed profit.

Dividend was paid to the Company shareholders on November 30, 2015.

Correction of undistributed profit from previous years in the amount of RSD 1.372 thousand relates to the correction as per the final version of the income tax return.

Undistributed profit from the current year in the amount of RSD 236.972 thousand relates to Company's net income generated in the reporting period.

35. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

- Where the Company has a (legal or actual) liability incurred as a result of a past event;
- Where it is probable that the resource containing economic value will necessarily be deployed to settle a liability; and
- Where the liability amount can be measured reliably.

Structure of long-term provisions is presented in the following table.

In RSD thousand

Structure of long-term provisions	Provisions for wages and other employee benefits	Other long term provisions	TOTAL
Balance as at January 1, 2014	5.055	260.000	265.055
Additional provisions			
Used during the year	(1.559)		(1.559)
Cancelling of unused amounts	(1.208)		(1.208)
Balance as at December 31, 2014	2.288	260.000	262.288
Additional provisions	782		782
Used during the year	(860)		(860)
Cancelling of unused amounts			
Balance as at December 31, 2015	2.210	260.000	262.210

35.1. Provisions for Wages and Other Employee Benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation of the Energoprojekt Group expert team.

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all the Companies from the Energoprojekt Group were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific Companies was performed. Considering that all subsidiaries are controlled by the same Company, the applied approach is objective and the projection results can be recognized as expected.

A decrease of the provision amount based on current retirement bonus values (by 0.46%) in the balance sheet as at December 31, 2015 in comparison to the retirement bonus values in the balance sheet as at December 31, 2014, was the result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (increase in the average years of service with the Company by 0.56% and an increase in the number of employee by 0.09%); and
- On the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the average expected retirement bonus by 0.11%).

In addition to the above mentioned, the change in the provision structure per individual companies came as the result of the change in the aliquot part of the number of employees in individual companies against the total number of employees in the entire Company.

By taking into account the relevant provisions of IAS 19, the provision projections procedure was performed by following these steps:

- Firstly, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to retirement bonus, as well as the period during which this bonus will be paid out;
- Secondly, considering provisions of the Company Collective Agreement, the bonus amount was appraised for each year of service indicated on the balance sheet date; and
- Thirdly, the discount factor, representing the discount rate to expected salary growth ratio, was used to determine the present value of the expected retirement bonus outflows.

The retirement bonus is, as of the beginning of 2015, pursuant to the provisions of the Collective Agreement in force, paid in the Company in compliance with the Article 57 of the Collective Agreement regulating employment in the country, according to which the Employer is to pay to the Employee retirement bonus amounting to two average gross salaries in the Republic of Serbia according to the latest data published by the relevant Republic authority in charge of statistics. In compliance with the legislation in force, the above mentioned amount is non-taxable.

Since the annual discount rate is necessary to determine the present value of (undue) retirement bonuses, as well as the average annual growth of salaries in the Republic of Serbia, these values shall be specified later in the text.

The rate of 8% was accepted as the annual discount rate.

In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The currency and term of the bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of government bonds issued on December 4, 2015 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 4.40%. Since it is an EURO security, by taking into account the estimated inflation in the Euro zone (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2016 with Projections for 2017 and 2018), by extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter (10 years) than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 81, IAS 19, a realistic annual yield of 4% was adopted.

The annual expected salary growth in the Republic of Serbia was planned at the level of 5%.

The annual discount rate and annual salaries' growth depend on inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rates by 2016, adopted at the meeting of the National Bank of Serbia Executive Board on October 18, 2013 (in the Memorandum of the National Bank of Serbia adopted on August 13, 2015 by the Executive Board of the National Bank of Serbia, the previously determined inflation targets for 2016 were not amended), in addition to other things, determines the target inflation rate for 2016 of 4%, with permissible deviation (positive and negative) of 1.5 percentage points. According to the above stated, and taking into account the significant decrease in inflation rate in 2015, it would be most realistic to plan the inflation rate for the following year on the level of the target inflation rate as stipulated in the Memorandum.

The provision will thus be estimated according to the planned annual inflation rate of 4%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2016 with Projections for 2017 and 2018), realistically achievable. If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 5% and long-term annual discount rate of 8%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 75 of IAS 19.

35.2. Other Long-Term Provisions

Other long-term provisions in the amount of RSD 260,000 thousand are recorded in the balance sheet as at December 31, 2006, pursuant to the Decision of the competent body of the Company, as potential contract expenses related to the Joint Construction Agreement - Block 26, Novi Beograd, No. 507, concluded between the consortium Energoprojekt – Napred and Trinity Capital Ltd.

Pursuant to provision of the Joint construction agreement and the Annex no. 1 to this agreement, Trinity Capital Ltd. paid the agreed amount and the Company issued a blank bill of exchange with authorization and unlimited validity. This bill of exchange may be submitted for payment based on an effective decision of the authorities confiscating from the Company the underlying property referenced in the contract by fault attributable to the Company, however for reasons which had not been known to Trinity Capital Ltd. at the time the contract was signed.

Provisioning was pursuant to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, due to the uncertainty with regard to the application of the legislation that applies to the subject of the Agreement and that may affect the fulfilment of all obligations assumed by the Company as well as due to the issued blank bill of exchange as previously stated.

On December 31, 2015, there is still uncertainty with regard to the application of the legislation that may affect the fulfilment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital Ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet.

36. SHORT-TERM FINANCIAL LIABILITIES

Structure of short-term financial liabilities	In RSD thousand	
	31.12.2015	31.12.2014
Short-term credits and loans domestic	565.561	170.000
Other short-term financial liabilities:		
a) Portion of long-term liabilities with maturity date up to one year		16.667
b) Other short-term financial liabilities	46	348
Total	46	17.015
TOTAL	565.607	187.015

36.1. Short-Term Credits and Loans Domestic

Structure of short-term credits and loans domestic	Interest rate	In RSD thousand	
		31.12.2015	31.12.2014
Short-term loans granted by banks domestically:			
a) RSD loans	1M Belibor + 1.35% p.a.		170.000
b) Loans with foreign currency clause	3m Euribor + 3,75% pa, 3m Euribor + 4,5% pa	565.561	
TOTAL		565.561	170.000

Short-term loans granted by domestic banks in the amount of RSD 565.561 thousand pertain to the loans with currency clause (EUR) granted by:

- Eurobank Plc. in the amount of RSD 322.309 thousand, with the interest rate of 3M Euribor + 4.5% per annum. Company's bills of exchange and sureties of the Energoprojekt Oprema and Energoprojekt Niskogradnja companies were provided as collaterals for loan repayment, and
- Erste Bank Plc. in the amount of RSD 243.252 thousand, with the interest rate of 3M Euribor + 3.75% per annum. Six blank Company bills of exchange were provided as collaterals for loan repayment.

36.2. Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	In RSD thousand	
	31.12.2015	31.12.2014
Portion of long-term loans domestic with maturity up to one year		16.667
Other short-term financial liabilities	46	348
TOTAL	46	17.015

Other short-term financial liabilities amounting to RSD 46 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards, which were settled in January 2016.

37. OPERATING LIABILITIES

Structure of operating liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Suppliers - parent company and subsidiaries, local	1.677	13.268
Suppliers - parent company and subsidiaries, foreign countries	11.503	16.480
Suppliers, local	5.667	12.416
Suppliers, foreign countries	7.504	4.772
TOTAL	26.351	46.936

Total amount of liabilities from operations broken down per currencies are presented in the following Table.

Structure of operating liabilities per currencies	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
RSD	13.993	15.240
EUR	12.319	29.760
USD		1.936
GBP	39	
TOTAL	26.351	46.936

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Domestic suppliers (subsidiaries and other legal entities)	7.344	25.684
Foreign suppliers (subsidiaries):		
Europe	11.503	16.480
<i>Total</i>	11.503	16.480
Foreign suppliers (other legal entities):		
Europe	7.504	4.772
<i>Total</i>	7.504	4.772
<i>Adjustment</i>		
TOTAL	26.351	46.936

The key suppliers are presented in the following table, according to the suppliers' balances as at the Company balance sheet date.

Structure of liabilities per individual suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Domestic suppliers (related and other companies):</i>		
Energoprojekt Energodata Plc.	1.656	
PUC Beogradske elektrane	954	894
Health Protection Institute ZTP	444	444
Dedinje Ltd.	407	407
Algotech Ltd.	346	344
Constantine the Great Ltd.	329	
Tehnomarket Ltd.	283	
Tabulir komerc Ltd.	276	196
Telekom Srbija Plc.	242	137
Compacc Ltd.	237	136
Agency for investments and housing		3.114
Energoprojekt Oprema Plc.		12.774
EPS Snabdevanje Ltd.		3.492
Others	2.170	3.746
<i>Total</i>	<i>7.344</i>	<i>25.684</i>
<i>Foreign suppliers (related and other companies):</i>		
Encom GmbH Consulting, Engineering&Trading, Germany	11.463	16.481
IATA	6.931	2.836
Others	613	1.935
<i>Total</i>	<i>19.007</i>	<i>21.252</i>
TOTAL	26.351	46.936

The Company provided four own blank promissory notes as payment collateral to EPS Snabdevanje Ltd., in compliance with the Agreement provisions.

Suppliers are exclusive of interest and with value date ranging from 5 to 30 days.

Company Management is of the opinion that the disclosed amounts of liabilities from operations reflect the fair value of such liabilities as at the balance sheet date.

Age structure of liabilities to suppliers is presented in Note 8.2, and information on reconciliation of claims and liabilities is presented in Note 43.

38. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for wages, fringe benefits and compensations	13.864	12.951
Other liabilities:		
a) Liabilities for interest and financing costs		548
b) Liabilities for dividends	7.544	11.838
c) Liabilities to employees	195	232
d) Liabilities to General Manager, or to management and Supervisory Board members	566	492
e) Liabilities to physical persons on contractual obligations	558	479
f) Other various liabilities	834	1.193
<i>Total</i>	<i>9.697</i>	<i>14.782</i>
TOTAL	23.561	27.733

Liabilities for wages, fringe benefits and compensations in the amount of RSD 13.864 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2016.

Liabilities for dividends in the amount of RSD 7.544 thousand pertain primarily to the liabilities for dividends' payment from previous years in the amount of RSD 7.531 thousand, which have not yet been paid to date (probate proceedings, etc.).

Other various liabilities in the amount of RSD 834 thousand pertain predominantly to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.).

Company Management is of the opinion that the disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

39. LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME

39.1. Liabilities for Value Added Tax

Liabilities for value added tax	<i>in RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for value added tax	4.559	5.540
TOTAL	4.559	5.540

Liabilities for value added tax pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2016.

39.2. Liabilities for Other Taxes, Contributions and Fees Payable

Liabilities for other taxes, contributions and fees payable	<i>in RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for other taxes, contributions and fees payable	734	688
TOTAL	734	688

Liabilities for other taxes, contributions and fees payable in the amount of RSD 734 thousand pertain to the contributions for considerations to Supervisory Board members: RSD 330 thousand, contributions for remunerations based on authorship contracts and service contracts: RSD 224 thousand, liabilities for income tax on dividends: RSD 97 thousand, taxes and contributions for agreements on temporary and periodical engagements: RSD 26 thousand, fee for environment improvement and protection in the amount of RSD 42 thousand, liabilities for utility duties for board with company name: RSD 14 thousand and tax on employee transportation: RSD 1 thousand.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 734 thousand, the amount of RSD 637 was settled in January 2016 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends – Note 38).

39.3. Accrued Expenses and Deferred Income

Accrued expenses and deferred income	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Precalculated expenses:		
a) Precalculated expenses - parent company, subsidiaries and other affiliated companies	25.142	24
b) Precalculated expenses - other legal entities	1.146	200
<i>Total</i>	<i>26.288</i>	<i>224</i>
Other accruals	887	
TOTAL	27.175	224

Precalculated expenses – parent company, subsidiaries and other affiliated companies in the amount of RSD 25.142 thousand refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till June 30, 2015, based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

Precalculated expenses – other legal entities in the amount of RSD 1.146 thousand pertain primarily to the calculated electricity costs for December 2015 in the amount of RSD 1.081 thousand.

Other accruals in the amount of RSD 887 thousand pertain to the calculated interest on term deposits with domestic banks.

40. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	In RSD thousand	
	31.12.2015.	31.12.2014.
Deferred tax assets	3.374	3.893
Deferred tax liabilities	159.739	157.882
Net effect of deferred tax assets (liabilities)	(156.365)	(153.989)

Deferred tax assets are the income tax amounts recoverable in future periods based on *deductible temporary differences*.

A deductible temporary difference is generated in cases where a company's balance sheet contains already disclosed expense on certain bases, which will be recognized from the tax aspect in the following periods. Deferred tax assets are verified on December 31 and are recognized only if it is considered probable that the deferred tax assets will probably be used to reduce a taxable income in the future period.

The amount of deferred tax assets is calculated by multiplying the amount of deductible temporary difference at the end of the year by the Company's corporate income tax rate (15%).

Deferred tax liabilities disclosed as at December 31 refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (in compliance with the IAS/IFRS and other provisions) and provisions that define tax depreciation (in compliance with the Law on Corporate Income Tax), the Company shall pay higher amount of income tax in the future period than it would pay if the actually disclosed accounting depreciation would be acknowledged by tax legislation. For this reason, the Company recognizes the deferred tax liability, which represents income tax payable once that the Company "recovers" the accounting value of the assets.

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

Changes in balance of deferred tax assets during the reporting and reference years were as follows:

Deferred tax assets	In RSD thousand				
	Tax value exceeding the book value in intangible assets, plants and equipment	Capital losses in investment property	Provisions for retirement bonuses	Unpaid public revenues	Total
Balance as at January 1, 2014	2.271	688	758	42	3.759
Debit/credit to Income Statement	(96)	686	(415)	(41)	134
Direct debit to capital					
Balance as at December 31, 2014	2.175	1.374	343	1	3.893
Debit/credit to Income Statement	(212)	(303)	(11)	7	(519)
Direct debit to capital					
Balance as at December 31, 2015	1.963	1.071	332	8	3.374

Changes in balance of deferred tax liabilities during the reporting and reference years were as follows:

In RSD thousand

Deferred tax liabilities	Book value exceeding tax value in property	Capital gains in investment property	Total
Balance as at January 1, 2014	22.824	3.077	25.901
Debit/(credit) to Income Statement	2.405	77	2.482
Direct debit to capital	129.499		129.499
Balance as at December 31, 2014	154.728	3.154	157.882
Debit/(credit) to Income Statement	(123)	1.980	1.857
Direct debit to capital			
Balance as at December 31, 2015	154.605	5.134	159.739

A summary of changes in balance of deferred tax liabilities of the Company is presented in the following tables.

Balance and changes in balance of deferred tax liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Balance of deferred tax liabilities at the end of the previous year	153.989	22.142
Balance of deferred tax liabilities at the end of the current year	156.365	153.989
Changes in balance of deferred tax liabilities	(2.376)	(131.847)

Changes in balance of deferred tax liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Deferred tax expenses of the period	2.376	2.348
Revaluation reserves		129.499
Undistributed profit of the previous year		
TOTAL	2.376	131.847

Based on the change in the balance of deferred tax liabilities and deferred tax liabilities in 2015, it can be concluded that in net effect there was an increase in the balance of deferred tax liabilities compared with the previous year amounting to RSD 2.376 thousand, which was debited against net result for 2015 (deferred tax expenses of the period).

41. OFF-BALANCE SHEET ASSETS AND LIABILITIES

In compliance with the relevant statutory provisions (Rules on Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs), disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, presented in the following Table, are neither assets nor liabilities of the Company, but are primarily presented for information purposes.

Structure of off-balance sheet assets and liabilities is presented in the following table.

Structure of off-balance sheet assets and liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Received sureties, guarantees and other rights	3.041	3.024
Provided sureties, guarantees and other rights	18.122.117	16.863.609
Received mortgages and other rights	16.723	16.632
Other off-balance sheet asset/liabilities	4.454.577	4.463.529
TOTAL	22.596.458	21.346.794

Received guarantees, sureties and other warranties in the amount of RSD 3.041 thousand refer to:

- Liability for received guarantee for timely settlement of liabilities for flight tickets in the amount of RSD 3.041 thousand that expires on January 20, 2016, and is renewed quarterly (Alpha Bank).

Provided sureties, guarantees and other rights amounting to RSD 18.122.117 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 15.897.181 thousand; and
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 2.224.936 thousand (BBVA - PERU amounting to RSD 1.557.455 thousand and BANCO FINANCIERO - PERU amounting to RSD 667.481 thousand) for the project in Peru.

To provide guarantees, sureties and corporate guarantees, the Company concluded agreements with subsidiary companies based on which the Company is the guarantor and based on which it received respective collaterals from the subsidiaries involved (Company's bills of exchange).

Received mortgages and other rights amounting to RSD 16.723 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 42).

Other off-balance sheet assets/liabilities amounting to RSD 4.454.577 thousand include the following:

- The right to use the municipal construction land – in Block 25 and Block 26 in Novi Beograd, amounting to RSD 4.424.135 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,443 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at December 31, 2014 and presented in the off-balance records without any value.

42. MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY

Mortgages registered in favour of the Company are as follows:

- As collateral to secure the repayment of loan pursuant to the Annex No. 8 of the Loan Agreement No. 367, in the amount of RSD 16.723 thousand (EUR 137 thousand), granted by the Company to Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 4 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 145.695 thousand (EUR 1,198 thousand), there is a lien statement (mortgage was not registered) provided for the real property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

43. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company reconciled its domestic and international trade receivables as at December 31, 2015.

Of the total of twenty-five *domestic buyers*, as at December 31, 2015, with trade receivables amounting to RSD 594.545 thousand, all is reconciled.

The Company reconciled its trade receivables as at:

- June 30, 2015,
- September 30, 2015, and
- December 31, 2015.

Each one of the total of 39 account balances received from *domestic suppliers and banks* in 2015 amounting to RSD 99.419 thousand were reconciled.

44. TRANSACTIONS WITH RELATED PARTIES

In compliance with the requirements from the IAS 24 – Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below. From the Company's point of view, the related parties are: **subsidiaries, affiliated companies, joint ventures and key management** (persons with authorizations and responsibilities for planning, direction and control of the activities of an entity, either directly or indirectly, including all the directors, regardless if executive or not) and their immediate family members.

From the point of view of the **related parties**, transactions resulting in revenues and expenses in the income statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets within it) in the balance sheet are presented in the following two tables.

Income and expenses from related parties	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
<i>Income:</i>		
a) EP Garant Plc.	53.205	49.854
b) EP Visokogradnja Plc.	107.736	139.685
c) EP Niskogradnja Plc.	111.680	138.281
d) EP Hidroinzenjering Plc.	33.802	34.940
e) EP Entel Plc.	354.983	351.871
f) EP Energodata Plc.	11.092	14.196
g) EP Industrija Plc.	20.609	23.060
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	7.512	9.794
j) EP Oprema Plc.	190.514	318.673
k) EP Sunnyville Ltd.	782	
l) I.N.E.C. Engineering Company Limited, Great Britain		16
m) Encom GmbH Consulting, Engineering & Trading	11	
n) Dom 12 S.A.L.		
o) Enjub Ltd.	11.629	20.586
<i>Total</i>	<i>903.555</i>	<i>1.100.956</i>
<i>Expenditures:</i>		
a) EP Garant Plc.	951	1.129
b) EP Visokogradnja Plc.	231.362	652.473
c) EP Niskogradnja Plc.	4.399	5.067
d) EP Hidroinzenjering Plc.	24.741	279
e) EP Entel Plc.	160	480
f) EP Energodata Plc.	22.034	15.607
g) EP Industrija Plc.	20	131
h) EP Promet Ltd.	415	543
i) EP Urbanizam i arhitektura Plc.	4.261	2.060
j) EP Oprema Plc.	74.392	159.140
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, Great Britain	40	1.354
m) Encom GmbH Consulting, Engineering & Trading, Germany	66	2.314
n) Dom 12 S.A.L.	43	
o) Enjub Ltd.		
<i>Total</i>	<i>362.884</i>	<i>840.577</i>
TOTAL	<i>1.266.439</i>	<i>1.941.533</i>

Receivables and liabilities from related parties	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
<i>Receivables:</i>		
a) EP Garant Plc.	636	652
b) EP Visokogradnja Plc.	710.478	622.367
c) EP Niskogradnja Plc.	315.859	482.860
d) EP Hidroinzenjering Plc.	22.497	47.832
e) EP Entel Plc.	9.075	9.471
f) EP Energodata Plc.	70.997	74.011
g) EP Industrija Plc.	75.247	75.444
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	46.256	56.041
j) EP Oprema Plc.	8.206	13.744
k) EP Sunnyville Ltd.	36.077	
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting,Engineering&Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd.	211.271	199.220
<i>Total</i>	<i>1.506.599</i>	<i>1.581.642</i>
<i>Liabilities:</i>		
a) EP Garant Plc.	18	19
b) EP Visokogradnja Plc.	3	298
c) EP Niskogradnja Plc.		176
d) EP Hidroinzenjering Plc.		
e) EP Entel Plc.		
f) EP Energodata Plc.	1.656	
g) EP Industrija Plc.		
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.		
j) EP Oprema Plc.	25.142	12.774
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, Great Britain	40	
m) Encom GmbH Consulting,Engineering&Trading, Germany	11.463	16.480
n) Dom 12 S.A.L.		
o) Enjub Ltd.		
<i>Total</i>	<i>38.322</i>	<i>29.747</i>
TOTAL	<i>1.544.921</i>	<i>1.611.389</i>

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date. Blank bills of exchange and relevant authorizations were provided to the Company as payment securities.

Liabilities to the related parties arise primarily from the purchase transactions and have maturity periods from 5 to 30 days following the purchase date. Presented liabilities are exclusive of interest accrued. The Company has not provided any payment collaterals for liabilities owed to related parties.

45. COMMITMENTS AND CONTINGENCIES

Contingent liabilities that can potentially result in an outflow of economic benefits of the Company can primarily arise from the lawsuits. Contingent **liabilities arising from lawsuits** are primarily reflected in the potential completion of lawsuits against the Company, yet no liability or provision was recorded in the balance sheet.

The number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case are presented in the following Table. The disclosed lawsuits' amounts with the contingent liability as at December 31, 2015 include only the principal amount per case.

Plaintiff	First instance procedure	Second instance procedure	Total
<i>No. of lawsuits</i>			
Physical person	4	3	7
Legal entity	3	1	4
TOTAL	7	4	11
<i>In RSD thousand</i>			
Physical person	71.648	444	72.092
Legal entity			0
TOTAL	71.648	444	72.092

Additional details on lawsuits in which the Company is involved as the defendant are presented in the following Table.

Plaintiff	Basis for legal action	Contingent liability in RSD thousand
Raonic Milan	Damage compensation for copyright infringement	36.016
Land development public agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Marko Martinoli	Compulsory redemption of shares	Uncertain
Belim Plc. in bankruptcy	Unfounded gains	Uncertain
Sreta Ivanisevic	Compensation for expropriated property (Bezanija)	Uncertain
Vladan and Tomislav Krdzic	Damage compensation (for the value of free shares that they did not acquire)	444
Goran Rakic	Establishment of ownership right on the land under building for legalization purposes	Ungrounded
Pavle, Radmila and Milan Kovacevic	Compensation for expropriated land (Block 26)	Amount not determined
Rajko Ljubojevic	Expropriation of land from 1957	35.632
Activeast management Ltd	Payment of difference in the price of shares	Uncertain
TOTAL		72.092

In addition of the above listed court cases in which the Company is the defendant, there is a lawsuit with the New Company Ltd. branch IN Hotel, in which the plaintiff requests the GP Napred Razvoj Plc. to determine the ownership right over the hotel building constructed on a lot for which the Company was registered as a holder of rights in addition to the GP Napred Razvoj Plc. In this lawsuit, the Company is a passive co-litigant, and thus there are no potential commitments for the Company, but it had to be included in the action due to the formal reasons.

In addition to the above stated, the second instance procedure is in progress as well, in which a number of minority shareholders of the Energoprojekt Niskogradnja company called in question the price of shares from compulsory redemption that was paid by the Company as the majority shareholder. In addition to that, the first instance procedure is also in progress in which a small number of minority shareholders of the Energoprojekt Visokogradnja Company called into question the price paid to them in the procedure initiated at their request for compulsory sale of shares.

Contingent assets that can potentially result in economic benefits for the Company may primarily arise based on the lawsuits in which the Company is involved as the plaintiff.

Contingent assets arising from lawsuits leads to the potential for completion of lawsuits in favour of the Company, yet no receivables was recorded in the balance sheet and no economic benefit has been recorded in any other manner (such as, for example, by reducing value of an unjustified advance payment, etc.).

The number and estimated values of lawsuits and litigations in which the Company acts as the plaintiff are presented in the following Table.

Defendant	First instance procedure	Second instance procedure	Total
<i>No. of lawsuits</i>			
Physical person			
Legal entity	3	2	5
TOTAL	3	2	5
<i>In RSD thousand</i>			
Physical person			
Legal entity	855	210.881	211.736
TOTAL	855	210.881	211.736

Additional details on lawsuits in which the Company acts as the plaintiff are presented in the following Table.

Defendant	Basis for legal action	Contingency amount in RSD thousand
Beogradsko mesovito preduzeće Plc. (BMP)	Determining of BMP shares' value	Amount not determined
Zekstra group Ltd.	Damage compensation (roof repair works in 38 Goce Delceva Street)	855
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	Acquiring of 13% of the total hotel surface area is legally founded, but the value thereof has not been determined
City of Belgrade, Land development public agency, Republic of Serbia	Debt (Arena)	208.000
Napred Razvoj Plc.	Remuneration for organization of an extraordinary Company meeting	2.881
TOTAL		211.736

It should be noted here that an impairment of the receivable owed by the Zekstra Group Ltd. was performed in 2014 in the amount of RSD 855 thousand (EUR 7 thousand), and that in 2015 the receivable amount owed by Napred Razvoj Plc. in the amount of RSD 2.881 thousand was impaired (Note 18).

In addition to the presented legal actions in which the Company is involved as the plaintiff, there is a court action initiated against Music Ivan, for compensation of damage (roof repair in 38 Goce Delceva Street), on the basis of which a receivable amounting to RSD 30 thousand was presented in the accounting books of the Company.

46. POST BALANCE SHEET EVENTS

There were no events after the balance sheet date that could have any significant effect on the credibility of the financial statements.

In Belgrade,
On February 19, 2016

Legal Representative


Vladimir Milovanovic, Dipl. Ing.



2. INDEPENDENT AUDITOR'S REPORT (complete report)

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENERGOPROJEKT HOLDING a.d. BELGRADE

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting ("Official Gazette of the Republic of Serbia", no. 62/2013), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Belgrade, 7 April 2016




Igor Radmanovic
Certified Auditor

BALANCE SHEET
as at 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2014.	Opening balance on 01.01.2014.
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL UNPAID	0001		-	-	-
	B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		7.486.396	7.618.819	-
01	I. INTANGIBLES (0004+0005+0006+0007+0008+0009)	0003		11.883	13.183	-
010 & part 019	1. Investments in development	0004		-	-	-
011, 012 & part 019	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		11.883	10.989	-
013 & part 019	3. Goodwill	0006		-	-	-
014 & part 019	4. Other intangible assets	0007		-	-	-
015 & part 019	5. Intangible assets in progress	0008		-	1.783	-
016 & part 019	6. Advances paid on intangible assets	0009		-	411	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	0010		2.027.691	2.039.423	-
020, 021 & part 029	1. Land	0011		-	-	-
022 & part 029	2. Buildings	0012		1.380.671	1.399.710	-
023 & part 029	3. Plant and equipment	0013		11.994	15.389	-
024 & part 029	4. Investment property	0014		588.890	584.440	-
025 & part 029	5. Other property, plant and equipment	0015		283	283	-
026 & part 029	6. Property, plant and equipment in progress	0016		-	-	-
027 & part 029	7. Investments in property, plant and equipment, not owned	0017		-	-	-
028 & part 029	8. Advances paid on property, plant and equipment	0018		45.853	45.601	-
03	III. NATURAL ASSETS (0020+0021+0022+0023)	0019		-	-	-
030, 031 & part 039	1. Forests and growing crops	0020		-	-	-
032 & part 039	2. Livestock	0021		-	-	-
037 & part 039	3. Natural assets in progress	0022		-	-	-
038 & part 039	4. Advances paid for natural assets	0023		-	-	-
04, excl. 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	0024		5.446.822	5.566.213	-
040 & part 049	1. Shares in subsidiaries	0025		5.047.931	4.954.356	-
041 & part 049	2. Shares in affiliated companies and joint ventures	0026		29.550	13.550	-
042 & part 049	3. Shares in other companies and other available for sale securities	0027		25.467	33.026	-
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028		342.438	563.771	-
part 043, part 044 & part 049	5. Long term investments in other affiliated companies	0029		-	-	-
part 045 & part 049	6. Long term investments, domestic	0030		-	-	-
part 045 & part 049	7. Long term investments, foreign countries	0031		-	-	-
046 & part 049	8. Securities held to maturity	0032		-	-	-
048 & part 049	9. Other long term financial investments	0033		1.436	1.510	-
05	V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034		-	-	-
050 & part 059	1. Receivables from parent company and subsidiaries	0035		-	-	-
051 & part 059	2. Receivables from other affiliated companies	0036		-	-	-
052 & part 059	3. Receivables from credit sales	0037		-	-	-
053 & part 059	4. Receivables from financial leasing contracts	0038		-	-	-
054 & part 059	5. Receivables from pledged assets	0039		-	-	-
055 & part 059	6. Bad debts and uncollectible claims	0040		-	-	-
056 & part 059	7. Other long term receivables	0041		-	-	-
288	C. DEFERRED TAX ASSETS	0042		-	-	-
	D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	0043		2.030.932	1.484.288	-
Class 1	I. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044		1.826	14.142	-
10	1. Material, parts, tools and small inventories	0045		-	-	-
11	2. Work and services in progress	0046		-	-	-
12	3. Finished products	0047		-	-	-
13	4. Goods	0048		-	-	-
14	5. Fixed assets for sale	0049		-	-	-
15	6. Advances paid for inventories and services	0050		1.826	14.142	-
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		488.928	420.444	-
200 & part 209	1. Local buyers - parent company and subsidiaries	0052		488.186	419.702	-
201 & part 209	2. Foreign buyers - parent company and subsidiaries	0053		-	-	-
202 & part 209	3. Local buyers - other affiliated companies	0054		705	705	-
203 & part 209	4. Foreign buyers - other affiliated companies	0055		-	-	-
204 & part 209	5. Local buyers	0056		37	37	-
205 & part 209	6. Foreign buyers	0057		-	-	-
206 & part 209	7. Other receivables from sales	0058		-	-	-
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059		105.617	96.579	-
22	IV. OTHER RECEIVABLES	0060		58.383	53.512	-
236	V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET	0061		-	-	-
23 excl. 236 & 237	VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067)	0062		522.951	451.471	-
230 & part 239	1. Short term loans and investments - parent company and subsidiaries	0063		360.454	289.257	-
231 & part 239	2. Short term loans and investments - other affiliated companies	0064		162.419	161.527	-
232 & part 239	3. Short term credits and loans, domestic	0065		-	609	-
233 & part 239	4. Short term credits and loans, foreign countries	0066		-	-	-
234, 235, 238 & part 239	5. Other short term financial investments	0067		78	78	-
24	VII. CASH AND CASH EQUIVALENTS	0068		463.343	116.713	-
27	VIII. VALUE ADDED TAX	0069		-	-	-
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070		389.884	331.427	-
	E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		9.517.328	9.103.107	-
88	F. OFF-BALANCE SHEET ASSETS	0072		22.596.458	21.346.794	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2014.	Opening balance on 01.01.2014.
1	2	3	4	5	6	7
	CAPITAL AND LIABILITIES					
	A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)	0401		8.450.766	8.418.694	-
30	I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		7.202.622	7.202.622	-
300	1. Share capital	0403		5.574.959	5.574.959	-
301	2. Shares of limited liability companies	0404		-	-	-
302	3. Investments	0405		-	-	-
303	4. State owned capital	0406		-	-	-
304	5. Socially owned capital	0407		-	-	-
305	6. Shares of cooperatives	0408		-	-	-
306	7. Issuing premium	0409		1.600.485	1.600.485	-
309	8. Other share capital	0410		27.178	27.178	-
31	II. SUBSCRIBED CAPITAL UNPAID	0411		-	-	-
047 & 237	III. TREASURY SHARES REPURCHASED	0412		-	-	-
32	IV. RESERVES	0413		134.881	134.881	-
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414		817.591	817.591	-
33 excl. 330	VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330)	0415		-	-	-
33 excl. 330	VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330)	0416		28.433	40.786	-
34	VIII. RETAINED EARNINGS (0418+0419)	0417		324.105	304.386	-
340	1. Retained earnings from previous years	0418		87.132	260.519	-
341	2. Retained earnings from current year	0419		236.973	43.867	-
	IX. NON-CONTROLLING INTEREST	0420		-	-	-
35	X. LOSSES (0422+0423)	0421		-	-	-
350	1. Losses from previous years	0422		-	-	-
351	2. Losses from current year	0423		-	-	-
	B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)	0424		262.210	262.288	-
40	I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		262.210	262.288	-
400	1. Provisions for warranty costs	0426		-	-	-
401	2. Provisions for recovery of natural resources	0427		-	-	-
403	3. Provisions for restructuring costs	0428		-	-	-
404	4. Provisions for wages and other employee benefits	0429		2.210	2.288	-
405	5. Provisions for legal expenses	0430		-	-	-
402 & 409	6. Other long term provisions	0431		260.000	260.000	-
41	II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		-	-	-
410	1. Liabilities convertible into capital	0433		-	-	-
411	2. Liabilities to parent company and subsidiaries	0434		-	-	-
412	3. Liabilities to other affiliated companies	0435		-	-	-
413	4. Liabilities for issued securities for more than one year	0436		-	-	-
414	5. Long term credits and loans, domestic	0437		-	-	-
415	6. Long term credits and loans, foreign countries	0438		-	-	-
416	7. Long term liabilities from financial leasing	0439		-	-	-
419	8. Other long term liabilities	0440		-	-	-
498	C. DEFERRED TAX LIABILITIES	0441		156.365	153.989	-
42 to 49 (excl. 498)	D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		647.987	268.136	-
42	I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		565.607	187.015	-
420	1. Short term loans from parent company and subsidiaries	0444		-	-	-
421	2. Short term loans from other affiliated companies	0445		-	-	-
422	3. Short term credits and loans, domestic	0446		565.561	170.000	-
423	4. Short term credits and loans, foreign countries	0447		-	-	-
427	5. Liabilities from fixed assets and assets from discontinued operations available for sale	0448		-	-	-
424,425,426 & 429	6. Other short term financial liabilities	0449		46	17.015	-
430	II. RECEIVED ADVANCES, DEPOSITS AND BONDS	0450		-	-	-
43 excl. 430	III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		26.351	46.936	-
431	1. Suppliers - parent company and subsidiaries, local	0452		1.677	13.268	-
432	2. Suppliers - parent company and subsidiaries, foreign countries	0453		11.503	16.480	-
433	3. Suppliers - other affiliated companies, local	0454		-	-	-
434	4. Suppliers - other affiliated companies, foreign countries	0455		-	-	-
435	5. Suppliers, local	0456		5.667	12.416	-
436	6. Suppliers, foreign countries	0457		7.504	4.772	-
439	7. Other operating liabilities	0458		-	-	-
44, 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459		23.561	27.733	-
47	V. VALUE ADDED TAX	0460		4.559	5.540	-
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461		734	688	-
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462		27.175	224	-
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0411+0424+0442-0071) ≥ 0	0463		-	-	-
	E. TOTAL CAPITAL AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		9.517.328	9.103.107	-
89	F. OFF-BALANCE SHEET LIABILITIES	0465		22.596.458	21.346.794	-

Belgrade,

Date: 19.02.2016.



INCOME STATEMENT
from 01.01. until 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
	A. INCOME FROM NORMAL ACTIVITIES				
60 to 65, excl. 62 & 63	A. OPERATING INCOME (1002+1009+1016+1017)	1001		504.040	583.921
60	I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		-	-
600	1. Income from sale of goods to parent company and subsidiaries on local market	1003		-	-
601	2. Income from sale of goods to parent company and subsidiaries on foreign markets	1004		-	-
602	3. Income from sale of goods to other affiliated companies on local market	1005		-	-
603	4. Income from sale of goods to other affiliated companies on foreign markets	1006		-	-
604	5. Income from sale of goods on local market	1007		-	-
605	6. Income from sale of goods on foreign markets	1008		-	-
61	II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009		482.184	554.754
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010		422.673	410.782
611	2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets	1011		-	-
612	3. Income from sale of finished products and services to other affiliated companies on local market	1012		-	-
613	4. Income from sale of finished products and services to other affiliated companies on foreign markets	1013		-	-
614	5. Income from sale of finished products and services on local market	1014		108	70
615	6. Income from sale of finished products and services on foreign markets	1015		59.403	143.902
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016		-	-
65	IV. OTHER OPERATING INCOME	1017		21.856	29.167
	EXPENSES FROM NORMAL ACTIVITIES				
55 to 55, 62 & 63	B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0	1018		455.939	525.408
50	I. COST PRICE OF GOODS SOLD	1019		-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020		368	421
630	III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1021		-	-
631	IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1022		-	-
51 excl. 513	V. MATERIAL COSTS	1023		7.986	6.805
513	VI. FUEL AND ENERGY COSTS	1024		22.623	18.837
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025		193.160	202.510
53	VIII. PRODUCTION SERVICE COSTS	1026		135.418	204.634
540	IX. DEPRECIATION EXPENSES	1027		20.655	9.345
541 to 549	X. PROVISION EXPENSES	1028		782	-
55	XI. INTANGIBLE EXPENSES	1029		75.683	83.698
	C. OPERATING INCOME (1001-1018) ≥ 0	1030		48.101	58.513
	D. OPERATING LOSSES (1018-1001) ≥ 0	1031		-	-
66	E. FINANCIAL REVENUES (1033+1038+1039)	1032		475.673	695.280
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		465.006	655.627
660	1. Financial income from parent company and subsidiaries	1034		448.473	635.041
661	2. Financial income from other affiliated companies	1035		11.629	20.586
665	3. Share of profits in associated companies and joint ventures	1036		-	-
669	4. Other financial revenues	1037		4.904	-
662	II. INTEREST INCOME (THIRD PARTY)	1038		2.617	14.601
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039		8.050	25.052
56	F. FINANCIAL EXPENSES (1041+1046+1047)	1040		22.318	21.600
56, excl. 562, 563 & 564	I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		795	1.682
560	1. Financial expenses from transactions with parent company and subsidiaries	1042		795	1.682
561	2. Financial expenses from transactions with other affiliated companies	1043		-	-
565	3. Share of losses in affiliated companies and joint ventures	1044		-	-
566 & 569	4. Other financial expenditure	1045		-	-
562	II. INTEREST EXPENSES (THIRD PARTY)	1046		17.352	14.514
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047		4.171	5.404
	G. FINANCIAL GAINS (1032-1040)	1048		453.355	673.680
	H. FINANCIAL LOSSES (1040-1032)	1049		-	-
683 & 685	I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1050		730	-
583 & 585	J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1051		9.163	642.483
67 & 68, excl. 683 & 685	K. OTHER INCOME	1052		13.746	1.329
57 & 58, excl. 583 & 585	L. OTHER EXPENSES	1053		251.678	24.449
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		255.091	66.590
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
69-59	O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1056		-	6.989
59-69	P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1057		3.066	-
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058		252.025	73.579
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059		-	-
	S. INCOME TAX				
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060		12.676	27.364
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061		2.376	2.348
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062		-	-
723	T. MANAGEMENT EARNINGS	1063		-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064		236.973	43.867
	V. NET LOSSES (1059-1058+1060+1061-1062+1063)	1065		-	-
	I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS	1066		-	-
	II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER	1067		-	-
	III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS	1068		-	-
	IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1069		-	-
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		-	-
	2. Reduced (diluted) earnings per share	1071		-	-

Belgrade,

Date: 19.02.2016.

Legal Representative of the Company



STATEMENT OF OTHER RESULTS
from 01.01. until 31.12.2015.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET OPERATING RESULTS				
	I. NET PROFIT (EDP 1064)	2001		236.973	43.867
	II. NET LOSSES (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE RESULTS OR LOSSES				
	a) Items not reclassifiable in the balance sheet in future periods				
330	1. Change of revaluation of intangibles, property, plant and equipment				
	a) increase in revaluation reserves	2003			863.317
	b) decrease in revaluation reserves	2004			
331	2. Actuarial gains or losses from defined income plans				
	a) gains	2005			
	b) losses	2006			
332	3. Gains and losses from equity instrument investments				
	a) gains	2007			
	b) losses	2008			
333	4. Gains and losses from share of other comprehensive profits and losses of affiliates				
	a) gains	2009			
	b) losses	2010			
	b) Items that may be reclassified in the balance sheet in future periods				
334	1. Gains and losses from translation of financial statements for foreign operations				
	a) gains	2011			
	b) losses	2012			
335	2. Gains and losses from hedging of net investments in foreign operations				
	a) gains	2013			
	b) losses	2014			
336	3. Gains and losses from cash flow hedging				
	a) gains	2015			
	b) losses	2016			
337	4. Gains and losses from available for sale securities				
	a) gains	2017		12.356	
	b) losses	2018		3	19.650
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		12.353	843.667
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020			
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			129.499
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	2022		12.353	714.168
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0	2023			
	C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		249.326	758.035
	II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0	2025			
	D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0	2026		249.326	758.035
	1. Payable to majority shareholders	2027			
	2. Payable to non-controlling shareholders	2028			

Belgrade,

Date: 19.02.2016.



Legal Representative of the Company

CASH FLOW STATEMENT
from 01.01. until 31.12.2015.

RSD thousand

Description	EDP	Total	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	3001	496.409	500.518
1. Sales and prepayments	3002	488.268	484.178
2. Interests from operating activities	3003	-	-
3. Other inflow from normal operations	3004	8.141	16.340
II. Cash outflow from operating activities (1 to 5)	3005	607.759	724.889
1. Payments to suppliers and prepayments	3006	297.558	383.819
2. Employee expenses and benefits	3007	188.384	202.350
3. Interests paid	3008	17.012	12.782
4. Income tax	3009	9.329	21.210
5. Payments based on other public revenues	3010	95.476	104.728
III. Net cash inflow from operating activities (I-II)	3011	-	-
IV. Net cash outflow from operating activities (II-I)	3012	111.350	224.371
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 to 5)	3013	430.191	800.533
1. Sale of shares and stocks (net inflow)	3014	-	-
2. Sale of intangible investments, property, plant, equipment and natural assets	3015	-	-
3. Other financial investments (net inflow)	3016	-	253.772
4. Interest received from investment activities	3017	18.791	14.287
5. Dividends received	3018	411.400	532.474
II. Cash outflow from investing activities (1 to 3)	3019	134.029	160.576
1. Purchase of shares and stocks (net outflow)	3020	94.181	151.848
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	4.063	8.728
3. Other financial investments (net outflow)	3022	35.785	-
III. Net cash inflow from investing activities (I-II)	3023	296.162	639.957
IV. Net cash outflow from investing activities (II-I)	3024	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities (1 to 5)	3025	392.627	170.000
1. Equity increase	3026	-	-
2. Long term loans (net inflow)	3027	-	-
3. Short term loans (net inflow)	3028	392.627	170.000
4. Other long term liabilities	3029	-	-
5. Other short term liabilities	3030	-	-
II. Cash outflow from financing activities (1 to 6)	3031	235.287	628.907
1. Repurchase of own shares and stocks	3032	-	-
2. Long term loans (net outflow)	3033	16.667	235.408
3. Short term loans (net outflow)	3034	-	-
4. Other liabilities	3035	-	-
5. Financial leasing	3036	-	-
6. Dividends paid	3037	218.620	393.499
III. Net cash inflow from financing activities (I -II)	3038	157.340	-
D. Net cash outflow from financing activities (II-I)	3039	-	458.907
E. TOTAL CASH INFLOW (3001+3013+3025)	3040	1.319.227	1.471.051
F. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	977.075	1.514.372
G. NET CASH INFLOW (3040-3041)	3042	342.152	-
H. NET CASH OUTFLOW (3041-3040)	3043	-	43.321
I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD	3044	116.713	151.476
J. EXCHANGE RATE GAINS FROM CASH TRANSLATION	3045	4.478	8.558
K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION	3046	-	-
L. CASH BALANCE AT END OF REPORTING PERIOD (3042-3043+3044+3045-3046)	3047	463.343	116.713

Belgrade,

Date: 19.02.2016.

Legal Representative of the Company



STATEMENT OF CHANGES IN EQUITY
as at 31.12.2015.

No.	DESCRIPTION	Equity component															
		30 Equity capital		31 Subscribed capital unpaid		32 Provisions		35 Losses		047 & 237 Treasury shares repurchased		34 Retained earnings		330 Revaluation reserves		331 Actuarial gains or losses	
		EDP	3	EDP	4	EDP	5	EDP	6	EDP	7	EDP	8	EDP	9	EDP	10
1	2																
1	Opening balance on 01.01.2014. a) debit balance b) credit balance	4001	-	4019	-	4037	-	4055	-	4073	-	4091	-	4109	-	4127	-
		4002	7.202.622	4020	-	4038	134.881	4056	-	4074	-	4092	684.911	4110	52.910	4128	-
2	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4003	-	4021	-	4039	-	4057	-	4075	-	4093	-	4111	-	4129	-
		4004	-	4022	-	4040	-	4058	-	4076	-	4094	-	4112	-	4130	-
3	Adjustment of opening balance on 01.01.2014. a) adjustment of debit balance (1a+2a-2b) ≥ 0 b) adjustment of credit balance (1b-2a+2b) ≥ 0	4005	-	4023	-	4041	-	4059	-	4077	-	4095	-	4113	-	4131	-
		4006	7.202.622	4024	-	4042	134.881	4060	-	4078	-	4096	684.911	4114	52.910	4132	-
4	Changes in previous 2014. year a) debit balance activity b) credit balance activity	4007	-	4025	-	4043	-	4061	-	4079	-	4097	424.392	4115	144.281	4133	-
		4008	-	4026	-	4044	-	4062	-	4080	-	4098	43.867	4116	908.962	4134	-
5	Closing balances previous year at 31.12.2014. a) debit balance (3a+4a-4b) ≥ 0 b) credit balance (3b-4a+4b) ≥ 0	4009	-	4027	-	4045	-	4063	-	4081	-	4099	-	4117	-	4135	-
		4010	7.202.622	4028	-	4046	134.881	4064	-	4082	-	4100	304.386	4118	817.591	4136	-
6	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4011	-	4029	-	4047	-	4065	-	4083	-	4101	-	4119	-	4137	-
		4012	-	4030	-	4048	-	4066	-	4084	-	4102	-	4120	-	4138	-
7	Adjustment of opening balance current year at 01.01.2015. a) adjustment of debit balance (5a+6a-6b) ≥ 0 b) adjustment of credit balance (5b-6a+6b) ≥ 0	4013	-	4031	-	4049	-	4067	-	4085	-	4103	-	4121	-	4139	-
		4014	7.202.622	4032	-	4050	134.881	4068	-	4086	-	4104	304.386	4122	817.591	4140	-
8	Changes in current 2015. year a) debit balance activity b) credit balance activity	4015	-	4033	-	4051	-	4069	-	4087	-	4105	218.626	4123	-	4141	-
		4016	-	4034	-	4052	-	4070	-	4088	-	4106	238.345	4124	-	4142	-
9	Closing balance at 31.12.2015. a) debit balance (7a+8a-8b) ≥ 0 b) credit balance (7b-8a+8b) ≥ 0	4017	-	4035	-	4053	-	4071	-	4089	-	4107	-	4125	-	4143	-
		4018	7.202.622	4036	-	4054	134.881	4072	-	4090	-	4108	324.105	4126	817.591	4144	-

Belgrade,

Date: 19.02.2016.

No.	DESCRIPTION	Other results component										RSD thousand	
		332 Gains and losses from equity instrument investments	EDP	333 Gains and losses from share of other profits and losses of affiliates	EDP	334 & 335 Gains and losses from foreign operations and translation of financial statements	EDP	336 Gains and losses from cash flow hedging	EDP	337 Gains and losses from available for sale securities	EDP	Total capital [Σ (row 1b col.3 to col.15) - Σ (row 1a col.3 to col.15)] ≥ 0	EDP
1	2	11	12	13	EDP	14	EDP	15	EDP	16	17		
1	Opening balance on 01.01.2014. a) debit balance b) credit balance	4145 - 4146	4163 - 4164	4181 - 4182	4199 - 4200	4217 - 4218	21.136 - -	4235	4244	8.054.188	4244	-	
2	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4147 - 4148	4165 - 4166	4183 - 4184	4201 - 4202	4219 - 4220	- -	4236	4245	-	4245	-	
3	Adjustment of opening balance on 01.01.2014. a) adjustment of debit balance (1a+2a-2b) ≥ 0 b) adjustment of credit balance (1b-2a+2b) ≥ 0	4149 - 4150	4167 - 4168	4185 - 4186	4203 - 4204	4221 - 4222	21.136 -	4237	4246	8.054.188	4246	-	
4	Changes in previous 2014, year a) debit balance activity b) credit balance activity	4151 - 4152	4169 - 4170	4187 - 4188	4205 - 4206	4223 - 4224	20.560 910	4238	4247	-	4247	-	
5	Closing balance previous year at 31.12.2014. a) debit balance (3a+4a-4b) ≥ 0 b) credit balance (3b-4a+4b) ≥ 0	4153 - 4154	4171 - 4172	4189 - 4190	4207 - 4208	4225 - 4226	40.786 -	4239	4248	8.418.694	4248	-	
6	Adjustment for materially significant errors and changes in accounting policies a) adjustment of debit balance b) adjustment of credit balance	4155 - 4156	4173 - 4174	4191 - 4192	4209 - 4210	4227 - 4228	- -	4240	4249	-	4249	-	
7	Adjustment of opening balance current year at 01.01.2015. a) adjustment of debit balance (5a+6a-6b) ≥ 0 b) adjustment of credit balance (5b-6a+6b) ≥ 0	4157 - 4158	4175 - 4176	4193 - 4194	4211 - 4212	4229 - 4230	40.786 -	4241	4250	8.418.694	4250	-	
8	Changes in current 2015, year a) debit balance activity b) credit balance activity	4159 - 4160	4177 - 4178	4195 - 4196	4213 - 4214	4231 - 4232	3 12.356	4242	4251	-	4251	-	
9	Closing balance at 31.12.2015. a) debit balance (7a+8a-8b) ≥ 0 b) credit balance (7b-8a+8b) ≥ 0	4161 - 4162	4179 - 4180	4197 - 4198	4215 - 4216	4233 - 4234	28.433 -	4243	4252	8.450.766	4252	-	

Belgrade,

Date: 19.02.2016.





**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR 2015**

Belgrade, 2016

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1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is an open joint stock company for holding operations.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 – other law and 5/2015) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on March 16, 2012 and by passing the Articles of Association on the General Assembly meeting on January 12, 2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding Plc. data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of April 18, 2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on Harmonization of the Memorandum and Articles of Association of Energoprojekt Holding Plc. adopted in compliance with provisions of the new Companies Law, the Decision on Harmonization with the Companies Law and Company Articles of Association from 2006 ceased to apply.

Pursuant to the Decision BD 8020/2005 of May 20, 2005, the Company was re-registered and transferred to the Company Register of the Serbian Business Registers Agency from the Court Register of the Commercial Court of Belgrade with the previous registration on the registry inserts number 1-2511-00.

Based on the Decision No. VIII Fi 8390/99 of June 30, 2000 passed by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from "Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies", at the time registered by Decision No. FI 5843/91 of June 13, 1991 of the same Court, to "Energoprojekt Holding joint stock company for holding operations".

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of January 12, 1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement on Organizational Changes in the Former Composite Organization of Associated Labour "Energoprojekt" and the Associated Workers' Organizations, at a referendum held on December 8, 1989.

General Company Data

<i>Head Office</i>	Beograd, Bulevar Mihaila Pupina 12
<i>Registration Number</i>	07023014
<i>Registered business code and name of the business activity</i>	6420 – holding company
<i>Tax Identification Number</i>	100001513

According to the registration with the Serbian Business Registers Agency, **Company main business activity** is the activity of holding companies (6420).

The Company is a parent company that forms a **group of companies with the short business name of the Energoprojekt Group** with a number of subsidiaries in the country and abroad, as well as with an affiliated company (joint venture) in the country.

Company's subsidiary companies in the country are as follows:

- Energoprojekt Visokogradnja Plc.;
- Energoprojekt Niskogradnja Plc.;
- Energoprojekt Oprema Plc.;
- Energoprojekt Hidroinzenjering Plc.;
- Energoprojekt Urbanizam i arhitektura Plc.;
- Energoprojekt Energodata Plc.;
- Energoprojekt Industrija Plc.;
- Energoprojekt Entel Plc.;
- Energoprojekt Garant Ltd.;
- Energoprojekt Promet Ltd. and
- Energoprojekt Sunnyville Ltd.

In 2015, the Company established a new company in the country, Energoprojekt Sunnyville d.o.o. (Ltd.), Beograd for realization of own investment construction in Belgrade and paid in the founder's contribution in the amount of RSD 2,500 thousand.

Subsidiary companies abroad – international companies are as follows:

- Zambia Engineering and Contracting Company Limited, Zambia,
- Energoprojekt Holding Guinee S.A, Guinea,
- I.N.E.C. Engineering Company Limited, Great Britain,
- Encom GmbH Consulting, Engineering & Trading, Germany,
- Dom 12 S.A.L, Lebanon,
- Energo (Private) Limited, Zimbabwe and
- Energo Kaz d.o.o., Kazakhstan.

In 2015 in Zambia, the Energoprojekt Zambia Limited company was established, with ownership structure comprising of 80% Zambia Engineering and Contracting Company Limited, Zambia and 20% Energoprojekt Holding Plc.

In 2015, the Company recorded in its books the Energo Kaz d.o.o.(Ltd.), Kazakhstan company, established in 2009, but with no activity till 2014.

Company's affiliated company (joint venture) in the country is:

- Enjub Ltd.

The affiliated company in the country is:

- Fima SEE Activist Plc.

The share percentage of Energoprojekt Holding in the capital of the FIMA SEE Activist Plc. closed investment fund exceeded 20.00% in 2015, whereby the said investment fund became an affiliated company of Energoprojekt Holding.

The following table contains data on the ownership share in subsidiaries.

<i>Equity investments in subsidiary legal entities</i>	
<i>Name of subsidiary company</i>	<i>% ownership</i>
<i>In the country:</i>	
Energoprojekt Visokogradnja Plc.	100,00
Energoprojekt Niskogradnja Plc.	100,00
Energoprojekt Oprema Plc.	67,87
Energoprojekt Hidroinzenjering Plc.	100,00
Energoprojekt Urbanizam i arhitektura Plc.	100,00
Energoprojekt Energodata Plc.	100,00
Energoprojekt Industrija Plc.	62,77
Energoprojekt Entel Plc.	86,26
Energoprojekt Garant Ltd.	92,94
Energoprojekt Promet Ltd.	100,00
Energoprojekt Sunnyville Ltd.	100,00
<i>Abroad:</i>	
Zambia Engineering and Contracting Company Limited, Zambia	100,00
Energoprojekt Holding Guinee S.A, Guinea	100,00
I.N.E.C. Engineering Company Limited, Great Britain	100,00
Encom GmbH Consulting, Engineering & Trading, Germany	100,00
Dom 12 S.A.L, Lebanon	100,00
Energo (private) Limited, Zimbabwe	100,00
Energo Kaz d.o.o., Kazakhstan	100,00

Ownership share of the Company in other affiliated legal entities in the country is presented in the following table.

<i>Equity share in other affiliated legal entities in the country</i>	
<i>Name of the joint company</i>	<i>% ownership</i>
Enjub Ltd.	50,00
<i>Name of the affiliated company</i>	<i>% ownership</i>
Fima SEE Activist Ltd.	20,93

In addition to the above listed subsidiaries and other affiliated legal entities, the Company has its representative office in Baghdad, Iraq as well, which has been in the dormant status since 2015.

The Company is, according to criteria specified by the Law on accounting and auditing, classified as a **medium-sized legal entity**.

The average number of employees with the Company in the reporting period, based on the actual number of employees at the end of each month, is 70 (as at December 31, 2014: 71).

The company's shares are A-listed on the Belgrade Stock Exchange and these are traded in a regulated stock market.

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from January 1 till December 31, 2015** that were approved by the Supervisory Board of the Company on February 25, 2016, at the 38th meeting and that are subject to an audit by an external auditor.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

2. MANAGEMENT STRUCTURE

Key management of the Company in 2014 included the following persons:

- Vladimir Milovanovic - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Zoran Radosavljevic - Executive Manager for corporate projects, development and quality (in retirement since September 19, 2015);
- Mr Zoran Jovanovic - Executive Manager for legal affairs; and
- Dragan Tadic - Executive Manager for "Real Estate" projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at December 31, 2015 is presented in the Note 34.1.

4. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Financial statements of the Company were prepared in compliance with the Law on Accounting and Auditing (RS Official Gazette, No. 62/2013 – hereinafter: the Law).

Pursuant to the Law, in recognizing, valuation, presentation and disclosure of items in financial statements, large legal entities, legal entities obliged to prepare consolidated financial statements (mother legal entities), public companies, that is, companies preparing to become public, irrespective of their size, shall apply International Financial Reporting Standards (hereinafter: IFRS). IFRS, within the meaning of the Law, are:

- The Framework for the preparation and presentation of financial statements,
- International Accounting Standards – IAS,
- International Financial Reporting Standards - IFRS and related Interpretations, issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these Standards and the related Interpretations, as approved by the International Accounting Standards Committee, the translation of which was adopted and published by the Ministry in charge of finances.

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014). These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

Chart of Accounts and content of accounts in the Chart of Accounts were prescribed by the Rules on Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014).

In preparation of Company financial statements, the following laws and by-laws were taken into account, among others:

- Law on Corporate Income Tax (RS Official Gazette, No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 – other law, 142/2014, 1/2015 – authentic interpretation and 112/2015);
- Law on Added Value Tax (RS Official Gazette, No. 84/2004, 86/2004 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 – other law, 142/2014 and 83/2015);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax (RS Official Gazette, No. 99/2010, 8/2011, 13/2012, 8/2013 and 20/2014 – other Rules);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax (RS Official Gazette, No. 24/2014, 30/2015);

- Rules on Method of Classification of Non-Current Assets and on Method of Calculation of Depreciation for Taxing Purposes (RS Official Gazette, No. 116/2004 and 99/2010);
- Rules on Transfer Prices and Methods Applied in compliance with the “at arm’s length” principle in determining the price of transactions among related parties (RS Official Gazette, No. 61/2013 and 8/2014).

Among the legal acts comprising the internal regulations of the Company, in preparation of the financial statements of the Company, the Rules on Accounting and Accounting Policies of the Company, as adopted on November 27, 2015 by the Executive Board of the Company, was used. In addition to the above listed, other internal acts of the Company were used, such as, for example, the Collective Agreement of Energoprojekt Holding Plc. regulating employment in the country.

Basic accounting policies applied in preparation of these financial statements were listed in the Note no. 7.

The Law on Capital Market (RS Official Gazette, No. 31/2011 and 112/2015) set down mandatory data to be included in the annual, six monthly and quarterly statements of public companies with securities listed in the regulated markets.

It should be noted here that in certain cases, not all the relevant provisions of the IFRS or of the Interpretations thereof were taken into account in preparation of the Company financial statements.

The accounting regulations of the Republic of Serbia, and thus the presented financial statements of the Company, deviate from IFRS in the following aspects:

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013) , the financial statements in the Republic of Serbia for the year 2014 are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 – “Presentation of Financial Statements“; and
- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

In addition to the above stated, some deviations were due to the different publishing dates of the Standards and the relevant Interpretations thereof, which are subject to continuous modifications, and the effective dates when these Standards and relevant Interpretations thereof come into force in the Republic of Serbia. Thus, for example, the deviations from the Standards came as the consequence of the fact that the published Standards and relevant Interpretations, which came into force, have not yet been officially translated or adopted in the Republic of Serbia; as the consequence of the fact that the published Standards and relevant Interpretations have not yet come into force; or as the consequence of some other reasons beyond effective control or influence of the Company.

The new Standards, Interpretations and/or amendments to the existing Standards in force in the current period that have not yet been officially translated or adopted in the Republic of Serbia

By the date of adoption of the financial statements attached hereto, the following version of IAS, IFRS and the Interpretations that are integral parts of the Standards, as well as the amendments thereto, as issued by the International Accounting Standards Board, or by the International Financial Reporting Standards' Interpretations Committee, despite the fact that they came into force on January 1, 2015 and that are as such applicable to the financial statements for the reporting period, have not yet been officially translated or published by the Ministry, and thus cannot be applied by the Company:

- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - “Investment Entities” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting (effective for the annual periods beginning on or after January 1, 2014); and
- IFRIC 21 “Levies” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), which are the result of the annual standards' improvement project, “Cycle 2010-2012”, published by the IASB in December 2013, primarily through the removal of inconsistencies and clarification of text (in force for the annual periods beginning on or after July 1, 2014),
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), which are the result of the annual standard's improvement project, “Cycle 2011-2013”, published by the IASB in December 2013, primarily through the removal of inconsistencies and clarification of text (effective for annual periods beginning on or after July 1, 2014), and
- Amendments to IAS 19, Employee Benefits – Defined benefit plans (effective for annual periods beginning on or after July 1, 2014).

The new Standards, Interpretations and Amendments to the existing Standards that have not yet come into force

By the date of adoption of the attached financial statements, the following IAS, IFRS and Interpretations that are integral parts of these Standards, as well as the Amendments thereto, were issued by the International Accounting Standards Board, and/or by the International Financial Reporting Interpretations Committee, but have not yet come into force, nor have they been officially translated or published by the Ministry, and thus were not applied by the Company:

- Amendments to various Standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) that were introduced as the result of the annual improvements to the Standards, Annual Improvements Cycle 2012-2014, published by the IASB in September 2014, primarily through removal of inconsistencies and explanations of the texts (effective for annual periods beginning on or after January 1, 2016);
- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2018).
- Amendments to IFRS 11, “Joint Arrangements”, Accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after January 1, 2016;

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

Despite all the above mentioned potential discrepancies, application of all the amendments to above listed Standards would not bear any significant influence on the financial position of the Company or to the results of its operations.

5. ACCOUNTING PRINCIPLES

The following principles were applied in the preparation of Company financial statements:

- The Going Concern Principle,
- The Consistency Principle,
- The Prudence Principle,
- The Substance over Form Principle,
- The Accrual Principle,
- The Item by Item Assessment Principle.

By complying with the **Going Concern Principle**, the financial statements are prepared under the assumption that the proprietary position, financial standing and business results of the Company, as well as the economic policy of the country and economic situation in its immediate environment, enable the Company to operate for an unlimited period.

The Consistency Principle means that the valuation method for assets and changes in assets, liabilities, capital, income, expenses and business results, that is, for the Company's balance items, remains the same over a longer period. If, for example changes are implemented due to required harmonization with the legislation, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The Prudence Principle means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over Form Principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

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

In other words, compliance with the Accrual Principle provides information on past transactions and other events in the manner most useful to users for reaching their economy-related decisions.

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

6. PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE

Prior period errors represent omitted or false data presented in financial statements of the Company for one or several periods as a result of misuse or lack of use of reliable information, which were available when the financial statements for respective periods were approved for issue and which were expected to be obtained and taken into consideration upon preparation and presentation of the respective financial statements.

A **materially significant error**, discovered in the current period that refers to a previous period is an error that has significant influence on financial statements for one or several prior periods and due to which these financial statements cannot be considered anymore as reliable.

Materially significant errors are corrected retroactively in the first series of financial statements approved for publishing after these errors have been discovered, by correcting comparative data for presented prior period(s) when errors occurred or if the error occurred prior to the earliest presented prior period, opening balances for assets, liabilities and capital for the earliest presented prior period will be corrected.

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Company will correct opening balances for assets, liabilities and capital for the earliest period that can be corrected retroactively (may be also the current period).

Subsequently *identified errors that are not of material significance* are corrected against expenses or in favour of revenues for the period in which they were identified.

The materiality of an error is valued pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements.

Materially significant errors are valued pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1.5% of the total income in the previous year**.

7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

Principal accounting policies that are applied in the preparation of these financial statements are presented herein. These policies are consistently applied to all included years, unless otherwise stated.

Important accounting policies applied to Company financial statements that are subject of these Notes and presented in the following text, are primarily based on the Rules on Accounting and Accounting Policies of the Company. If certain accounting aspects are not clearly defined in the Rules, the applied accounting policies are based on the legislation, professional and internal regulations in force.

As for the general data, we are hereby noting that in compliance with IAS 21 – “The Effects of Changes in Foreign Exchange Rates”, the RSD is the **functional and presentation reporting currency** in financial statements of the Company.

In preparation of Company financial statements, relevant provisions IAS 10 – “Events after the Reporting Period” were considered. They refer to events that occur between the balance sheet date and the date when the financial statements were authorized for issue. More precisely, **for effects of the event that provide evidence on circumstances at the balance sheet date**, already recognized amounts in financial statements of the Company were corrected in order to mirror corrected events after the balance sheet date; and **for effects of the event that provide evidence on circumstances after the balance sheet date**, no adjustments of recognized amounts were applied, and if there were any, these Notes will disclose the nature of events and the valuation of their financial effects, or, if impossible to evaluate the financial effects thereof, it is disclosed that such estimate cannot be made.

7.1. Valuation

In preparation and presentation of financial statements in compliance with the requirements of the legal regulations in force in the Republic of Serbia, the Company management is required to use the best possible valuations and reasonable assumptions. Although, understandably, the actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

Within the context of valuation, the business policy of the Company is to disclose information on the **fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. Despite all the above, the Company pays close attention to these problems and its management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

7.2. Effects of Foreign Exchange Rates

Transactions in foreign currency, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the transaction date.

Pursuant to the provisions of IAS 21 – Changes in foreign exchange rates, monetary items in foreign currency (assets, receivables and liabilities in foreign currency) are recalculated at each balance sheet date by applying the valid exchange rate or the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Company in foreign business, included pursuant to IAS 21) are recognized as revenues or expenses of the Company for the period in which they occurred.

Official middle exchange rates of the National Bank of Serbia, at the balance sheet date, for foreign currencies used for the recalculation of monetary items in dinar counter value, are presented in the following table.

Official Middle Exchange Rates of the National Bank of Serbia

Currency	December 31, 2015	December 31, 2014
	Amount in RSD	
1 EUR	121,6261	120,9583
1 USD	111,2468	99,4641
1 GBP	164,9391	154,8365

7.3. Revenues

Revenues in accordance with IAS 18 - Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues, other revenues (including also revenues from the property value adjustment), and income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors.

Among the **operating revenues**, the most important are the sales revenues from the sales of goods, products and services, and as other revenues the following may appear: income from the own use of products, services and merchandize, increase of finished goods, work in progress and services in progress (if there were any reductions in the finished goods, work in progress and services in progress, during the year, the total operating revenues shall be reduced by the amount of such reduction), income from premiums, subventions, donations, etc.; and other operating income.

For the purpose of financial reporting, within the operating revenues in Income Statement no income from the own use of products, services and merchandize and income from the change in value of products, services and merchandize (increases, i.e., decreases in the value of inventories of unfinished and finished products and unfinished services), and instead operating expenses are corrected by such amounts in the Income Statement.

Income from the sales of merchandize is recognized when the following conditions are met cumulatively:

- The company has transferred to the buyer significant risks and benefits from the ownership of the product and goods,
- The company does not keep the share in management of the product sold and merchandize that is usually related to ownership, nor does it keep the control over products and goods sold,
- The amount of income cannot be measured in a reliable manner,
- Economic benefit for the Company related to such transaction is probable, and
- Costs incurred or cost that will be incurred in such transactions can be measured in a reliable manner.

Operating revenues from provision of services, in compliance with the relevant provisions of IAS 18 – Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date.* The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the economic benefit for the Company related to such transaction is probable, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

Financial revenues include financial revenues from the related parties, gains arising from foreign currency fluctuations, income from interest and other forms of financial revenues.

Revenues from dividends are recognized when the right to receive the dividend is established.

Within **other income** (that additionally include income from the adjustments of value of other property measured at fair value through Income Statement), in addition to other income, *gains* are presented that may, but do not have to result from the usual activities of the Company. Gains are increases in economic benefits of the Company and as such, by their nature, are not different from other revenues. For example, gains include gains from the sales of property, plant and equipment; at greater value from accounting one at the moment of sale.

Within **income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors and transfer of income**, income according to the names of account of this groups are presented and the transfer of total income at the end of the period, which are, for the purposes of financial reporting, presented as net effect, after the decrease for the relevant expenses.

7.4. Expenses

Expenses are the outflow of economic benefits over a given period that result in the decrease of the capital of the Company, except for the reduction that refers to the allocation of profit to owners or reduction that resulted from partial withdrawal of capital from operations by the owner. Expenses include outflow of assets, impairment of assets and/or increase of liabilities.

Expenses include operating expenses, financial expenses, other expenses (including impairment-related expenses for other assets measured at fair value through Income Statement) and operating loss from the discontinuing operations, effects of change in accounting policy and corrections of prior period errors.

Operating expenses include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

For the purposes of financial reporting, operating expenses are corrected in the Income Statement for the amount of income from the own use of products and merchandize and income from the depreciation of inventories of products (increase, i.e., decrease in the value of inventories of unfinished and finished products and unfinished services).

Financial expenses include financial expenses arising from the related legal entities, gains arising on the translation of foreign currency, interest-related expenses and other financial expenses.

Other expenses (that additionally include expenses from depreciation of other assets measured at fair value through Income Statement), include losses that may or may not arise from usual activities of the Company. Losses (for example, shortages or losses that result from the sale of assets at a less value than the accounting value) represent a decrease of economic benefits and, as such, do not vary from other expenses.

Within **operating loss from discontinuing operations, effects of changes in accounting policy, corrections of prior period errors and transfer of expenses**, expenses according to the names of accounts comprising this group are presented and the transfer of total expenses at the end of accounting period, which are for the purposes of financial reporting presented in net effect, after offsetting against relevant income.

7.5. Interest and Other Borrowing Costs

Borrowing costs include interest and other costs borne by the Company in relation to the borrowing of funds.

Based on relevant provisions IAS 23 – Borrowing costs, Interest and other borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the acquisition, construction or production of a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost) of that asset.

7.6. Income Tax

Income tax is recorded in Company books as the sum of:

- The current tax; and
- The deferred tax.

The current tax is the amount of obligation for the payable (recoverable) income tax that refers to the taxable income (tax loss) for the respective period. In other words, the current tax is payable income tax defined in the tax return pursuant to tax regulations.

The deferred tax includes:

- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is recorded in books pursuant to respective provisions IAS 12 – Income taxes that, *inter alia*, specify that *deferred tax assets and liabilities should not be discounted*.

Deferred tax assets include income tax, recoverable in future periods in respect of:

- Deductible temporary differences,
- Unused tax losses transferred to the following period and
- Unused tax credit transferred to the following period.

Deductible temporary difference arises in cases where an expense has already been recorded in Company books, on certain bases, which, from the taxation aspect, is to be recognized in the following periods. Some typical examples of cases where the deductible temporary differences arise include the following: tax value of assets that are subject to depreciation exceeds the accounting value thereof; from the taxation aspect, certain provisions are not recognized (IAS 19, issued guarantees and other sureties), impairment of assets (merchandise, materials, etc.) and impairment of investment immovable property; from the taxation aspect expenses for unpaid public revenues that do not depend on business performance and losses occurring when securities are measured at fair value and effect is presented through Income Statement.

For assets that are subject to depreciation, deferred tax assets are recognized for all **deductible temporary differences** between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist

if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

The amount of deferred tax assets is determined by applying the prescribed (or notified) income tax rate on Company income on the amount of deductible temporary difference that is determined as at the Balance Sheet date.

If at the end of previous year the temporary difference was deductible, on the basis of which the deferred tax assets were recognized, and at the end of current year, on the basis of the same assets, the temporary difference is taxable, the previously established deferred tax assets are released in their entirety, and at the same time the deferred tax liabilities are recognized in the amount determined as at the Balance Sheet date.

A deferred tax asset based on **unused tax losses** is recognized only in case that the Company management may reliably assess that the Company will generate taxable income in future periods that may be reduced based on unused tax losses.

A deferred tax asset based on **unused tax credit** for investments in fixed assets is recognized only up to the amount for which a taxable income in the tax balance will be realized in future periods or calculated income tax for the reduction of which the unused tax credit may be used, only until this type of tax credit may be used in the legally prescribed manner.

Deferred tax assets may be recognized on other grounds for which the Company assesses income tax will be recoverable in future (for example, for provisions for non-due retirement bonus, specified pursuant to provisions IAS 19 – Employee Benefits).

Deferred tax liabilities include income taxes payable in future periods against deductible temporary differences.

Taxable temporary difference arises in cases where a certain expense is recognized from the taxation aspect, while from the accounting aspect it will be recognized in the Company books in the following periods.

With respect to assets that are subject to depreciation, deferred tax liabilities are recognized always if there is a deductible temporary difference between the accounting value of assets that are subject to depreciation and their tax base. Deductible temporary difference occurs if the accounting value is greater than its tax base.

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

The amount of deferred tax liability is determined by applying the prescribed (or expected) tax rate on the Company profit on the amount of taxable temporary difference that is determined as at the Balance Sheet date.

On each Balance Sheet date, the deferred tax liabilities are reduced to the amount determined based on temporary difference as at that date. If at the end of the previous year the temporary difference was taxable, on the basis of which the deferred tax liabilities were recognized, and at the end of the current year, based on the same assets, the temporary difference is deductible, the previously established deferred tax liabilities are released in their entirety, and at the same time the deferred tax assets of the Company are recognized in the amount determined as at the Balance Sheet date.

Deferred tax liabilities may be recognized on other grounds for which the Company assesses income tax will be recoverable in future against taxable temporary differences.

7.7. Intangible Assets

Intangible assets are assets without identifiable physical substance, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc.

The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

To recognize an intangible asset, it must comply with the provisions of IAS 38 – Intangible assets:

- That it is likely that future economic benefits, attributable to assets, will flow to the Company;
- That the Company has control over the asset, and
- That the purchase price (cost) can be reliably measured.

If one of the requirements is not fulfilled, expenses on the basis of intangible investments are recognized as debit to expenses in the period in which the expenses were incurred.

Accounting recognition of internally generated intangibles is dependent upon an assessment of whether they are created:

- In the research phase, or
- In the development phase.

Intangible assets generated from *research or research phase of an internal project*, will not be recognized as intangible asset. Expenditures related to research or to a research phase of an internal project are recognized as expenses in the period of occurrence.

The cost of an internally generated intangible asset generated from *development* activities (or the research phase of an internal project) includes all the directly attributable expenses necessary to generate, produce and prepare the asset for the use as intended by the Company management.

Initial measuring of intangible assets is performed at its cost (purchase price).

Subsequent measuring of intangible assets, after initial recognition, is performed at their cost (purchase price) reduced by the accumulated depreciation and accumulated losses from impairment (in compliance with the provisions of IAS 36 – Impairment of assets).

7.8. Property, Plant and Equipment

Property, plant and equipment are tangible assets that are: used in production, supply of goods and services, for rental to others or for administrative purpose; and which are expected to be used for more than one accounting period.

The above general principle for the recognition of property, plants and equipment is not applied exclusively in cases of recognition of assets of lesser value that are registered as inventory items (such as, for example, spare parts and servicing equipment). The total value of such assets is transferred to current expenses when the item is first put in service.

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost) of the item can be reliably measured.

Initial measuring of property, plant and equipment **is performed at purchase cost (purchase price), which includes: the purchase price and all the related costs of acquisition, that is, all the directly attributable costs of bringing the assets to the condition of functional readiness.**

With the aim to perform subsequent measuring of property, plant and equipment, these are grouped in the following categories:

- a) Land,
- b) Facilities,
- c) Plants and equipment, and
- d) Other.

Subsequent measuring of the category “Buildings” is performed according to the fair value, which imply the market value, or the most probable value that can realistically be achieved in the market, at the Balance Sheet date. The fair value is to be determined by appraisal, which is to be performed by expert appraiser, based on the evidence collected on the market. Where there is no evidence of the fair value on the market, due to the specific nature of facilities and due to the fact that such items are only rarely sold, except as a part of continuous business operation, it may be necessary that the Company performs an assessment of the fair value by using the income approach or the approach of depreciated costs of replacement. Any change in the fair value of facilities is to be recognized in principle in the total equity, within the revaluation reserve position.

Subsequent measuring of all other categories within the Property, Plant and Equipment position, other than the facilities, is to be performed in compliance with the cost (purchase price) decreased by the accumulated depreciation and accumulated losses due to impairment (pursuant to IAS 36).

Measuring of subsequent expenses for property, plant and equipment is performed when:

- It is a case of the investments that extend the useful life of the use of such asset,
- It increases the capacity,
- It improves the asset, whereby the quality of product is improved, or
- It reduces the production costs compared with the costs prior to such investment.

The costs of servicing, technical maintenance, minor repairs and other, do not increase the value of an asset, but comprise the expense for the period.

Investments in other person's property, plant and equipment are presented and recognized in a special account, if it is probable that the Company will make the future economic benefits related to such asset. Amortization of investment in other person's property, plant and equipment is performed on the basis of the estimated useful life of such assets, which may be equal or shorter than the validity period of the lease agreement.

7.9. Lease

Lease is an agreement according to which the lessor transfers the right to use the object of lease to the lessee for an agreed period of time in exchange for a single payment or for a series of payments.

In case of a **financial lease** (lease whereby all the risks and benefits related to ownership of the assets are essentially transferred, and upon expiry of the lease period, the property right may, but does not necessarily need to, be transferred), in compliance with the provisions of the IAS 17 - Leases, the lessee performs the **initial measurement** by recognizing the lease as an asset and liability in their Balance Sheet, according to the amounts of its fair value at the beginning of the lease, or according to the present value of the minimum payments for the lease, whichever is lower. The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in an at arm's length transaction.

In calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or as the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset identical to the lease.

All initial direct expenses borne by the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to periods within the leasing term and a constant periodic interest rate is applied to the outstanding balance.

In case of **business (operational) lease** (the lease whereby all the risks and benefits related to the ownership of the assets are not essentially transferred), the lease payments are recognized as expense, and in general at the linear basis during the lease period.

7.10. Amortisation of Intangible Assets, Property, Plant and Equipment

Asset value (of intangible assets, property, plant and equipment) is allocated by **amortisation** to the period of its useful life.

The lifetime of an asset is determined by applying the time method, so that the lifetime of the asset may be understood as a time period when the asset is at Company's disposal for use.

The amount to be depreciated, or the acquisition price or some other amount used as a substitute for the acquisition price in financial statements of the Company, reduced by the residual value (remaining value) is to be systematically allocated over the lifetime of the asset.

Residual value is the evaluated amount that the Company would have received today, if it had disposed of an asset, after the deduction of the estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a useful lifetime.

The residual value of intangible assets is always presumed to be zero, except in the following cases:

- When there is an obligation of a third party to purchase intangible asset at the end of its useful life, or
- When there is an active market for the intangible asset, with the presumption that such market will exist at the end of the useful lifetime of the asset as well, when the residual value may be determined by referring to such market.

The residual value and the remaining useful lifetime of the asset are examined at the end of each financial year by the competent valuers. In case that the new valuations are different from the previous valuations, the change is treated by changing the accounting assessment and it is recognized in the books on the basis of IAS 8 – Accounting Policies, Changes in Accounting Policies and Errors.

The residual value may be increased as the result of a valuation for an individual asset to the amount that is equal to the book value of such asset or larger than such value. In that case, the depreciation cost will, during the remaining useful lifetime of such asset, be zero, unless, as the result of subsequent valuations, the residual value is reduced to the amount that is lower than the book value.

Amortization of assets is performed by the **linear write-off** (proportional method), and the **calculation of amortisation starts** from the beginning of the following month from the moment when the asset becomes available for use, i.e., employment, or when it is at the location and ready-for-use as intended by the Company.

Amortization of intangible assets is conditional on the assessment of whether the useful lifetime is unlimited or limited. Intangible assets are not subject to amortization if it is estimated that the useful lifetime is unlimited, that is, if, based on the analysis of all the relevant factors, the end of the period when it is expected that the intangible asset will cease to generate incoming net cash flows for the Company cannot be foreseen.

Amortisation is not calculated for assets the value of which is not impaired over time (such as, for example, the works of art) nor for assets with unlimited lifetime (land, for example).

For an assets acquired by means of financial lease, amortization is calculated in the same manner as for other assets, except when it is not known whether the Company will acquire the ownership right on such asset, when the assets is amortized in its entirety in a shorter period than the lease period or the useful lifetime.

Calculation of amortization ceases when the asset is derecognized (ceases to be recognized as an asset) and when it is reclassified as a non-current asset held for sale or within discontinuing operations. Thus, amortization is calculated even when the asset is not used, that is, even when the asset is not being used actively, if such asset is not reclassified as a non-current asset held for sale or within the discontinuing operations.

Calculation of assets' amortisation is performed for tax balance purposes in compliance with the applicable legislation.

Assets that are, in accordance with the IFRS 5 – Non-Current Assets Held for Sale and Discontinuing Operations, classified as assets held for sale, as at the balance sheet date are presented as working capital and are assessed at the lower value of the accounting value and fair value reduced by the costs of sale.

7.11. Impairment of Intangible Assets, Property, Plant and Equipment

At each balance sheet date, competent persons, from the Company or external, check if there are indications that the accounting value of an asset (intangible assets, property, plant and/or equipment) is impaired, that is, if the accounting value exceeds the recoverable amount for the asset in question.

If there are indications of impairment, appraisal of recoverable amount is performed in compliance with the relevant provisions of IAS 36.

Recoverable amount is the higher amount of:

- The fair value, reduced by the costs of sales; and
- The use value.

Fair value reduced by the costs of sales is the expected net selling price of the asset or the amount that can be achieved in the sale of an asset in an at arm's length transaction between knowledgeable, willing parties, reduced by the disposal costs.

Use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used in determining the asset's present value reflects current market estimates of the time value of money, as well as the risks characteristic for the asset in question.

Recoverable amount is estimated for each asset separately or, if that is not possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows independent to the greatest degree from the cash flow related to other assets or groups of assets.

If it has been established that the value is decreased, the accounting value is reduced to the recoverable amount. The loss due to the decrease is captured as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.12. Investment Property

An **investment property** is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- The sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 – Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost) can be measured reliably.

An **investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to an already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as an asset, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost) of that expenditure can be measured reliably. In the opposite case, the subsequent expenditure is presented as an operating expense in the period in which it was incurred.

After the initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

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

Investment properties are not subject to the calculation of depreciation or to the valuation of the decrease in value of the property.

Investment property is not recognized as such any more upon the disposal thereof or if it is not in use any more and no future benefits are expected from the disposal thereof. Gains or losses from decommissioning or disposal of investment property are recognized in Income Statement in the year in which the asset was disposed of or decommissioned.

7.13. Inventories

Inventories are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

Inventories are (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost) and
- Net realizable value.

The purchase price (cost) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of materials and goods as basis for the valuation of inventories of materials and goods, include the cost price, import duties and other fiscal expenditure (other than the recoverable tax amounts, such as the input value added tax), transportation costs, handling costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted on the occasion of determining the purchase costs.

Valuation of material and goods inventories spent is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items, spare parts and servicing equipment), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

Conversion costs and other costs incurred in bringing the inventories to their present location and condition are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labour costs, direct material costs and indirect costs, or general production costs and non-production costs and borrowing costs.

Net realizable value is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

7.14. Non-Current Assets Held for Sale

The Company recognizes and presents a non-current asset (or available group of assets) as an **asset held for sale** in compliance with IFRS 5 – Non-Current Assets Held for Sale and Discontinuing Operations if its accounting value can primarily be recovered by means of a sales transaction and not by means of its further use. To fulfil this requirement:

- The asset (or group for disposal) must be available for immediate sale in the current condition, solely under the usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very probable.

A non-current asset recognized as an asset held for sale **is to be measured** (presented) at a lower value than:

- The accounting value, and
- The fair value reduced by the costs of sale.

The accounting value is the present (non-write off) value stated in business books of the Company.

The fair value is the amount at which the asset may be traded between knowledgeable and willing parties in an at arm's length transaction, or the market value on the date of sale.

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

Non-current assets held for sale are not depreciated.

Written-off assets, as well as assets with insignificant non-write off value will not be recognized as assets held for sale.

7.15. Financial Instruments

Financial instruments include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is conditional upon their classification that is to be performed by the Company in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified by provisions of IAS 39:

- Financial assets at fair value through income statement,
- Held-to-maturity financial assets (investments),
- Loans (credits) and receivables, and
- Financial assets available for sale.

Financial assets or liabilities at fair value through income statement include financial assets and liabilities the changes in fair value of which are recorded as revenues or expenses in the balance sheet.

A financial asset or liability classified in this category must fulfil either one of the following conditions:

- Classified as held for trading, or
- After initial recognition, it will be classified and stated as a financial asset (liability) through income statement.

A financial asset of liability is classified as held for sale, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (other than the derivate as a hedging instrument).

The Company may indicate that a financial instrument is disclosed through the income statement only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valued based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

Held-to-maturity financial assets (investments) are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intends and may hold to maturity, excluding those marked by the Company at fair value through the income statement account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

Loans (credits) and receivables are non-derivative financial assets of the Company with fixed or identifiable payments and fixed maturity that are not quoted in an active market, other than:

- The assets that the Company intends to sell immediately or within a short period of time and that would then be classified as assets held for sale;
- The assets marked by the Company at fair value through the income statement after initial recognition;
- The assets marked by the Company as available for sale after their initial recognition, or
- The assets for which the owner cannot recover the entire amount of their initial investment to any significant degree, which will be classified as assets available for sale.

Available-for-sale financial assets are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

On the occasion of the **initial measurement** of a financial instrument, the Company performs the measurement at fair value through income statement increased, in case that the financial instrument has not been marked for measurement at fair value with changes of fair value through income statement, by the transaction costs that are directly attributable to the acquisition thereof.

Subsequent measurement of financial instruments is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- Loans and receivables, measured at amortized cost using the effective interest method;
- Financial assets (investments) held-to-maturity, measured at amortized cost using the effective interest method; and
- Investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

The fair value of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through income statement. Available-for-sale financial instruments

are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

Amortized cost is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

7.16. Cash and Cash Equivalents

The most liquid forms of financial assets of the Company are **cash and cash equivalents**, valued at nominal or fair value. Cash and cash equivalents consist of: securities, petty cash in RSD and in foreign currencies, deposits in accounts in RSD and foreign currencies with banks, allocated monetary assets for letters of credit opened in the country, letters of credit in foreign currencies, short-term high liquidity investments with short maturity period which may be transferred into cash that are not under the influence of significant risk of value changes, monetary assets the use of which is limited or value decreased, etc.

Criteria according to which the Company assets are classified within cash and cash equivalents are specified in the relevant provisions of IAS 7 – Statement of Cash Flows, according to which:

- Cash includes cash and demand deposits, and
- Cash equivalents and short-term, highly liquid investments, that can be quickly turned into known cash amount and that are not under the influence of significant risk of value changes, which implies investments with short maturity term (of three months or shorter).

7.17. Short-Term Receivables

Short term receivables from the sale of products, goods and services to related parties and other legal and physical persons in the country and abroad, as well as the receivables on other bases (receivables for interest and dividend, receivables from employees, receivables from state authorities and organizations, receivables from overpaid taxes and contributions, etc., expected to be realized within 12 months from the balance sheet date.

Short term trade receivables from the sale are measured by the cost stated in the issued invoice, and subsequently at invoice value reduced by the correction of value based on uncollectible receivables. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are presented as gains and losses from exchange posted in revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of realisability and probability of default for all receivables or if receivables have any decrease in value.

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectability of receivables.

If there is a decrease in the value of receivables, the following steps are taken:

- Indirect write-off, or
- Direct write-off.

Indirect write-off of receivables for which the Company is debited is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables on the value adjustment account, upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal of the expert services in the course of the year, is made by the Executive Board of the Company.

Direct write-off of receivables is performed based on the assessment of Company management if there is almost no probability of recovery (in cases where the receivables are outdated, debtors are bankrupt, etc.). The decision on direct write-off of receivables, after consideration and upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal by the expert services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balances as at the balance sheet date, i.e., during the year.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial Investments

Short term investments refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

As for other assets that are presented as short-term assets, Company securities the realization (collection) of which is expected within the period of one year from the balance sheet date are also presented within the short-term financial investments. Thus, for example, securities that are classified as securities held to maturity are presented as short-term financial investments – the portion thereof that will mature within the period of one year.

Long-term financial investments include investments in long-term financial assets, such as: the long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 – Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company’s books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 – Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established.

The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

7.19. Liabilities

A liability is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

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

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

In addition to the above, the *prudence principle* is applied in valuation, which means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. However, the prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), since in such case the financial statements would not be impartial and would therefore be unreliable.

Liabilities include: long-term liabilities (liabilities to related parties; long-term loans and credits in the country and abroad, liabilities for long-term securities, liabilities for financial lease and other long-term liabilities); short-term financial liabilities (short-term credits and loans from related parties, short-term credits and loans in the country and abroad, a portion of the long-term credits and loans, as well as other liabilities with maturity up to one year and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term liabilities are liabilities expected to be settled within one year from the balance sheet date including the part of *long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

For liabilities presented in a foreign currency, as well as for the liabilities with foreign currency clause, calculation in functional currency is performed at the middle exchange rate on the transaction date. The change in exchange rate until the settlement date is presented as positive (negative) differences in exchange rate. Liabilities in a foreign currency are calculated on the balance sheet date by using the exchange rate valid as at the balance sheet date, and any differences in exchange rates are recognized as income or expenses of that period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

7.20. Provisions, Contingent Liabilities and Contingent Assets

A provision, according to IAS 37 - *Provisions, contingent liability and contingent assets*, means a liability of uncertain due date or amount.

The Company recognizes provisions only if the following conditions are met:

- The Company has a present obligation (legal or constructive) as a result of a past event,
- It is probable that an outflow of resources will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

The essence of provisions is to form provisions only for liabilities from past events that exist independently from future events. Therefore, provisions are not recognized for future operating losses. For purposes of recognition of provisions, it is considered as probable that the requested settlement of Company's liabilities will cause an outflow of resources representing an economic benefit when it is more probable than not that an outflow of resources will occur, or when the probability that settlement of these liabilities by the Company will cause an outflow of resources, is greater than the probability that it will not.

Provisions may be made on various bases, and specifically, these may include: provisions for costs during the warranty period, provisions for recovery of natural resources, provisions for retained deposits and caution money, provisions for restructuring costs, provisions for fees and other employee benefits, provisions for lawsuits and for other purposes.

In the measurement of provisions, the amount recognized as provision is the best valuation of Company's expenditure requested to settle a present liability at the balance sheet date. In other words, it is the amount the Company has to pay at the balance sheet date to settle liabilities or to transfer liabilities to third parties.

Long term provision for expenses and risks are tracked by sorts, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is cancelled. Cancellation of provisions is credited as income.

When the performance of the time value of money is significant, the provision amount represents the present value of expenditure expected to settle the obligation. Discount rates are used in the calculation of the present value or pre-tax rates that reflect current market valuations of the time value and liability-related risks.

Contingent liability is:

- A possible liability that arises from past events and may be confirmed only if one or several uncertain future events, that are not entirely in the scope of influence of the Company, occur or not; or
- A present liability that arises from past events, yet not recognized, because it is not probable that an outflow of resources that represents economic benefit of the Company will be required to settle the obligation or because the amount of liability cannot be reliably valued.

A contingent liability is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible and this possibility is not very small.

A contingent liability is permanently revalued (at least at the balance sheet date). If the outflow of economic benefits based on contingent liabilities becomes possible, provisions and expenses are recognized in financial statements of the Company for the period when the change occurred (unless in rare cases when a reliable valuation is not possible).

A contingent asset is an asset that may arise from past events and its existence will be confirmed only if one or several future events, which are not entirely in the scope of influence of the Company, occur.

A contingent asset is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible.

Contingent assets are permanently revalued (at least at the balance sheet date) to ensure that financial statements reflect the development of the event. If it is certain that the outflow of economic benefit based on contingent assets, related asset and revenue are recognized in financial statements of the Company for the period when they occurred.

7.21. Employee Benefit

In terms of **taxes and compulsory social security contributions**, the Company shall, according to regulations applied in the Republic of Serbia, pay for contributions to various public funds for social security. These liabilities include contributions paid by employees and contributions paid by the employer in amounts calculated according to prescribed rates. The Company has legal obligation to suspend calculated contributions from gross earnings of employees and to transfer the amount on their behalf to public funds.

Contributions paid by employees and contributions paid by the employer are recorded as expenses of the Company for the respective period. The company, upon retirement of employees, keeps no obligation to pay them any benefits.

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the IAS 19 – Employee benefits are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

In the valuation of liabilities upon employment termination and pursuant to respective IAS 19 provisions, the discount rate is determined according to the market yield at the balance sheet date for

high yield corporate bonds. Alternatively, also specified in IAS 19, until the a developed market for corporate bonds in the Republic of Serbia is established, market yields for government bonds will be used for the (for discount rate of) valuation of liabilities of the Company upon employment termination (at the balance sheet date). The value date and deadline for corporate or government bonds should be in accordance with the value date and deadline for obligations related to the income after employment termination. If the Company, for the valuation of obligations upon employment termination and due to undeveloped market for government bonds, uses the government bond yield as reference with maturity date shorter than the estimated maturity of payments based on respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

Retirement bonus is paid by the Company to employees in compliance with the newly amended provisions of the Collective Agreement, which were brought in line with the legal provisions (in the amount of two average gross salaries in the Republic of Serbia in accordance with the latest published data of the Republic authority in charge of statistics).

7.22. Information on Business Segments

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

8. FINANCIAL RISKS

Uncertainty in future events is among the basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

From the Company's point of view, there is a large number of potential risks that may more or less have adverse effects on the Company's business.

Certain (specific) risks are determined by internal factors, such as: *concentration risk*, which, in the Company's case, may be manifested as exposure to any one or a small group of buyers or suppliers; *operational risk*, that means the possibility of adverse effect due to unintentional or deliberate omissions by employees, inappropriate internal procedures and processes, inadequate information system management in the Company, etc.; *reputational risk*, that means a possibility that the Company's market position deteriorates due to the loss of trust or bad reputation (public institutions, suppliers, buyers, etc.) of the Company; *legal risk*, that means a possibility of adverse effects due to penalties and sanctions that derive from lawsuits due to the failure to fulfil contractual or legal obligations; etc.

Since the majority of these and some other risks not mentioned herein is set forth in detail in other chapters of the Notes or in other internal regulations of the Company (for example, the Rules on Accounting Practices and Policies of the Company regulates the minimization of operational risks by

introducing procedures and work instructions), focus is placed here on the **financial risks** that primarily include the following:

- Credit risk,
- Market risk and
- Liquidity risk.

Financial risks are significantly affected by external factors that are not directly controlled by the Company. In that sense, financial risk is considerably affected by the Company's environment which, apart from economic development, is likewise committed to legal, financial and other relevant aspects that define system risk level.

Generally, comparing markets of developed economies, companies that operate on markets with insufficient economic development, macroeconomic stability and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. Insufficient development of the financial market makes it impossible to use a wide spectrum of *hedging* instruments, characteristic for developed markets. Companies that operate in the Republic of Serbia do not have the possibility to use many derivative instruments in financial risk management due to the fact that these instruments are not widely used nor there is an organized continuous market for financial instruments.

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects to the financial condition and operations of the Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management.

Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following will be presented below:

- Company financial risk profile, or the assessment of the financial risks' structure and level that the Company is exposed to in the course of its operations;
- Measures undertaken to manage the identified financial risks that the Company is exposed to; and
- Capital risk management, which, despite not specifically considered as a financial risk belonging to any of the individual financial risks' category, significantly affects the risk levels of each of the risk types considered.

8.1. Credit Risk

A credit risk is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following data is presented in the Tables below:

- The structure of short-term receivables with no impairment in value;
- The structure of short-term receivables with impairment in value; and
- Aging structure of short-term receivables with no impairment.

Structure of short-term receivables for which no decrease in value has been performed	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Trade receivables:</i>		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	322.647	233.001
Energoprojekt Niskogradnja Plc.	8.980	8.383
Energoprojekt Hidroinzenjering Plc.	22.115	46.603
Energoprojekt Entel Plc.	9.013	8.964
Energoprojekt Energodata Plc.	26.632	30.404
Energoprojekt Industrija Plc.	75.149	74.737
Energoprojekt Urbanizam i Arhitektura Plc.	15.348	17.429
Energoprojekt Oprema Plc.	8.119	
Energoprojekt Garant Ltd.	183	181
Enjub Ltd.	705	705
<i>Total</i>	<i>488.891</i>	<i>420.407</i>
b) Buyers domestic (externally)	37	37
Total	488.928	420.444
<i>Receivables from specific operations:</i>		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	102.017	86.085
Energoprojekt Niskogradnja Plc.	35	1.944
Energoprojekt Hidroinzenjering Plc.	383	1.229
Energoprojekt Entel Plc.	62	507
Energoprojekt Energodata Plc.	73	662
Energoprojekt Industrija Plc.	98	707
Energoprojekt Urbanizam i arhitektura Plc.	560	100
Energoprojekt Oprema plc.	87	571
Energoprojekt Garant Ltd.	454	471
Enjub Ltd.	1.775	1.353
<i>Total</i>	<i>105.544</i>	<i>93.629</i>
b) Receivables from specific operations - other legal entities		
Napred razvoj Plc.		2.881
Others	73	69
Total	105.617	96.579
<i>Other receivables:</i>		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		317
Energoprojekt Niskogradnja Plc.		3.336
Enjub Ltd.	46.372	35.634
<i>Total</i>	<i>46.372</i>	<i>39.287</i>
b) Other receivables - other	12.011	14.225
Total	58.383	53.512
TOTAL	652.928	570.535

Domestic trade receivables – subsidiaries pertain to receivables based on service agreements concluded to regulate services rendered to subsidiaries, based on which the Company was presented with blank bills of exchange with authorization as collaterals.

Structure of short-term receivables with impairment	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Receivables from specific transactions:		
Zekstra Group - Zekstra LTd. (Notes 17 and 28)	855	851
Napred razvoj Plc.	2.881	
<i>Impairment</i>	(3.736)	(851)
TOTAL		

Aging structure of short-term receivables with no impairment performed	<i>In RSD thousand</i>	
	<i>2014</i>	<i>2013</i>
Related parties:		
a) Current	51.024	43.201
b) Up to 30 days	12.488	14.463
c) 30 - 60 days	9.850	13.915
d) 60 - 90 days	13.181	17.324
e) 90 - 365 days	105.148	129.019
f) 365 days +	449.116	335.401
<i>Total</i>	<i>640.807</i>	<i>553.323</i>
Buyers - domestic:		
a) Current	37	37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
<i>Total</i>	<i>37</i>	<i>37</i>
Other:		
a) Current	11.306	13.545
b) Up to 30 days	188	310
c) 30 - 60 days	233	270
d) 60 - 90 days	78	
e) 90 - 365 days	202	139
f) 365 days +	77	2.911
<i>Total</i>	<i>12.084</i>	<i>17.175</i>
TOTAL	652.928	570.535

Non-due current receivables in the total amount of RSD 62.367 thousand include receivables from buyers amounting to RSD 48.309 thousand and are mostly due within 15 days after invoicing date or in accordance with agreed payment terms and conditions.

8.2. Market Risk

A **market risk** is a risk of adverse effects to the financial result and capital of the Company due to losses under specific balance sheet items as a result of negative price shifts on the market and other relevant financial parameters.

The market risk includes three risk types:

- The currency risk,
- The interest risk and
- The price risk.

The currency risk, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

The sensitivity analysis, presented in the following text, indicates that variations in the exchange rate will affect significantly variations in financial results of the Company. Therefore, we may conclude that the **Company is exposed to the currency risk**.

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>31.12.2015</i>	<i>31.12.2014</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
16.457.561	16.612.558	4.965.632	270.674

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies.

The sensitivity rate of 10 % presents the valuation of maximum reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, *appreciation of the national currency* would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities. Therefore, all variables remaining unchanged, *depreciation of the national currency* would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	139.772	197.669

The interest risk is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The interest-bearing structure of **financial assets and liabilities** of the Company with fluctuating interest rate at the balance sheet date is presented in the following Table.

Interest bearing structure of financial assets and liabilities with fluctuating interest rate	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Interest-bearing financial assets with fluctuating interest rate:		
Short-term loans granted to related parties	162.419	171.859
TOTAL	162.419	171.859
Interest-bearing financial liabilities with fluctuating interest rate:		
Short-term credits	565.561	170.000
TOTAL	565.561	170.000
DIFFERENCE	(403.142)	1.859

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to the positive effects of net interest income.

Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, the *interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

Due to the presented changes in Company's financial assets and liabilities with fluctuating interest rates, the sensitivity analysis of the Company to the interest rate growth of 1% is presented in the following Table. The 1% sensitivity rate is the estimate of potentially reasonably expected interest rate fluctuations.

The sensitivity analysis of results in case of interest rate growth of 1%	<i>In RSD thousands</i>	
	<i>2015</i>	<i>2014</i>
NET EFFECT ON THE CURRENT PERIOD RESULTS	(4.031)	19

The sensitivity analysis has showed that the negative change in interest rates (of 1%) has an effect on the change in business results, since the interest bearing financial liabilities with fluctuating interest rates significantly exceed the interest bearing financial assets with fluctuating interest rate, and it can thus be concluded that the **Company is exposed to the interest risk.**

In relation to the potential interest risks related to financial obligations, the *supplier risk management policy* as applied in the Company shall be briefly presented below.

As presented in the Table, the interest-bearing structure of financial obligations with fluctuating interest rate, trade payables to suppliers (obligations related to the invoices issued and to non-invoiced obligations), are not included in the group.

The basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default.*

The key Suppliers according to the obligations as at the balance sheet date are presented in the following Table.

Structure of liabilities to suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Suppliers in the country and abroad - subsidiaries and other related parties:</i>		
Encom GmbH Consulting, Engineering&Trading, Germany	11.463	16.481
Energoprojekt Energodata Plc.	1.656	
Energoprojekt Oprema Plc.		12.774
Others	61	493
Total	13.180	29.748
<i>Suppliers in the country (externally):</i>		
PUC Beogradske elektrane	954	894
Health Protection Institute ZTP	444	444
Dedinje	407	407
Algotech Ltd.	346	344
Constantine the Great Ltd.	329	
Tehnomarket Ltd.	283	
Tabulir komerc	276	196
Telekom Srbija Plc.	242	
Compacc Ltd.	237	
EPS Snabdevanje Ltd.		3.492
Agency for investments and housing		3.114
Neo Systems		1.335
Others	2.149	2.190
Total	5.667	12.416
<i>Suppliers abroad (externally):</i>		
IATA	6.931	2.836
Others	573	1.936
Total	7.504	4.772
TOTAL	26.351	46.936

The Company provided four blank promissory notes as payment securities, in compliance with the provisions of the Agreement, to its supplier EPS Snabdevanje Ltd.

Trade payables to Suppliers were broken down and presented by aging structure in the following Table.

Aging structure of trade payables	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Related parties:		
a) Current	1.714	479
b) Up to 30 days	3	12.789
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		1.391
f) 365 days +	11.463	15.089
Total	13.180	29.748
Domestic suppliers:		
a) Current	3.507	7.478
b) Up to 30 days	1.979	1.371
c) 30 - 60 days	181	155
d) 60 - 90 days		37
e) 90 - 365 days		260
f) 365 days +		3.114
Total	5.667	12.415
International suppliers:		
a) Current	7.504	4.772
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	7.504	4.772
TOTAL	26.351	46.935

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments cash flows will fluctuate due to the change in market prices (not prices that result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market. The Company is not exposed to this kind of risk.

8.3. Liquidity Risk

Liquidity risk is a risk of having difficulties to fulfil due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The most important liquidity indicators for the Company are presented in the following Table, and specifically:

- Current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following Table.

Liquidity Indicators	Satisfactory general standards	<i>2015</i>	<i>2014</i>
General liquidity ratio	2:1	3,13:1	5,54:1
Rigorous ratio	1:1	3,13:1	5,48:1
Operating cash flow ratio		0,72:1	0,44:1
Net working capital (in RSD thousand)	Positive value	1.382.945	1.216.152

The results of the ration analysis indicates that the Company was **liquid** during 2015, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;
- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

8.4. Capital Risk Management

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *return on average own capital employed* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicators	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Net profit/loss	236.973	43.867
Average capital:		
a) Capital at the beginning of the year	8.418.694	8.054.188
b) Capital at the end of the year	8.450.766	8.418.694
Total	8.434.730	8.236.441
Average return rate on own capital at the end of the year	2,81%	0,53%

Financial structure adequacy is reflected in the amounts and type of debts.

The most important indicators of the Company's financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- The ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

Financial Structure Indicators	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities	647.987	268.136
Total assets	9.517.328	9.103.107
Ratio of borrowed funds to total assets	0,07 : 1	0,03 : 1
Long-term assets:		
a) Capital	8.450.766	8.418.694
b) Long-term provisions and long-term liabilities	418.575	416.277
Total	8.869.341	8.834.971
Total assets	9.517.328	9.103.107
Ration of long-term to total assets	0,93 : 1	0,97 : 1

The net debt ratio indicates the capital coverage against net debt.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) plus Loss Above Equity, and
- Cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Net debt:		
a) Liabilities	647.987	268.136
b) Cash and cash equivalents	463.343	116.713
<i>Total</i>	<i>184.644</i>	<i>151.423</i>
Capital	8.450.766	8.418.694
Net debt to capital ratio	1 : 45,77	1 : 55,60

INCOME STATEMENT

9. OPERATING INCOME

9.1. Income from Sale of Products and Services

Structure of income from the sale of products and services is presented in the following table.

Structure of income from sale of products and services	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Income from sale of finished products and services to parent company and subsidiaries on local market	422.673	410.782
Income from sale of finished products and services on local market	108	70
Income from sale of finished products and services on foreign markets	59.403	143.902
TOTAL	482.184	554.754

Income from sale of finished products and services to parent companies and subsidiaries on local market are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 422.673 thousand (last year comparative period: RSD 410.782 thousand).

Structure of income from sale of finished products and services to and subsidiaries on local market is presented in the table below.

Structure of income from the sale of finished products and services to subsidiaries on local market	<i>In RSD thousands</i>	
	<i>2015</i>	<i>2014</i>
Energoprojekt Garant Ltd	1.811	1.761
Energoprojekt Visokogradnja Plc.	74.631	72.531
Energoprojekt Niskogradnja Plc.	92.880	90.267
Energoprojekt Hidroinzenjering Plc.	33.567	32.623
Energoprojekt Entel Plc.	89.652	87.129
Energoprojekt Energodata Plc.	8.976	8.724
Energoprojekt Industrija Plc.	20.143	19.576
Energoprojekt Urbanizam i arhitektura Plc.	5.954	5.787
Energoprojekt Oprema Plc.	95.059	92.384
TOTAL	422.673	410.782

Income from sale of finished products and services on local market in the amount of RSD 108 thousand (last year comparative period: RSD 70 thousand) were generated from the sales of flight tickets.

Income from sale of finished products and services on foreign market in the amount of RSD 59.403 thousand (last year comparative period: RSD 143.902 thousand) refers to the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

9.2. Other Operating Income

Structure of other operating income	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Incomes from the rent collected from parent, subsidiary and other affiliated companies	19.506	28.084
Incomes from the rent collected from other legal entities on local market	290	802
Other operating income (externally)	2.060	281
TOTAL	21.856	29.167

Incomes from the rent collected from parent, subsidiary and other affiliated companies amounting to RSD 19.506 thousand (last year comparative period: RSD 28.084 thousand), were generated based on renting of the "Samacki Hotel" complex in 24 Batajnicki Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 15.135 thousand (last year comparative period: RSD 23.836 thousand) and from the rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 4.371 thousand (last year comparative period: RSD 4.248 thousand).

Incomes from the rent collected from other legal entities on local market amounting to RSD 290 thousand (last year comparative period: RSD 802 thousand), were generated primarily from renting of the ground floor space of the Energoprojekt building to Telekom Srbija Company in the amount of RSD 145 thousand.

Other operating income amounting to RSD 2.060 thousand (last year comparative period: RSD 281 thousand) were generated from the Trinity capital Ltd., based on the acquisition of a geodetic survey shot, production of the cadastral topographic plan and acquisition of analysis and certificate of compliance with criteria for construction of high facilities in Block 26 in Novi Beograd, in the amount of RSD 1.580 thousand and from the award bonus of airline companies for the turnover from the sales of air tickets in the amount of RSD 480 thousand.

10. INCREASE/DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS

Structure of increase/decrease of finished goods, work in progress and services in progress	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Increase of finished goods, work in progress and services in progress	368	421
TOTAL	368	421

11. MATERIAL COSTS AND FUEL AND ENERGY COSTS

Structure of material cost and fuel and energy costs	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Material costs:		
a) Costs of other materials (overheads)	7.690	6.416
b) Costs of one-off write-off of tools and inventory	296	389
<i>Total</i>	<i>7.986</i>	<i>6.805</i>
Fuels and energy costs:		
a) Costs of fuel	2.346	2.402
b) Costs of electrical energy and heating	20.277	16.435
<i>Total</i>	<i>22.623</i>	<i>18.837</i>
TOTAL	30.609	25.642

Costs of other material (overheads) amounting to RSD 7.690 thousand (last year comparison period: RSD 6.416 thousand) refer to the costs of office supplies amounting to RSD 2.146 thousand (last year comparison period: RSD 2.219 thousand), professional and expert literature, magazines, etc. amounting to RSD 1.426 thousand (last year comparison period: RSD 1.411 thousand) and other material costs amounting to RSD 4.118 thousand (last year comparison period: RSD 2.786 thousand).

12. EMPLOYEE EXPENSES AND BENEFITS

Structure of employee expenses and benefits	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Expenses of wages and fringe benefits (gross)	143.725	153.248
Taxes and contributions on wages and contributions on wages payable by employer	20.383	22.058
Service agreements contributions	6.815	3.984
Copyright agreements contributions	734	825
Costs of contributions for contract fees for temporary and periodical engagement	1.410	3.358
Considerations to General Manager and/or Management and Supervisory Board members	9.849	9.352
Other personnel expenses and fringe benefits	10.244	9.685
TOTAL	193.160	202.510
Average number of employees	70	71

Other personnel expenses and fringe benefits amounting to RSD 10.244 thousand (last year comparison period: RSD 9.685 thousand) refer to the business trips' expenses amounting to RSD 7.308 thousand (last year comparison period: RSD 5.148 thousand), Company expenses for employee commuting reimbursements amounting to RSD 2.463 thousand (last year comparison period: RSD 2.520 thousand), solidarity fund allowances and other employee compensations amounting to RSD 473 thousand (last year comparison period: RSD 2.017 thousand).

13. PRODUCTION SERVICE COSTS

Structure of production service cost	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Production service cost	59.403	143.902
Transportation services cost	3.125	2.585
Repairs and maintenance services' costs	47.080	34.481
Rental costs	148	759
Trade fairs' costs	53	50
Advertising costs	11.013	12.404
Costs of other services	14.596	10.453
TOTAL	135.418	204.634

Production service costs amounting to RSD 59.403 thousand (last year comparison period: RSD 143.902 thousand) refer to the realization of the Agreement on the Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Transportation services' costs in the amount of RSD 3.125 thousand (last year comparison period: RSD 2.585 thousand), refer to the landline costs and mobile phone costs, Internet services, taxi services, parking services for cars, toad tolls, etc.

Repairs and maintenance services costs amounting to RSD 47.080 thousand (last year comparison period: RSD 34.481 thousand) pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 44.667 thousand (last year comparison period: RSD 31.055 thousand) and to the ongoing maintenance of equipment amounting to RSD 2.413 thousand (last year comparison period: RSD 3.426 thousand).

Advertising costs amounting to RSD 11.013 thousand (last year comparison period: RSD 12.404 thousand) pertain to the sponsorship expenses, media presentation, costs of advertising in papers and on billboards, printing of Corporate Survey and Company Annual Report and other costs.

Costs of other services amounting to RSD 14.596 thousand (last year comparison period: RSD 10.453 thousand) refer to the photocopying costs and costs of technical and operational support provided by the Energoprojekt Energodata Company in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other: RSD 6.946 thousand (last year comparison period: RSD 3.438 thousand), licenses' costs: RSD 4.623 thousand (last year comparison period: RSD 4.118 thousand); utility services: RSD 2.612 thousand (last year comparison period: RSD 2.518 thousand), occupational safety and car registration expenses: RSD 415 thousand (last year comparison period: RSD 379 thousand).

14. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision expenses	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Depreciation expenses:		
a) Depreciation of intangible assets (Note 24)	2.785	508
b) Depreciation of property, plant and equipment (Note 25.1)	17.870	8.837
<i>Total</i>	<i>20.655</i>	<i>9.345</i>
Provisions expenses		
Provisions for employee expenses and benefits	782	
<i>Total</i>	<i>782</i>	
TOTAL	<i>21.437</i>	<i>9.345</i>

As at December 31, 2015, an appraisal of residual value and the remaining useful life for the property and equipment of significant booking value was performed.

A rise in depreciation expenses compared with the comparable period of the previous year came primarily as the result of the rise in property depreciation expenses – for the Energoprojekt office building, since as at December 31, 2015, the appraised residual value of the property in question was lower than its revalorized value as at December 31, 2015 (there were no calculation of depreciation costs for the property in question in 2014, because the present value of this property as at December 31,

2014 was lower than its residual value as at December 31, 2014, because valuation of property after the initial recognition, until December 31, 2014, was performed according to the purchase cost model, following which the cost model was abandoned in favour of the revaluation model - Note 25.1).

Provisions for employee expenses and benefits amount to 782 thousand, and in 2014 revenues based on cancellation of long-term provisions for employee expenses and benefits were recorded (Notes 19.1 and 35.1).

15. INTANGIBLE EXPENSES

Structure of intangible expenses	In RSD thousand	
	2015	2014
Intangible expenses	27.445	29.685
Expense account	8.118	6.066
Insurance premiums expenses	1.057	1.111
Payment operations' expenses	3.518	1.366
Membership fee expenses	1.458	1.308
Tax duties	26.343	35.349
Other non-operating expenses	7.744	8.813
TOTAL	75.683	83.698

Intangible expenses amounting to RSD 27.445 thousand (last year comparison period: RSD 29.685 thousand), pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

Expense accounts amounting to RSD 8.118 thousand (last year comparison period: RSD 6.066 thousand), include primarily the catering services.

Insurance premium expenses amounting to RSD 1.057 thousand (last year comparison period: RSD 1.111 thousand), refer to the insurance of property and persons.

Payment operations expenses amounting to RSD 3.518 thousand pertain to the local payment operations costs in the amount of RSD 3.509 thousand (last year comparison period: RSD 1.359 thousand) and to the international payment operations amounting to RSD 9 thousand (last year comparison period: RSD 7 thousand).

Membership fee expenses amounting to RSD 1.458 thousand (last year comparison period: RSD 1.308 thousand) include membership fees to Chambers (Serbian Chamber of Commerce) representing a salary expense liability of RSD 215 thousand (last year comparison period: RSD 234 thousand) and other Chambers' membership fees and Associations' fees in the amount of RSD 1.243 thousand (last year comparison period: RSD 1.074 thousand).

Tax duties in the amount of RSD 26.343 thousand (last year comparison period: RSD 35.349 thousand) refer predominantly to the property tax amounting to RSD 25.645 thousand (last year comparison period: RSD 35.160 thousand).

Other intangible expenses amounting to RSD 7.744 thousand (last year comparison period: RSD 8.813 thousand) predominantly refer to printing of the Energoprojekt Company newspaper in the amount of RSD 3.192 thousand (last year comparison period: RSD 2.706 thousand), while the remaining amount of RSD 4.552 pertains to duties and lawsuit expenses, the cost share in salaries of persons with disabilities, TV subscription fee, etc. (last year comparison period: RSD 6.107 thousand pertained predominantly to services rendered by international companies of Encom GmbH Consulting, Engineering & Trading, Germany, and I.N.E.C. Engineering Company Limited, Great Britain, in the amount of RSD 2.685 thousand presented jointly for both the companies).

16. FINANCIAL INCOME AND FINANCIAL EXPENSE

16.1. Financial Income

Structure of financial income	<i>In RSD thousand</i>	
	2015	2014
Financial income from transactions with parent companies and subsidiaries	448.473	635.041
Financial income from other affiliated companies	11.629	20.586
Income from dividends	4.904	
<i>Total financial income from the related parties and other financial income</i>	<i>465.006</i>	<i>655.627</i>
Interest income (third party)	2.617	14.601
Exchange rate gains and positive currency clause effects (third party)	8.050	25.052
TOTAL	475.673	695.280

Financial income from transactions with parent companies and subsidiaries amounting to RSD 448.473 thousand (last year comparison period: RSD 635.041 thousand), refer to interest income from subsidiaries amounting to RSD 34.192 thousand (last year comparison period: RSD 33.721 thousand), income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 7.772 thousand (last year comparison period: RSD 68.834 thousand) and to the income from the profit share (dividends) in the amount of RSD 406.509 thousand (last year comparison period: RSD 532.486 thousand) from the following subsidiaries:

- Energoprojekt Garant Plc. in the amount of RSD 45.747 thousand (last year comparison period: RSD 43.847 thousand);
- Energoprojekt Entel Plc. in the amount of RSD 265.322 thousand (last year comparison period: RSD 264.593 thousand); and
- Energoprojekt Oprema Plc. in the amount of RSD 95.440 thousand (last year comparison period: RSD 224.046 thousand).

Financial income from other related parties in the amount of RSD 11.629 thousand (last year comparison period: RSD 20.586 thousand) relates to the interest income: RSD 10.447 thousand (last year comparison period: RSD 10.572 thousand and to the effects of the foreign exchange clauses: RSD 1.182 thousand (last year comparison period: RSD 10.014 thousand) from the joint venture Enjub Ltd.).

Income from dividends in the amount of RSD 4.904 thousand relates to the Energo Broker Ltd.

Interest income (third party) in the amount of RSD 2.617 thousand refers to the interest calculated on the term deposits (last year comparison period: RSD 14.601 thousand).

Positive differences in exchange rates and income from the effects of foreign currency clause in the amount of RSD 8.050 thousand, pertain to the positive differences in exchange rates in the amount of RSD 4.873 thousand and income from the effects of foreign currency clause in the amount of RSD 3.177 thousand, the largest portion of which pertains to the effects of foreign currency clause based on the receivables for income from the construction of Embassy building in Abuja that was not invoiced in the amount of RSD 2.429 thousand.

16.2. Financial Expense

Structure of financial expense	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Financial expenses from transactions with parent company and subsidiaries	795	1.682
<i>Total financial expense incurred from related parties and other financial expense</i>	<i>795</i>	<i>1.682</i>
Interest expenses (third party)	17.352	14.514
Exchange rate losses and negative currency clause effects (third party)	4.171	5.404
TOTAL	22.318	21.600

Financial expenses from transactions with parent companies and subsidiaries in the amount of RSD 795 thousand (last year comparison period: RSD 1.682 thousand) pertain to the expenses incurred from the effects of foreign currency clauses and negative effects of foreign exchange rates from transactions with subsidiaries.

Interest expense (third party) in the amount of RSD 17.352 thousand relate primarily to the interest expense from domestic current liquidity loans granted by the Komercijalna bank, Alpha bank, Erste bank and Eurobank in the amount of RSD 17.349 (last year comparison period: RSD 14.514 thousand, based primarily on the domestic loans granted by the Republic of Serbia Development Fund, Komercijalna bank, Erste bank and Alpha bank).

17. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of income from value adjustment of other assets disclosed at fair through income statement	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Income from value adjustment of long-term financial investments and securities available for sale	730	
TOTAL	730	0

Income from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 730 was recorded based on the increase in the nominal value of the Energo Broker Plc. shares, in which the Company had made equity investments (Note 26.1).

18. EXPENSE FROM VALUE ADJUSTMENTS OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of expenses from value adjustments of other assets disclosed at fair value through Profit or Loss	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Expenses from value adjustments of long-term financial investments and securities available for sale	6.282	641.632
Expenses from value adjustments of receivables and short-term financial investments	2.881	851
TOTAL	9.163	642.483

Expenses from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 6.282 thousand were recorded based on the assessment made by the Company management and pertain to the impairment (write-off) of equity shares in Pik Becej - Hotel Bela Ladja Plc. in the amount of RSD 5.986 thousand (the company is in the liquidation procedure, and it is not expected for the relevant value to be regained from bankruptcy estate) and the impairment (write-off) of equity share in the subsidiary company Energoprojekt Promet Ltd. in the amount of RSD 295 thousand (the company is not operational for almost ten years and its losses exceed its equity) (Note 26.1).

In 2014, the amount of RSD 641.632 thousand pertained to the reduction of value of Company assets based on the impairment of equity share in the Energoprojekt Visokogradnja subsidiary, in compliance with IAS 36 – Impairment of Assets, based on the Report produced by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade, on the appraisal of the Energoprojekt Visokogradnja equity for the needs of IAS/IFRS implementation as at December 31, 2014 (Note 26.1).

Expense from adjustment of value of receivables and short-term financial investments in the amount of RSD 2.881 thousand (last year comparison period: RSD 851 thousand) pertain to the correction of value of receivables from Napred Razvoj Plc. based on which a lawsuit is in progress (Notes 29 and 45).

19. OTHER INCOME AND OTHER EXPENSES

19.1. Other Income

Structure of other income	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	5	
Income from decrease in liabilities	7.913	
Income from cancellation of long-term and short-term provisions		1.208
Other not mentioned income	1.378	121
Income from adjustment of value of property, plant and equipment	4.450	
TOTAL	13.746	1.329

Income from the decrease in liabilities in the amount of RSD 7.913 thousand pertain primarily to the write-off of liabilities for dividends for 2002 in the amount of RSD 4.299 thousand (due to the expiry of the general time limit of ten years) and to the write-off of liability owed to the Agency for Investments and Housing from 2010 in the amount of RSD 3.114 thousand (since the plaintiff's action against the Company was withdrawn), as per the inventory as at December 31, 2015.

Other not mentioned income in the amount of RSD 1.378 thousand pertain primarily to the income from damage compensation from Energoprojekt Garant Plc. in the amount of RSD 1.276 thousand and to the income from the sale of used paper in the amount of RSD 93 thousand (previous year comparison period: RSD 121 thousand pertained primarily to the income from the sale of used paper: RSD 100 thousand).

Income from the adjustment of value of property, plant and equipment in the amount of RSD 4.450 thousand (in the previous year comparison period, expenses were recorded on this basis in the amount of RSD 19.277 thousand) pertain to the adjustment of fair value of investment property, and specifically of the Samacki hotel complex in the amount of RSD 4.014 thousand and of the Stari Merkator business facility in the amount of RSD 436 thousand (Note 25.2.).

19.2. Other Expenses

Structure of other expenses	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	555	1.164
Losses incurred from sale of equity investments and securities		646
Expense from direct write-off of receivables	243.416	689
Other not mentioned expense	7.707	2.673
TOTAL	251.678	24.449

Expenses based on direct write-off of receivables in the amount of RSD 243.416 thousand (previous year comparison period: RSD 689 thousand) pertain primarily to Energoprojekt Visokogradnja company in the amount of RSD 218.927 thousand (based on the direct write-off of receivables based on the Loans' Agreements, interest on loans and property tax for the "Samacki hotel" complex), Energoprojekt Hidroinzenjering in the amount of RSD 24.325 thousand (based on direct write-off of receivables based on the invoices for services rendered in 2009 and 2010) and to Energoprojekt Promet company in the amount of RSD 120 thousand (based on the direct write-off of receivables from the Loan Agreement), due to the insolvency and poor standing of the above mentioned companies.

Other not mentioned expenses in the amount of RSD 7.707 thousand pertain to the donations granted in the amount of RSD 6.958 thousand, fines and penalties in the amount of RSD 333 thousand and to the expenses incurred based on the contributions for pension and disability insurance for the period from May 31 to December 31, 1991 for an employee of the Energoprojekt Hidroinzenjering, based on the Agreement on Temporary Assignment to Work with the Company for the work performed in Iran – Representative Office in Teheran, in the amount of 416 thousand (previous year comparison period: RSD 2.673 thousand pertained primarily to the humanitarian aid for the flood victims in Serbia: RSD 1.268 thousand and to the donations granted: RSD 1.237 thousand).

20. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS

Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		6.989
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3.066	
TOTAL	(3.066)	6.989

Net loss from discontinued operations, effects of change in accounting policy and corrections of errors from previous years in the amount of RSD 3.066 thousand pertain to the corrections of errors from previous years that are not of any material significance, primarily based on the losses incurred during the realization of the Construction Agreement for the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria in the amount of RSD 4.340 thousand and the income based on the recorded increase in the nominal value of shares of the Energo Broker Ltd. in which the Company has made its equity investments in the amount of RSD 1.344 thousand – Note 26.1 (previous year comparison period: RSD 6.989 thousand profit pertained primarily to the income from passing-through of the property tax expenses for the “Samacki hotel“ complex for the period from 2011 till 2013, which are, according to the Lease Agreement, to be borne by the tenant Energoprojekt Visokogradnja, in the amount of RSD 6.467 thousand).

21. PROFIT / LOSS BEFORE TAX

Structure of gross result	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
Operating income	504.040	583.921
Operating expenses	455.939	525.408
Operating result	48.101	58.513
Financial income	475.673	695.280
Financial expenses	22.318	21.600
Financial result	453.355	673.680
Income from value adjustment of other assets disclosed at fair value through income statement	730	
Other revenues	13.746	1.329
Expenses from value adjustment of other assets disclosed at fair value through income statement	9.163	642.483
Other expenses	251.678	24.449
Result of other revenues and expenses	(246.365)	(665.603)
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		6.989
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3.066	
TOTAL INCOME	994.189	1.287.519
TOTAL EXPENSE	742.164	1.213.940
PROFIT/LOSS BEFORE TAX	252.025	73.579

22. PROFIT TAX AND NET PROFIT

Breakdown of calculation of profit tax and net profit	<i>In RSD thousand</i>	
	2015	2014
Profit before tax	252.025	73.579
Capital gains/(losses) in Profit or Loss		(646)
Adjustment and net correction of revenues/(expenses) in tax balance	(167.518)	109.492
Taxable profit	84.507	182.425
Amount of loss in tax balance from previous years up to the amount of taxable profit		
Other taxable profit	84.507	182.425
Capital gains/(losses) calculated in compliance with the law		(626)
Capital losses carried from previous years up the amount of capital profit calculated in compliance with the law		
Other capital gains		
Tax basis	84.507	182.425
Calculated tax (15% of tax base)	12.676	27.364
Total deductions from the calculated tax		
Calculated tax after deductions	12.676	27.364
Profit/(loss) before tax	252.025	73.579
Tax loss of the period	12.676	27.364
Deferred tax loss of the period (Note 40)	2.377	2.348
Net profit	236.972	43.867

23. EARNINGS PER SHARE

Indicator	<i>In RSD thousand</i>	
	2015	2014
Net profit	236.972	43.867
Average number of shares during the year	10.931.292	10.931.292
Earnings per share (in RSD)	21,68	4,01

Earnings per share is calculated by dividing the profit for ordinary shareholders by the average weighted number of ordinary shares in circulation for the period.

BALANCE SHEET

24. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software and other rights	Intangible assets in preparation	Advances paid for intangible assets	Total
Purchase price				
Balance as at 01.01.2014	2.326	8.837	321	11.484
Correction of opening balance				
Transfer from one form to another	8.084	(8.084)		
New purchases	3.149	1.783	90	5.022
Disposal and decommissioning	(1.184)			(1.184)
FX gains and losses				
Others		(753)		(753)
Balance as at 31.12.2014	12.375	1.783	411	14.569
Correction of opening balance				
New purchases	1.944			1.944
Increase by transfer from investments in progress	2.194	(1.783)	(411)	
Other transfers from/to				
Disposal and decommissioning	(688)			(688)
Balance as at 31.12.2015	15.825			15.825
Impairment of value				
Balance as at 01.01.2014	2.037			2.037
Correction of opening balance				
Depreciation	508			508
Disposal and decommissioning	(1.159)			(1.159)
Impairments				
Others				
Balance as at 31.12.2014	1.386			1.386
Correction of opening balance				
Depreciation	2.785			2.785
Disposal and decommissioning	(229)			(229)
Impairments				
Others				
Balance as at 31.12.2015	3.942			3.942
Net book value				
31.12.2014	10.989	1.783	411	13.183
31.12.2015	11.883			11.883

25. PROPERTY, PLANT AND EQUIPMENT

25.1. Property, Plant and Equipment Exclusive of Investment Property

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Other property, plant and equipment	Advances paid for property, plant and equipment	Total
<i>Purchase price</i>					
Balance as at 01.01.2014	919.807	94.148		43.220	1.057.175
Correction of opening balance					
New purchases during the year		2.929			2.929
Other transfers from / (to)		(283)	283		
Disposal and decommissioning	(4.965)	(2.936)			(7.901)
Profit/(loss) included in Report on Other Result (account group 330)	863.329				863.329
Other increases / (decreases)	(384.461)			2.381	(382.080)
Balance as at 31.12.2014	1.393.710	93.858	283	45.601	1.533.452
Correction of opening balance					
New purchases during the year		1.533			1.533
Other transfers from / (to)					
Disposal and decommissioning		(3.782)			(3.782)
Profit/(loss) included in Report on Other Result (account group 330)					
Profit/(loss) included in Income Statement					
FX gains and losses				252	252
Other increases / (decreases)					
Balance as at 31.12.2015	1.393.710	91.609	283	45.853	1.531.455
<i>Impairment</i>					
Balance as at 01.01.2014	388.252	72.591			460.843
Correction of opening balance					
Amortization	88	8.749			8.837
Disposal and decommissioning	(3.891)	(2.871)			(6.762)
Other increases / (decreases)	(384.449)				(384.449)
Balance as at 31.12.2014		78.469			78.469
Correction of opening balance					
Amortization	13.039	4.831			17.870
Disposal and decommissioning		(3.685)			(3.685)
Other increases /decreases					
Balance as at 31.12.2015	13.039	79.615			92.654
<i>Net book value</i>					
Balance as at 31.12.2014	1.393.710	15.389	283	45.601	1.454.983
Balance as at 31.12.2015	1.380.671	11.994	283	45.853	1.438.801

On December 31, 2015 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated, based on which depreciation costs were calculated for the reporting period.

Assessment of Fair Value of Buildings

On December 31, 2014, due to the changes in accounting policies with regard to measuring of buildings after the initial recognition, transition was made from the acquisition price model to the revalorisation model.

The Company booked the “Energoprojekt Building” in its books and presented its value according to the revalorized value model as at the valuation date.

The fair value of buildings is usually the market value thereof that is established through valuation performed by independent qualified valutors based on market evidence.

In cases where there are no evidence of the fair value of the property in the market, due to the specific nature of the building and because such items are rarely put on sale, the Company performs valuation of fair value of the property by using the income approach or the depreciated replacement cost approach.

The appraisal of fair value of the Energoprojekt office building as at December 31, 2014 in the amount of RSD 1.393.710 thousand was performed by an external independent qualified valuator by using the comparative method. The reduction to the fair value of the building in question as at December 31, 2014 was performed by completely eliminating the correction of its value in the amount of RSD 384.461 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 863.329 thousand.

In compliance with the relevant provisions of IAS 16, bearing in mind that the fluctuations of the fair value of the building in question are insignificant, it was not necessary to perform any appraisal of its fair value as at December 31, 2015 (but once in three or five years), so that the revalorized value of the building in question as at December 31, 2015 amounted to RSD 1.380.671 thousand (decrease compared to the estimated value as at December 31, 2014 for the amount of annual amortization).

Starting from the appraisal of the fair value as at December 31, 2014, as well as based on the assessment of the determined residual value as at December 31, 2015 and determined useful lifetime of the building in question (100 years; the remaining useful life as at December 31, 2015: 66 years), the amortization costs for the building in question over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 13.039 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the following Table.

In RSD thousand

N o.	Building	Opening balance	Residual value as at the balance sheet date	Remaining useful life	Depreciation	Gains/(losses) included in Report on Other Income	Closing balance
1	Energoprojekt office building	1.393.710	518.606	66	13.039		1.380.671
	TOTAL	1.393.710	518.606		13.039		1.380.671

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 530.381 thousand.

Advances for property, plant and equipment in the amount of RSD 45.853 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria in the amount of RSD 45.853 thousand.

The Company management was of the opinion that property and equipment value as at December 31, 2015 was not impaired compared with the presented value.

As at December 31, 2015, the Company has no property or equipment mortgaged or taken as lien to be used as collateral for financial obligations.

25.2. Investment Property

Investment property	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Balance as at January 1	584.440	603.717
Profit/(losses) included in Income Statement (Note 19.1)	4.450	(19.277)
Closing balance	588.890	584.440

In relation to the investment property, the following amounts were recognized in Income Statement:

Profit and loss related to investment property included in Profit and Loss	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Rental income (Note 9.2)	15.135	23.836
Direct operating expenses incurred from investment property that generated rental income during the year	(9.035)	(2.046)
Direct operating expenses incurred from investment property that did not generate rental income during the year	(409)	(466)
TOTAL	5.691	21.324

Adjustment of the opening and closing balance of the fair value of investment property is presented in the following Table.

<i>In RSD thousand</i>				
No.	Investment property	Opening balance	Profit / (losses) included in Profit and Loss	Closing balance
1	Samacki hotel complex	498.887	4.014	502.901
2	Stari merkator office space	85.553	436	85.989
	TOTAL	584.440	4.450	588.890

In its books, the Company posted the fair value of its investment property according to its value determined by means of its fair value assessment as at December 31, 2015.

Valuation of the fair value of investment property as at December 31, 2015 was performed by independent valuers holding recognized and relevant professional qualifications and recent relevant work experience with relevant locations and categories of investment property appraised. Due to the current situation on the property market at the time when the assessment was performed and the reduced number of sales transactions compared with previous years due to the economic crisis, the valuers mostly relied on their knowledge of the market and professional judgment and less on the results of comparable transactions in the past.

In valuation of the fair value of the Company's investment property, the external independent qualified valuator relied on the following valuation techniques:

- For the "Samacki Hotel" complex: the cost approach, due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location;
- For the "Stari Merkator" office space: the comparative approach, due to the characteristics of the facility subject to appraisal and due to the fact that there is an offer of similar facilities for sale/rent in the market, on a similar location.

As at the balance sheet date, there are no limitations pertaining to the sales potential of the investment property in question, nor any limitations pertaining to generating income from the property rent or disposal.

Investment property in the amount of RSD 588.890 thousand refers to the following facilities:

- The "Samacki Hotel" complex, with the total area of 8.034,00 m², with the municipal construction land use rights for the total area of 18.598,00 m², in 24 Batajnicki Put Street in Zemun in the amount of RSD 502.901 thousand. Income amounting to RSD 15.135 thousand was generated from the rent of the property in question to Energoprojekt Visokogradnja Company in the reporting period (Note 9.2).
- The "Stari Merkator" office space with the total area of 643 m², in 5 Palmira Toljatija Street in Novi Beograd in the amount of RSD 85.989 thousand. In the reporting period, this property was not rented. Due to the present inauspicious situation for the rent of property in the Republic of Serbia, it has been quite difficult to find adequate tenant for this property.

26. LONG-TERM FINANCIAL INVESTMENTS

Structure of long-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Shares in subsidiaries	5.762.996	5.669.421
Shares in affiliated companies and joint ventures	30.612	14.612
Shares in other companies and other available for sale securities	132.435	152.507
Long-term investments in parent companies and subsidiaries	342.438	563.771
Other long-term financial investments	1.436	1.510
<i>Total</i>	<i>6.269.917</i>	<i>6.401.821</i>
<i>Impairment</i>	<i>(823.095)</i>	<i>(835.608)</i>
TOTAL	5.446.822	5.566.213

26.1. Share Investments

Equity investments relate to investments in shares and stocks as shown in the following Table.

Structure of share investments	% share	In RSD thousand	
		31.12.2015	31.12.2014
Share in subsidiaries			
Energoprojekt Visokogradnja Plc.	100,00%	1.826.137	1.825.076
Energoprojekt Niskogradnja Plc.	100,00%	1.102.293	1.012.084
Energoprojekt Oprema Plc.	67,87%	121.316	121.316
Energoprojekt Hidroinzenjering Plc.	100,00%	427.626	427.626
Energoprojekt Urbanizam i arhitektura Plc.	100,00%	192.642	192.642
Energoprojekt Promet Ltd.	100,00%		295
Energoprojekt Energodata Plc.	100,00%	194.862	194.863
Energoprojekt Industrija Plc.	62,77%	61.209	61.209
Energoprojekt Entel Plc.	86,26%	216.422	216.422
Energoprojekt Garant Plc.	92,94%	597.545	597.545
Energoprojekt Sunnyville Ltd.	100,00%	2.500	
I.N.E.C. Engineering Company Limited, Great Britain	100,00%	70.311	70.311
Encom GmbH Consulting, Engineering & Trading, Germany	100,00%	3.493	3.493
Dom 12 S.A.L., Lebanon	100,00%	924.749	924.749
Energoprojekt Kaz Ltd.	100,00%	101	
Zambia Engineering and Contracting Company Limited, Zambia	100,00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100,00%	1.628	1.628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100,00%	19.574	19.574
<i>Impairment</i>		(715.064)	(715.064)
Total		5.047.931	4.954.356
Share in affiliated companies and joint ventures			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	40,00%	1.063	1.063
Fima see Activist a.d. Beograd	20,93%	16.000	
Enjub Ltd.	50,00%	13.550	13.550
<i>Impairment</i>		(1.063)	(1.063)
Total		29.550	13.550
Share in other companies and other available for sale securities			
a) Banks and financial organizations			
Dunav Osiguranje Plc.	0,01%	5.814	5.814
Jubmes banka Plc.	1,41%	120.176	120.176
Energoprojekt broker Plc.	17,64%	6.445	4.371
Fima see Activist Plc. Beograd	15,97%		16.160
<i>Impairment</i>		(106.968)	(119.382)
Total		25.467	27.139
b) Other companies			
Pik Becej – Hotel Bela ladja Plc., Becej	4,36%		5.986
<i>Impairment</i>			(99)
Total		-	5.887
TOTAL		5.102.948	5.000.932

Equity investments for which impairment was performed are presented in the following Table.

Share investments - impairment	<i>In RSD thousand</i>		
	<i>Gross investment amount</i>	<i>Impairment</i>	<i>Net investment amount</i>
Share in subsidiaries:			
Energoprojekt Visokogradnja Plc.	1.826.137	(641.632)	1.184.505
Energoprojekt Urbanizam i arhitektura Plc.	192.642	(44.277)	148.365
I.N.E.C. Engineering Company Limited, Great Britain	70.311	(7.953)	62.358
Energoprojekt Holding Guinee S.A., Guinea	1.628	(1.628)	-
Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur	19.574	(19.574)	-
Total	2.110.292	(715.064)	1.395.228
Share in affiliated companies and joint ventures:			
Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria	1.063	(1.063)	-
Total	1.063	(1.063)	0
Share in other legal entities and other securities available for sale:			
Banks and financial organizations			
Dunav osiguranje Plc.	5.814	(5.377)	437
Jubmes banka Plc.	120.176	(101.591)	18.585
Total	125.990	(106.968)	19.022
TOTAL	2.237.345	(823.095)	1.414.250

Share investments are long-term investments in shares and stocks of subsidiaries and affiliates, joint ventures, banks and insurance companies (securities available for sale), as well as in other companies.

Share investments in subsidiaries, affiliates and joint ventures are disclosed in compliance with the method for disclosing investments at cost. Company recognizes revenues in the amount received from the distribution of retained earnings of the investment user incurred after the acquisition date.

The increase in equity investment in the Energoprojekt Visokogradnja Company in 2015 compared with the reference year, which amounted to RSD 1.061 thousand, came as the result of the Decision of the Supervisory Board of the Company on compulsory redemption of shares from all the remaining shareholders at price determined in compliance of the provisions of the Law on Companies; the Company redeemed the remaining 2.000 shares of the Energoprojekt Visokogradnja Company at the said price and thus became the owner of 100% interest in this Company.

Increase in share investment in Energoprojekt Niskogradnja Plc. in 2015 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 90.209 thousand as the difference in share price, with accrued interest. Namely, based on the shareholder's decision passed on the General Meeting of the Energoprojekt Niskogradnja Plc. on December 6, 2013, the Company, as the majority shareholder of the Energoprojekt Niskogradnja Plc. conducted the compulsory redemption of shares of

this Issuer, in compliance with the procedure laid down in the Law on Companies. The minority shareholders were paid the price of RSD 1.563,08 per share, in compliance with the valuation performed by a certified appraiser. A number of minority shareholders of the Energoprojekt Niskogradnja Plc. contested the price per share paid and asked the Court to determine the value of shares in an out-of-court procedure. The Commercial Court in Belgrade, before which the out-of-court procedure was conducted, ordered expert valuation and determined that the price per individual share of the Energoprojekt Niskogradnja Plc. is to amount to RSD 2.769,55. Upon appeal submitted by the Company, the Commercial Court of Appeal confirmed the Decision of the Commercial Court in Belgrade on March 20, 2015. Based on the said Court Decision, the Company is obliged to pay to the shareholders who require the difference in the prices of shares to be paid to them the differences in share price, together with the legally prescribed default interest.

As per inventory as at December 31, 2015, based on management assessment, the Company wrote-off the equity share in Energoprojekt Promet company in the amount of RSD 295 thousand, since this company is not operational for almost ten years and that its losses exceed its capital amount (Note 18).

In 2015, the Company founded a new company in the country, the Energoprojekt Sunnyville Ltd., Beograd, for realization of own investment construction in Belgrade and paid in the founding capital amounting to RSD 2.500 thousand.

In 2015, the Company posted in its books the Energo Kaz Ltd. Kazakhstan (as its 100% owner), since it paid the amount of RSD 101 thousand as its founding interest to Energoprojekt Visokogradnja Plc. In 2010, Energoprojekt Visokogradnja paid KZT 200.000 (Kazakhstani tenge), based on the decision of the Company Board of Directors, as the founding capital of this Company.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641.632 thousand was performed on December 31, 2014 in compliance with IAS 36 – Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at December 31, 2014.

Impairment of share investment in subsidiaries and affiliated companies abroad (Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur; Energoprojekt Holding Guinee S.A., Guinea; I.N.E.C. Engineering Company Limited, Great Britain, and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria) was performed in 2004 in compliance with the initial implementation of IAS provisions.

Share investment in Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria were completely impaired because in addition to the fact that these Companies have no assets, they do not perform any business activities for a number of years now. The process of their dissolution in compliance with the local legislation has not been concluded yet. The above mentioned Companies shall not be included in the Group for consolidation of Energoprojekt Group.

In 2015, the percentage of equity investment in Fima See Activist Plc., Beograd was increased to exceed 20%, which was the result of the decisions passed by the Shareholders' Assembly of that company on the decrease in its shareholders' equity and cancellation of own shares that were bought pro-rata from the existing company shareholders, whereby the Fima See Activist Plc., Beograd company became an affiliated company that is, starting from 2015, included in the Group for consolidation of Energoprojekt Group.

Share in other companies and other available for sale securities are measured at market (fair) value.

In 2015, due to the above presented reasons, passing-through was performed for the equity share in Fima See Activist Plc., Beograd company from the position Equity investments in other legal entities and other securities available for sale to the position of Equity investments in affiliated companies.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily, as the result of the adjustment of the value of shares in Company's portfolio of shares (Jubmes banka Plc. and Dunav Osiguranje Plc.) with their fair value in the secondary securities' market as at the financial statements date (which are presented in the account for impairment of equity investments and profit and loss from securities available for sale).

The Company has made equity investments in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at December 31, 2015:

- Dunav Insurance Plc.: 527 shares, with the market value as at the balance sheet day of RSD 830,00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 4,582.00 per share.

The Company management could not make a reliable assessment of the fair value of their equity investments in the shares of Energobroker Plc. The shares of this Company are not listed and data on their latest market value is not publicly available. The Company's equity investments in the shares of Energobroker Plc. are presented at purchase price in the amount of RSD 6.445 thousand. The increase in equity investment in Energo Broker Plc. shares compared with the previous year came as the result of the correction of errors from previous years in the amount of RSD 1.344 thousand (based on the recording of the increase in the nominal value of shares from the previous years), and based on the increase in the nominal value of shares in 2015 in the amount of RSD 730 thousand (from RSD 45,000.00 to RSD 50,750.00, based on the Decision of the General Assembly of the Company on turning the emission premium into the shareholders' equity). The percentage of the Company's share in the equity of the Energo Broker Plc. has remained unchanged (Notes 17 and 20).

In 2015, based on the assessment made by the Company management, the Company wrote off its equity investment in the Pik Becej – Hotel Bela Ladja Plc. in the amount of RSD 5.887 thousand, considering the above mentioned company being in liquidation procedure, and it is not expected for the relevant value to be regained from bankruptcy estate.

Maximum exposure to credit risk as at the financial statements date is the fair value of debt securities classified as available-for-sale.

Financial assets available for sale are presented in RSD.

26.2. Long-Term Financial Investments

Structure of long-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Long-term investments in parent companies and subsidiaries	342.438	563.771
<i>Impairment provision</i>		
<i>Total</i>	<i>342.438</i>	<i>563.771</i>
Other long-term financial investments:		
a) Housing loans granted to employees	1.436	1.510
<i>Impairment provision</i>		
<i>Total</i>	<i>1.436</i>	<i>1.510</i>
TOTAL	<i>343.874</i>	<i>565.281</i>

Long-term financial investments in parent companies and subsidiaries in the amount of RSD 342.438 thousand refer to the long-term loans granted to subsidiary companies:

- Energoprojekt Niskogradnja Company in the amount of RSD 306.361 thousand, with 4% annual interest rate and maturity period of 2 years, based on the Agreement on Debt Rescheduling No. 20/151 dated December 31, 2015; and
- Energoprojekt Sunnyville Ltd. in 2015, in the amount of RSD 36.077 thousand, with 4% annual interest rate and maturity period of 3 years.

The above Companies provided 2 (two) signed solo promissory notes to the Company each, to be filled out by beneficiary and for the entire amount of their loans, as collaterals for loan repayment based on the Long-Term Loan Agreements signed with these subsidiaries.

In compliance with the Decision of the Company Executive Board, on December 31, 2015, due to insolvency and poor standing of the company, the long-term investment in Energoprojekt Visokogradnja in the amount of RSD 96.047 thousand (receivables based on the long-term loan: RSD 95.096 thousand and receivables on the basis of interest on the long-term loan: RSD 951 thousand RSD) was directly written off.

The long-term housing loans granted to employees that are presented among other long-term financial investments refer to four interest-free housing credits granted to employees, two of which were granted on June 10, 1992 for the repayment period of 38.5 years, and the remaining two loans were granted on November 28, 1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 78 thousand (Note 31).

27. INVENTORIES

Structure of inventories	In RSD thousand	
	31.12.2015	31.12.2014
Advances paid for inventories and services:		
a) Advances paid for inventories and services to parent companies and subsidiaries	483	13.352
b) Advances paid for inventories and services to other related legal entities		
b) Advances paid for material, spare parts and inventory	288	675
d) Advances paid for goods		
c) Advances paid for services	1.055	115
<i>Total</i>	<i>1.826</i>	<i>14.142</i>
<i>Impairment provision</i>		
TOTAL	1.826	14.142

Advance payments paid for services in the amount of RSD 1.055 thousand primarily pertain to advance payment to BDO Ltd. in the amount of RSD 647 thousand (for auditing of the financial statements for 2015) and to the M&V Investments Company in the amount of RSD 292 thousand (for the Company liability comprising of the difference in share prices in the compulsory redemption of Energoprojekt Niskogradnja Plc. shares in 2015, with default interest incurred (Note 26.1).

28. RECEIVABLES FROM SALES

Structure of receivables from sales	In RSD thousand	
	31.12.2015	31.12.2014
Local buyers - parent company and subsidiaries	488.186	419.702
Local buyers - other affiliated companies	705	705
Local buyers	37	37
<i>Impairment provision</i>		
TOTAL	488.928	420.444

Local buyers – parent companies and subsidiaries refer to the receivables based on Service Agreements concluded with subsidiary companies, based on which the Company was presented with blank solo promissory notes to be filled out by beneficiary as collaterals for collection.

Structure of local buyers – parent companies and subsidiaries is presented in the following table.

Structure of local buyers - parent company and subsidiaries	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Trade receivables domestic - subsidiaries</i>		
Energoprojekt Visokogradnja Plc.	322.647	233.001
Energoprojekt Niskogradnja Plc.	8.980	8.383
Energoprojekt Hidroinzenjering Plc.	22.115	46.603
Energoprojekt Entel Plc.	9.013	8.964
Energoprojekt Energodata Plc.	26.632	30.404
Energoprojekt Industrija Plc.	75.149	74.737
Energoprojekt Urbanizam i Arhitektura Plc.	15.348	17.429
Energoprojekt Oprema Plc.	8.119	
Energoprojekt Garant Ltd.	183	181
Total	488.186	419.702
<i>Trade receivables domestic - other related parties</i>		
Enjub Ltd.	705	705
Total	705	705
<i>Trade receivables domestic (externally)</i>	37	37
Total	37	37
TOTAL	488.928	420.444

In compliance with the decision of the Company Executive Board, on December 31, 2015, due to insolvency and poor standing of the company, receivables from the Energoprojekt Hidroinzenjering company based on the Services Agreements from 2009 and 2010 were written off in the amount of RSD 24.325 thousand (Note 19.2.).

The Company has not been presented with any collection collaterals for local buyers – other affiliated companies and local buyers (external).

Receivables from sale and other receivables from sale bear no interest.

Other Receivables from Sales positions do not include any impaired assets. Accounting value of receivables from sales is equivalent to their fair value.

Age structure of receivables based on sales is presented in the following table, and information on reconciliation of claims and liabilities is presented in Note 43.

Age structure of receivables from sale	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Buyers domestic - parent companies and subsidiaries:</i>		
a) Current	40.550	31.879
b) Up to 30 days	8.116	10.089
c) 30 - 60 days	8.116	10.089
d) 60 - 90 days	8.116	10.089
e) 90 - 365 days	75.073	81.367
f) 365 days +	348.215	276.189
Total	488.186	419.702
<i>Buyers domestic - other related legal entities:</i>		
a) Current		
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	705	705
Total	705	705
<i>Buyers domestic (externally):</i>		
a) Current	37	15
b) Up to 30 days		22
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	37	37
TOTAL	488.928	420.444

29. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Receivables from special transactions from parent companies and subsidiaries	103.769	92.276
Receivables from special transactions from other affiliated companies	1.775	1.353
Receivables from special transactions from other companies	3.809	3.801
<i>Impairment provision</i>	(3.736)	(851)
TOTAL	105.617	96.579

Detailed information on receivables from special transactions and the change in impairment provisions for receivables from special transactions are presented in the following table.

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Receivables from special transactions from parent companies and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.	102.017	86.085
Energoprojekt Niskogradnja Plc.	35	1.944
Energoprojekt Hidroinzenjering Plc.	383	1.229
Energoprojekt Entel Plc.	62	507
Energoprojekt Energodata Plc.	73	662
Energoprojekt Industrija Plc.	98	707
Energoprojekt Urbanizam i arhitektura Plc.	560	100
Energoprojekt Oprema Plc.	87	571
Energoprojekt Garant Ltd.	454	471
Total	103.769	92.276
<i>Receivables from special transactions from other related legal entities:</i>		
Enjub Ltd.	1.775	1.353
Total:	1.775	1.353
<i>Receivables from special transactions from other legal entities:</i>		
Music school S. Binicki	41	38
Zekstra grupa-Zekstra Ltd.	855	851
Music Ivan	30	30
United Union Organization of Energoprojekt	2	1
Napred razvoj Plc.	2.881	2.881
Total:	3.809	3.801
<i>Impairment provision for receivables from special transactions:</i>		
Zekstra grupa-Zekstra Ltd.	855	851
Napred razvoj Plc.	2.881	
Total:	3.736	851
TOTAL	105.617	96.579

Receivables from special transactions from parent companies and subsidiaries in the amount of RSD 103.769 thousand pertain predominantly to receivables from Energoprojekt Visokogradnja in the amount of RSD 102.017 thousand that were primarily posted based on receivables for the lease of Samacki hotel complex in the amount of RSD 70.940 thousand and receivables for airplane tickets in the amount of RSD 31.006 thousand.

The following table contain information on the change in impairment provisions for receivables from special transactions.

Changes in impairment provisions for receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Balance as at January 1	851	
Additional impairment provision	2.881	851
Direct write-off of the previously impaired receivables		
Collected impaired receivables		
FX gains and losses	4	
TOTAL	3.736	851

Impairment provision for receivables from special transactions in the amount of RSD 3.736 thousand pertain to the impairment provision for receivables as per inventory count as at December 31, 2014 from Zekstra group – Zekstra Ltd. Beograd company in the amount of RSD 855 thousand (EUR 7 thousand) and as per inventory count as at December 31, 2015 from Napred Razvoj Plc. in the amount of RSD 2.881 thousand (Notes 18 and 45).

Age structure of receivables from special transactions is presented in the following table.

Age structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Receivables from special transactions from parent company and subsidiaries</i>		
a) Current	7.759	8.538
b) Up to 30 days	4.372	4.374
c) 30 - 60 days	1.734	3.826
d) 60 - 90 days	2.413	4.480
e) 90 - 365 days	22.024	41.784
f) 365 days +	65.467	29.274
Total	103.769	92.276
<i>Receivables from special transactions from other related legal entities</i>		
a) Current	84	
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		6
e) 90 - 365 days	29	507
f) 365 days +	1.662	840
Total	1.775	1.353
<i>Receivables from special transactions from other legal entities</i>		
a) Current	43	39
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	30	2.911
Total	73	2.950
TOTAL	105.617	96.579

30. OTHER RECEIVABLES

Structure of other receivables	In RSD thousand	
	31.12.2015	31.12.2014
Interest and dividend receivable:		
a) Interest and dividend receivable from parent companies and subsidiaries		3.653
b) Interest and dividend receivable from affiliated companies	46.372	35.634
c) Interest agreed and default interest from other legal entities		122
<i>Total</i>	46.372	39.409
Receivables from employees		
Receivables for overpaid profit tax	11.150	13.126
Receivables for fringe benefits' returns	861	977
<i>Impairment provisions</i>		
TOTAL	58.383	53.512

Structure of interest and dividend receivables in the amount of RSD 46.372 thousand is presented in the following table.

Structure of interest and dividend receivables	In RSD thousand	
	31.12.2015	31.12.2014
<i>Interest receivables from parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.		317
Energoprojekt Niskogradnja Plc.		3.336
<i>Total</i>	0	3.653
<i>Potraživanja za kamatu od ostalih povezanih pravnih lica:</i>		
Enjub Ltd.	46.372	35.634
<i>Total</i>	46.372	35.634
<i>Interest receivables from other legal entities:</i>		
Unicredit banka Plc.		53
Alpha banka Plc.		8
Piraeus banka Plc.		61
<i>Total</i>	0	122
TOTAL	46.372	39.409

Receivables for fringe benefits' returns in the amount of RSD 861 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

In compliance with the decision of the Company's Executive Board, as at December 31, 2015, due to insolvency and poor standing of the company, receivables from Energoprojekt Visokogradnja based on interest on short-term loans were written off in the amount of RSD 13.217 thousand.

Age structure of other receivables is presented in the following table.

Age structure of other receivables	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Other receivables from parent company and subsidiaries:</i>		
a) Current		37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		3.616
Total	-	3.653
<i>Other receivables from other related legal entities:</i>		
a) Current	2.631	2.748
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days	2.652	2.748
e) 90 - 365 days	8.022	5.361
f) 365 days +	33.067	24.777
Total	46.372	35.634
<i>Other receivables - other:</i>		
a) Current	11.263	13.529
b) Up to 30 days	188	287
c) 30 - 60 days	233	270
d) 60 - 90 days	78	
e) 90 - 365 days	202	139
f) 365 days +	47	
Total	12.011	14.225
TOTAL	58.383	53.512

31. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short-term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Short-term loans and investments - parent companies and subsidiaries	360.454	289.257
Short-term loans and investments - other affiliated companies	162.419	161.527
Short-term credits and loans domestic		609
Portion of other long-term financial investments with maturity date up to one year (Note 26.2)	78	78
<i>Impairment provision</i>		
TOTAL	522.951	451.471

Short-term loans and investments – subsidiaries and other affiliated companies pertain to the loans approved with maturity dates up to 12 months and with interest rate ranging from 4% annually (hereinafter: p.a.) to 3M Euribor + 6.5 % p.a., as presented in the following table below.

No.	Borrower and Agreement No.	Loan amount in 000 EUR	Receivables' balance based on loan in 000 EUR	Receivables' balance based on loan in 000 RSD	Maturity date	Loan conditions
1	EP Visokogradnja Plc.					
	Debt Rescheduling Agreement No. 37/175	2.350	2.350	285.814	31.12.2016.	4 % p.a.
2	EP Energodata Plc.					
	Debt Rescheduling Agreement No. 21/05	364	364	44.292	31.12.2016.	4 % p.a.
3	EP Urbanizam i arhitektura Plc.					
	Agreement on Debt Rescheduling No. 19/2727	250	250	30.348	31.12.2016.	4 % p.a.
Total subsidiaries		2.964	2.964	360.454		
4	Enjub Ltd.					
	Annex no. 8 of the Loan Agreement No. 367	137	137	16.724	31.12.2016.	3M Euribor + 6.5% p.a.
	Annex no. 4 of the Loan Rescheduling Agreement No. 115	1.198	1.198	145.695	31.12.2016.	3M Euribor + 6.5% p.a.
Total other related parties		1.335	1.335	162.419		
TOTAL		4.299	4.299	522.873		

In compliance with the decision of Company's Executive Board, on December 31, 2015, receivables from Energoprojekt Visokogradnja for a portion of loan in the amount of RSD 102.880 thousand were directly written off due to insolvency and poor standing of the company, and the repayment of the remaining portion of receivables was rescheduled based on the Loan Agreement and loan maturity deadline was extended.

In cases of individual subsidiary companies (Energoprojekt Energodata and Energoprojekt Urbanizam i arhitektura), loan repayment was rescheduled based on Loan Agreements, so that the principal was increased for the calculated uncollected interest on loans granted and loan maturity dates were postponed, and in case of Enjub company, loans' maturity dates were postponed based on an Annex to the Loans Agreement.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries and the joint venture.

As collaterals for loan repayment pursuant to:

- Annex No. 8 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16.724 thousand (EUR 137 thousand), the Company (in addition to bills of exchange) has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment;
- Annex No. 4 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 145.695 thousand (EUR 1.198 thousand), a mortgage bond was issued (mortgage has not been registered) for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina (Note 42).

Portion of other long-term financial investments with maturity of up to one year in the amount of RSD 78 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 26.2).

32. CASH AND CASH EQUIVALENTS

Structure of cash and cash equivalents	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Current (business) account	30.349	1.310
Foreign currency account	238	281
Foreign currency petty cash	4	17
Other cash:		
a) Short-term term deposits	432.329	91.687
b) Other cash	423	23.418
<i>Total</i>	<i>432.752</i>	<i>115.105</i>
TOTAL	463.343	116.713

Within the Company's **the current (business) accounts and foreign currency accounts**, cash held with business banks locally and abroad (with Banca Intesa, Unicredit Bank, Hypo-Alpe-Adria Bank, Jubmes Bank, Alpha Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Raiffeisen Bank, Erste Bank, Komercijalna Bank, Piraeus Bank, Eurobank Srbija and the Trade Bank of Iraq).

Short term deposits in the amount of RSD 432.329 thousand refer to the short term deposits held with business banks in the country (Unicredit Bank, Hipo Alpe-Adria bank and Eurobank) with 1 to 3 months' terms, with interest rate ranging from 0.70% to 1.35% annually and with the option to terminate the term deposit contract at any given moment. The term deposits are in EUR, USD and RSD, and specifically: EUR 480 thousand, USD 350 thousand and RSD 335.000 thousand.

Other cash in the amount of RSD 423 thousand refer to the overnight deposits with Alpha Bank.

33. VALUE ADDED TAX AND PREPAYMENTS AND DEFERRED EXPENSES

Structure of prepayments and deferred expenses	In RSD thousand	
	31.12.2015	31.12.2014
<i>Prepayments:</i>		
a) Prepaid expenses - parent company and subsidiaries	2.403	1.447
b) Prepaid subscriptions for expert and professional publications	779	461
c) Prepaid insurance premiums	26	18
<i>Total</i>	<i>3.208</i>	<i>1.926</i>
<i>Receivables for accrued non-invoiced income:</i>		
Receivables for accrued non-invoiced income - other legal entities	385.828	328.336
<i>Total</i>	<i>385.828</i>	<i>328.336</i>
<i>Other prepayments and deferred expenses:</i>		
a) Prepaid value added tax	139	359
b) Other prepayments and deferred expenses	709	806
<i>Total</i>	<i>848</i>	<i>1.165</i>
TOTAL	389.884	331.427

Prepaid expenses - parent companies and subsidiaries in the amount of RSD 2.403 thousand refer to prepayments for licensing costs (Energoprojekt Energodata Company) and to the costs of property and personal insurance (Energoprojekt Garant Company).

Receivables for accrued non-invoiced income in the amount of RSD 385.828 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00.

Prepaid value added tax includes added value tax from prepared invoices for the reporting period; the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December 2015 was filed.

Other prepayments and deferred income in the amount of RSD 709 thousand relate primarily to the pre-paid membership fees, antivirus licenses, etc.

34. CAPITAL

In RSD thousand

DESCRIPTION	Share capital	Other share capital	Issuing premium	Reserves	Revaluation reserves	Unrealized gains/losses on securities	Retained earnings	Total
Balance as at January 1, 2014	5.574.959	27.178	1.600.485	134.881	52.910	(21.136)	684.911	8.054.188
Net profit for the year							43.867	43.867
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						(19.650)		(19.650)
b) Revaluation					863.329			863.329
c) Other - levelling of present value, IAS 12 et al.					(129.510)			(129.510)
Total - other comprehensive result					733.819	(19.650)		714.169
Total comprehensive result for 2014					733.819	(19.650)	43.867	758.036
Corrections					30.862		(30.865)	(3)
Increase in share capital								
Profit distribution							(393.527)	(393.527)
Balance as at December 31, 2014	5.574.959	27.178	1.600.485	134.881	817.591	(40.786)	304.386	8.418.694
Net profit for the year							236.973	236.973
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						12.353		12.353
b) Revaluation								
c) Other - levelling of present value, IAS 12 et al.								
Total - other comprehensive result						12.353		12.353
Total comprehensive result for 2015						12.353	236.973	249.326
Corrections							1.372	1.372
Pincrease in share capital								
Profit distribution							(218.626)	(218.626)
Balance as at December 31, 2015	5.574.959	27.178	1.600.485	134.881	817.591	(28.433)	324.105	8.450.766

34.1. Equity Capital

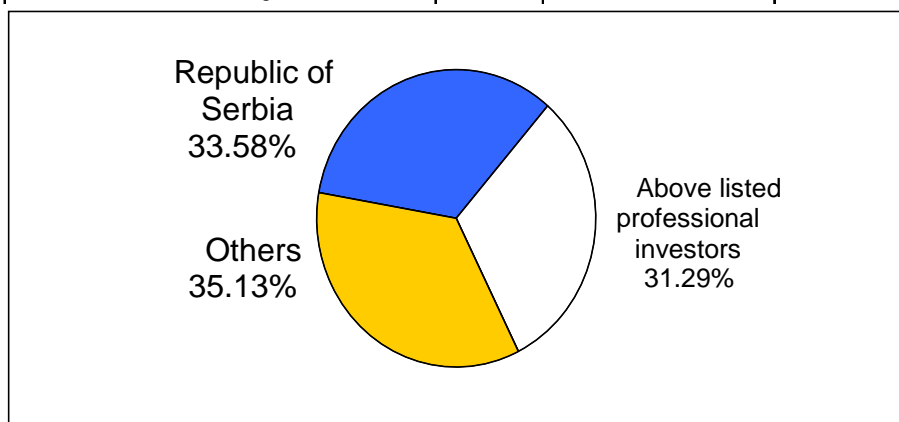
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at December 31, 2015 is as follows:

	No. of shares	% of total issue
Shares owned by physical persons	3.095.007	28.31%
Shares owned by legal persons	6.807.190	62.27%
- Republic of Serbia	3.671.205	33.58%
- Other legal entities	3.135.985	28.69%
Aggregate (custody) account	1.029.095	9.41%
Total no. of shares	10.931.292	100%

No. of shareholders with equity investments	No. of persons			No. of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
Up to 5%	7.239	219	7.458	4.347.541	676.861	5.024.402	39.77%	6.19%	45.96%
5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 10% to 25%	1	0	1	2.235.685	0	2.235.685	20.45%	0%	20.45%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	1	0	1	3.671.205	0	3.671.205	33.58%	0.00%	33.58%
More than 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total no.	7.241	219	7.460	10.254.431	676.861	10.931.292	93.81%	6.19%	100.00%

Order of top 10 shareholders as per the no. of shares/votes:

Name	No. of shares	% of total issue
Republic of Serbia	3.671.205	33.58%
Napred Razvoj Plc. Novi Beograd	2.235.685	20.45%
East Capital (Lux) - Balkan Fund	370.593	3.39%
Vojvodjanska bank Plc. Novi Sad- joint acc	220.868	2.02%
Societe generale bank-custody acc - fo	174.885	1.60%
Raiffeisen bank Plc. – custody acc. - ks	98.848	0.90%
Raiffeisen bank Plc. – custody acc. - ks	97.058	0.89%
Societe general bank - custody acc - fo	80.199	0.73%
NLB bank Plc., Beograd – custody acc - ks	72.320	0.66%
Gustavia Fonder Aktiebolag	70.000	0.64%



Structure of equity capital is presented in the following table below.

Structure of equity capital	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Share capital:		
a) Share capital in parent companies, subsidiaries and other affiliated companies		
b) Share capital (externally)	5.574.959	5.574.959
<i>Total</i>	<i>5.574.959</i>	<i>5.574.959</i>
Issuing premiums	1.600.485	1.600.485
Other share capital	27.178	27.178
TOTAL	7.202.622	7.202.622

Share capital consists of 10.931.292 ordinary shares with nominal value of RSD 510.00 (RSD 5.574.959 thousand) and nominal book value of RSD 773.08.

Share capital - ordinary shares include founding shares and shares issued during operations which carry management right, right to a share of the shareholding company's profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association, i.e., decision on share issue.

The company's shares are A-listed on the Belgrade Stock Exchange.

Issuing premium is positive difference between the achieved selling price per share and the nominal value of such shares, which is the result of the conversion of shares of the Energoprojekt Group subsidiaries into Company shares at the par value of 1:1 in 2006.

Other share capital was created by the reposting of non-business assets sources in 2005 and it amounts to RSD 27.178 thousand.

34.2. Reserves

Structure of reserves	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Legal reserves	23.185	23.185
Statutory and other reserves	111.696	111.696
TOTAL	134.881	134.881

Legal reserves were mandatorily formed until 2004, by incremental annual payments of a minimum of 5% of the profits until the reserves' level reaches at least 10% of the equity capital.

In compliance with the Company's Statute, **statutory reserves** were made until 2011 and the shareholders determined the amount of such reserves at the General Meeting, which could not be less than 5% of the net profit.

34.3. Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Revaluation reserves based on revaluation of property - Energoprojekt building	817.591	817.591
TOTAL	817.591	817.591

The following was disclosed in the Revaluation reserves from revaluation of property – Energoprojekt building position, in the amount of RSD 817,591 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at December 31, 2014 in the amount of RSD 863.329 thousand (Note 25.1);
- Levelling of the present value per m² of the Energoprojekt building in the amount of RSD 98.543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 – Income Taxes, in the amount of RSD 144,281 thousand.

34.4. Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330)

Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Unrealized losses on securities available for sale	28.433	40.786
TOTAL	28.433	40.786

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 12.353 thousand pertain to the cancellation of unrealized losses based on securities available for sale of the Fima See Activist Plc., Beograd company in the amount of RSD 5.840 thousand (on the basis of an increase in the equity investment in this company in excess of 20% and on such basis, passing-through from the position Equity investments in other legal entities and other securities available for sale into the position of Equity investments in affiliated legal entities) and Pik Becej – Hotel Bela Ladja Plc. in the amount of RSD 99 thousand (based on the write-off of equity investment in this company), as well as to the adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (the negative effect of which could not be covered with the positive effects of the change in the fair value of the given security) in the amount of RSD 6.414 thousand (Note 26.1.).

34.5 Retained Earnings

Structure of retained earnings	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
Retained earnings from previous years:		
a) Balance as at January 1 of the reporting period	304.386	684.911
b) Correction of profit based on income tax	1.372	(2)
c) Other corrections (IAS 12 et al.)		(30.863)
d) Profit distribution	(218.626)	(393.527)
<i>Total</i>	87.132	260.519
Retained earnings from current years	236.973	43.867
TOTAL	324.105	304.386

In 43rd repeat General Meeting of the Company held on June 16, 2015, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at December 31, 2014, in the amount of RSD 304.386 thousand in the following manner:

- For dividend payment, gross amount of RSD 20,00 per share to Company shareholders, or in the total amount of RSD 218.626 thousand;
- The remaining portion of the profit in the amount of RSD 85.760 thousand, to be allocated in undistributed profit.

Dividend was paid to the Company shareholders on November 30, 2015.

Correction of undistributed profit from previous years in the amount of RSD 1.372 thousand relates to the correction as per the final version of the income tax return.

Undistributed profit from the current year in the amount of RSD 236.972 thousand relates to Company's net income generated in the reporting period.

35. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

- Where the Company has a (legal or actual) liability incurred as a result of a past event;
- Where it is probable that the resource containing economic value will necessarily be deployed to settle a liability; and
- Where the liability amount can be measured reliably.

Structure of long-term provisions is presented in the following table.

In RSD thousand

Structure of long-term provisions	Provisions for wages and other employee benefits	Other long term provisions	TOTAL
Balance as at January 1, 2014	5.055	260.000	265.055
Additional provisions			
Used during the year	(1.559)		(1.559)
Cancelling of unused amounts	(1.208)		(1.208)
Balance as at December 31, 2014	2.288	260.000	262.288
Additional provisions	782		782
Used during the year	(860)		(860)
Cancelling of unused amounts			
Balance as at December 31, 2015	2.210	260.000	262.210

35.1. Provisions for Wages and Other Employee Benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation of the Energoprojekt Group expert team.

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all the Companies from the Energoprojekt Group were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific Companies was performed. Considering that all subsidiaries are controlled by the same Company, the applied approach is objective and the projection results can be recognized as expected.

A decrease of the provision amount based on current retirement bonus values (by 0.46%) in the balance sheet as at December 31, 2015 in comparison to the retirement bonus values in the balance sheet as at December 31, 2014, was the result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (increase in the average years of service with the Company by 0.56% and an increase in the number of employee by 0.09%); and
- On the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the average expected retirement bonus by 0.11%).

In addition to the above mentioned, the change in the provision structure per individual companies came as the result of the change in the aliquot part of the number of employees in individual companies against the total number of employees in the entire Company.

By taking into account the relevant provisions of IAS 19, the provision projections procedure was performed by following these steps:

- Firstly, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to retirement bonus, as well as the period during which this bonus will be paid out;
- Secondly, considering provisions of the Company Collective Agreement, the bonus amount was appraised for each year of service indicated on the balance sheet date; and
- Thirdly, the discount factor, representing the discount rate to expected salary growth ratio, was used to determine the present value of the expected retirement bonus outflows.

The retirement bonus is, as of the beginning of 2015, pursuant to the provisions of the Collective Agreement in force, paid in the Company in compliance with the Article 57 of the Collective Agreement regulating employment in the country, according to which the Employer is to pay to the Employee retirement bonus amounting to two average gross salaries in the Republic of Serbia according to the latest data published by the relevant Republic authority in charge of statistics. In compliance with the legislation in force, the above mentioned amount is non-taxable.

Since the annual discount rate is necessary to determine the present value of (undue) retirement bonuses, as well as the average annual growth of salaries in the Republic of Serbia, these values shall be specified later in the text.

The rate of 8% was accepted as the annual discount rate.

In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The currency and term of the bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of government bonds issued on December 4, 2015 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 4.40%. Since it is an EURO security, by taking into account the estimated inflation in the Euro zone (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2016 with Projections for 2017 and 2018), by extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter (10 years) than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 81, IAS 19, a realistic annual yield of 4% was adopted.

The annual expected salary growth in the Republic of Serbia was planned at the level of 5%.

The annual discount rate and annual salaries' growth depend on inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rates by 2016, adopted at the meeting of the National Bank of Serbia Executive Board on October 18, 2013 (in the Memorandum of the National Bank of Serbia adopted on August 13, 2015 by the Executive Board of the National Bank of Serbia, the previously determined inflation targets for 2016 were not amended), in addition to other things, determines the target inflation rate for 2016 of 4%, with permissible deviation (positive and negative) of 1.5 percentage points. According to the above stated, and taking into account the significant decrease in inflation rate in 2015, it would be most realistic to plan the inflation rate for the following year on the level of the target inflation rate as stipulated in the Memorandum.

The provision will thus be estimated according to the planned annual inflation rate of 4%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2016 with Projections for 2017 and 2018), realistically achievable. If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 5% and long-term annual discount rate of 8%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 75 of IAS 19.

35.2. Other Long-Term Provisions

Other long-term provisions in the amount of RSD 260,000 thousand are recorded in the balance sheet as at December 31, 2006, pursuant to the Decision of the competent body of the Company, as potential contract expenses related to the Joint Construction Agreement - Block 26, Novi Beograd, No. 507, concluded between the consortium Energoprojekt – Napred and Trinity Capital Ltd.

Pursuant to provision of the Joint construction agreement and the Annex no. 1 to this agreement, Trinity Capital Ltd. paid the agreed amount and the Company issued a blank bill of exchange with authorization and unlimited validity. This bill of exchange may be submitted for payment based on an effective decision of the authorities confiscating from the Company the underlying property referenced in the contract by fault attributable to the Company, however for reasons which had not been known to Trinity Capital Ltd. at the time the contract was signed.

Provisioning was pursuant to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, due to the uncertainty with regard to the application of the legislation that applies to the subject of the Agreement and that may affect the fulfilment of all obligations assumed by the Company as well as due to the issued blank bill of exchange as previously stated.

On December 31, 2015, there is still uncertainty with regard to the application of the legislation that may affect the fulfilment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital Ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet.

36. SHORT-TERM FINANCIAL LIABILITIES

Structure of short-term financial liabilities	In RSD thousand	
	31.12.2015	31.12.2014
Short-term credits and loans domestic	565.561	170.000
Other short-term financial liabilities:		
a) Portion of long-term liabilities with maturity date up to one year		16.667
b) Other short-term financial liabilities	46	348
Total	46	17.015
TOTAL	565.607	187.015

36.1. Short-Term Credits and Loans Domestic

Structure of short-term credits and loans domestic	Interest rate	In RSD thousand	
		31.12.2015	31.12.2014
Short-term loans granted by banks domestically:			
a) RSD loans	1M Belibor + 1.35% p.a.		170.000
b) Loans with foreign currency clause	3m Euribor + 3,75% pa, 3m Euribor + 4,5% pa	565.561	
TOTAL		565.561	170.000

Short-term loans granted by domestic banks in the amount of RSD 565.561 thousand pertain to the loans with currency clause (EUR) granted by:

- Eurobank Plc. in the amount of RSD 322.309 thousand, with the interest rate of 3M Euribor + 4.5% per annum. Company's bills of exchange and sureties of the Energoprojekt Oprema and Energoprojekt Niskogradnja companies were provided as collaterals for loan repayment, and
- Erste Bank Plc. in the amount of RSD 243.252 thousand, with the interest rate of 3M Euribor + 3.75% per annum. Six blank Company bills of exchange were provided as collaterals for loan repayment.

36.2. Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	In RSD thousand	
	31.12.2015	31.12.2014
Portion of long-term loans domestic with maturity up to one year		16.667
Other short-term financial liabilities	46	348
TOTAL	46	17.015

Other short-term financial liabilities amounting to RSD 46 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards, which were settled in January 2016.

37. OPERATING LIABILITIES

Structure of operating liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Suppliers - parent company and subsidiaries, local	1.677	13.268
Suppliers - parent company and subsidiaries, foreign countries	11.503	16.480
Suppliers, local	5.667	12.416
Suppliers, foreign countries	7.504	4.772
TOTAL	26.351	46.936

Total amount of liabilities from operations broken down per currencies are presented in the following Table.

Structure of operating liabilities per currencies	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
RSD	13.993	15.240
EUR	12.319	29.760
USD		1.936
GBP	39	
TOTAL	26.351	46.936

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Domestic suppliers (subsidiaries and other legal entities)	7.344	25.684
Foreign suppliers (subsidiaries):		
Europe	11.503	16.480
<i>Total</i>	11.503	16.480
Foreign suppliers (other legal entities):		
Europe	7.504	4.772
<i>Total</i>	7.504	4.772
<i>Adjustment</i>		
TOTAL	26.351	46.936

The key suppliers are presented in the following table, according to the suppliers' balances as at the Company balance sheet date.

Structure of liabilities per individual suppliers	<i>In RSD thousand</i>	
	<i>31.12.2015</i>	<i>31.12.2014</i>
<i>Domestic suppliers (related and other companies):</i>		
Energoprojekt Energodata Plc.	1.656	
PUC Beogradske elektrane	954	894
Health Protection Institute ZTP	444	444
Dedinje Ltd.	407	407
Algotech Ltd.	346	344
Constantine the Great Ltd.	329	
Tehnomarket Ltd.	283	
Tabulir komerc Ltd.	276	196
Telekom Srbija Plc.	242	137
Compacc Ltd.	237	136
Agency for investments and housing		3.114
Energoprojekt Oprema Plc.		12.774
EPS Snabdevanje Ltd.		3.492
Others	2.170	3.746
<i>Total</i>	<i>7.344</i>	<i>25.684</i>
<i>Foreign suppliers (related and other companies):</i>		
Encom GmbH Consulting, Engineering&Trading, Germany	11.463	16.481
IATA	6.931	2.836
Others	613	1.935
<i>Total</i>	<i>19.007</i>	<i>21.252</i>
TOTAL	26.351	46.936

The Company provided four own blank promissory notes as payment collateral to EPS Snabdevanje Ltd., in compliance with the Agreement provisions.

Suppliers are exclusive of interest and with value date ranging from 5 to 30 days.

Company Management is of the opinion that the disclosed amounts of liabilities from operations reflect the fair value of such liabilities as at the balance sheet date.

Age structure of liabilities to suppliers is presented in Note 8.2, and information on reconciliation of claims and liabilities is presented in Note 43.

38. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for wages, fringe benefits and compensations	13.864	12.951
Other liabilities:		
a) Liabilities for interest and financing costs		548
b) Liabilities for dividends	7.544	11.838
c) Liabilities to employees	195	232
d) Liabilities to General Manager, or to management and Supervisory Board members	566	492
e) Liabilities to physical persons on contractual obligations	558	479
f) Other various liabilities	834	1.193
<i>Total</i>	<i>9.697</i>	<i>14.782</i>
TOTAL	23.561	27.733

Liabilities for wages, fringe benefits and compensations in the amount of RSD 13.864 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2016.

Liabilities for dividends in the amount of RSD 7.544 thousand pertain primarily to the liabilities for dividends' payment from previous years in the amount of RSD 7.531 thousand, which have not yet been paid to date (probate proceedings, etc.).

Other various liabilities in the amount of RSD 834 thousand pertain predominantly to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.).

Company Management is of the opinion that the disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

39. LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME

39.1. Liabilities for Value Added Tax

Liabilities for value added tax	<i>in RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for value added tax	4.559	5.540
TOTAL	4.559	5.540

Liabilities for value added tax pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2016.

39.2. Liabilities for Other Taxes, Contributions and Fees Payable

Liabilities for other taxes, contributions and fees payable	<i>in RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Liabilities for other taxes, contributions and fees payable	734	688
TOTAL	734	688

Liabilities for other taxes, contributions and fees payable in the amount of RSD 734 thousand pertain to the contributions for considerations to Supervisory Board members: RSD 330 thousand, contributions for remunerations based on authorship contracts and service contracts: RSD 224 thousand, liabilities for income tax on dividends: RSD 97 thousand, taxes and contributions for agreements on temporary and periodical engagements: RSD 26 thousand, fee for environment improvement and protection in the amount of RSD 42 thousand, liabilities for utility duties for board with company name: RSD 14 thousand and tax on employee transportation: RSD 1 thousand.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 734 thousand, the amount of RSD 637 was settled in January 2016 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends – Note 38).

39.3. Accrued Expenses and Deferred Income

Accrued expenses and deferred income	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Precalculated expenses:		
a) Precalculated expenses - parent company, subsidiaries and other affiliated companies	25.142	24
b) Precalculated expenses - other legal entities	1.146	200
<i>Total</i>	<i>26.288</i>	<i>224</i>
Other accruals	887	
TOTAL	27.175	224

Precalculated expenses – parent company, subsidiaries and other affiliated companies in the amount of RSD 25.142 thousand refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till June 30, 2015, based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

Precalculated expenses – other legal entities in the amount of RSD 1.146 thousand pertain primarily to the calculated electricity costs for December 2015 in the amount of RSD 1.081 thousand.

Other accruals in the amount of RSD 887 thousand pertain to the calculated interest on term deposits with domestic banks.

40. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	In RSD thousand	
	31.12.2015.	31.12.2014.
Deferred tax assets	3.374	3.893
Deferred tax liabilities	159.739	157.882
Net effect of deferred tax assets (liabilities)	(156.365)	(153.989)

Deferred tax assets are the income tax amounts recoverable in future periods based on *deductible temporary differences*.

A deductible temporary difference is generated in cases where a company's balance sheet contains already disclosed expense on certain bases, which will be recognized from the tax aspect in the following periods. Deferred tax assets are verified on December 31 and are recognized only if it is considered probable that the deferred tax assets will probably be used to reduce a taxable income in the future period.

The amount of deferred tax assets is calculated by multiplying the amount of deductible temporary difference at the end of the year by the Company's corporate income tax rate (15%).

Deferred tax liabilities disclosed as at December 31 refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (in compliance with the IAS/IFRS and other provisions) and provisions that define tax depreciation (in compliance with the Law on Corporate Income Tax), the Company shall pay higher amount of income tax in the future period than it would pay if the actually disclosed accounting depreciation would be acknowledged by tax legislation. For this reason, the Company recognizes the deferred tax liability, which represents income tax payable once that the Company "recovers" the accounting value of the assets.

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

Changes in balance of deferred tax assets during the reporting and reference years were as follows:

Deferred tax assets	In RSD thousand				
	Tax value exceeding the book value in intangible assets, plants and equipment	Capital losses in investment property	Provisions for retirement bonuses	Unpaid public revenues	Total
Balance as at January 1, 2014	2.271	688	758	42	3.759
Debit/credit to Income Statement	(96)	686	(415)	(41)	134
Direct debit to capital					
Balance as at December 31, 2014	2.175	1.374	343	1	3.893
Debit/credit to Income Statement	(212)	(303)	(11)	7	(519)
Direct debit to capital					
Balance as at December 31, 2015	1.963	1.071	332	8	3.374

Changes in balance of deferred tax liabilities during the reporting and reference years were as follows:

In RSD thousand

Deferred tax liabilities	Book value exceeding tax value in property	Capital gains in investment property	Total
Balance as at January 1, 2014	22.824	3.077	25.901
Debit/(credit) to Income Statement	2.405	77	2.482
Direct debit to capital	129.499		129.499
Balance as at December 31, 2014	154.728	3.154	157.882
Debit/(credit) to Income Statement	(123)	1.980	1.857
Direct debit to capital			
Balance as at December 31, 2015	154.605	5.134	159.739

A summary of changes in balance of deferred tax liabilities of the Company is presented in the following tables.

Balance and changes in balance of deferred tax liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Balance of deferred tax liabilities at the end of the previous year	153.989	22.142
Balance of deferred tax liabilities at the end of the current year	156.365	153.989
Changes in balance of deferred tax liabilities	(2.376)	(131.847)

Changes in balance of deferred tax liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Deferred tax expenses of the period	2.376	2.348
Revaluation reserves		129.499
Undistributed profit of the previous year		
TOTAL	2.376	131.847

Based on the change in the balance of deferred tax liabilities and deferred tax liabilities in 2015, it can be concluded that in net effect there was an increase in the balance of deferred tax liabilities compared with the previous year amounting to RSD 2.376 thousand, which was debited against net result for 2015 (deferred tax expenses of the period).

41. OFF-BALANCE SHEET ASSETS AND LIABILITIES

In compliance with the relevant statutory provisions (Rules on Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs), disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, presented in the following Table, are neither assets nor liabilities of the Company, but are primarily presented for information purposes.

Structure of off-balance sheet assets and liabilities is presented in the following table.

Structure of off-balance sheet assets and liabilities	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
Received sureties, guarantees and other rights	3.041	3.024
Provided sureties, guarantees and other rights	18.122.117	16.863.609
Received mortgages and other rights	16.723	16.632
Other off-balance sheet asset/liabilities	4.454.577	4.463.529
TOTAL	22.596.458	21.346.794

Received guarantees, sureties and other warranties in the amount of RSD 3.041 thousand refer to:

- Liability for received guarantee for timely settlement of liabilities for flight tickets in the amount of RSD 3.041 thousand that expires on January 20, 2016, and is renewed quarterly (Alpha Bank).

Provided sureties, guarantees and other rights amounting to RSD 18.122.117 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 15.897.181 thousand; and
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 2.224.936 thousand (BBVA - PERU amounting to RSD 1.557.455 thousand and BANCO FINANCIERO - PERU amounting to RSD 667.481 thousand) for the project in Peru.

To provide guarantees, sureties and corporate guarantees, the Company concluded agreements with subsidiary companies based on which the Company is the guarantor and based on which it received respective collaterals from the subsidiaries involved (Company's bills of exchange).

Received mortgages and other rights amounting to RSD 16.723 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 42).

Other off-balance sheet assets/liabilities amounting to RSD 4.454.577 thousand include the following:

- The right to use the municipal construction land – in Block 25 and Block 26 in Novi Beograd, amounting to RSD 4.424.135 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,443 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at December 31, 2014 and presented in the off-balance records without any value.

42. MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY

Mortgages registered in favour of the Company are as follows:

- As collateral to secure the repayment of loan pursuant to the Annex No. 8 of the Loan Agreement No. 367, in the amount of RSD 16.723 thousand (EUR 137 thousand), granted by the Company to Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 4 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 145.695 thousand (EUR 1,198 thousand), there is a lien statement (mortgage was not registered) provided for the real property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

43. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company reconciled its domestic and international trade receivables as at December 31, 2015.

Of the total of twenty-five *domestic buyers*, as at December 31, 2015, with trade receivables amounting to RSD 594.545 thousand, all is reconciled.

The Company reconciled its trade receivables as at:

- June 30, 2015,
- September 30, 2015, and
- December 31, 2015.

Each one of the total of 39 account balances received from *domestic suppliers and banks* in 2015 amounting to RSD 99.419 thousand were reconciled.

44. TRANSACTIONS WITH RELATED PARTIES

In compliance with the requirements from the IAS 24 – Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below. From the Company's point of view, the related parties are: **subsidiaries, affiliated companies, joint ventures and key management** (persons with authorizations and responsibilities for planning, direction and control of the activities of an entity, either directly or indirectly, including all the directors, regardless if executive or not) and their immediate family members.

From the point of view of the **related parties**, transactions resulting in revenues and expenses in the income statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets within it) in the balance sheet are presented in the following two tables.

Income and expenses from related parties	<i>In RSD thousand</i>	
	<i>2015</i>	<i>2014</i>
<i>Income:</i>		
a) EP Garant Plc.	53.205	49.854
b) EP Visokogradnja Plc.	107.736	139.685
c) EP Niskogradnja Plc.	111.680	138.281
d) EP Hidroinzenjering Plc.	33.802	34.940
e) EP Entel Plc.	354.983	351.871
f) EP Energodata Plc.	11.092	14.196
g) EP Industrija Plc.	20.609	23.060
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	7.512	9.794
j) EP Oprema Plc.	190.514	318.673
k) EP Sunnyville Ltd.	782	
l) I.N.E.C. Engineering Company Limited, Great Britain		16
m) Encom GmbH Consulting, Engineering & Trading	11	
n) Dom 12 S.A.L.		
o) Enjub Ltd.	11.629	20.586
<i>Total</i>	<i>903.555</i>	<i>1.100.956</i>
<i>Expenditures:</i>		
a) EP Garant Plc.	951	1.129
b) EP Visokogradnja Plc.	231.362	652.473
c) EP Niskogradnja Plc.	4.399	5.067
d) EP Hidroinzenjering Plc.	24.741	279
e) EP Entel Plc.	160	480
f) EP Energodata Plc.	22.034	15.607
g) EP Industrija Plc.	20	131
h) EP Promet Ltd.	415	543
i) EP Urbanizam i arhitektura Plc.	4.261	2.060
j) EP Oprema Plc.	74.392	159.140
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, Great Britain	40	1.354
m) Encom GmbH Consulting, Engineering & Trading, Germany	66	2.314
n) Dom 12 S.A.L.	43	
o) Enjub Ltd.		
<i>Total</i>	<i>362.884</i>	<i>840.577</i>
TOTAL	<i>1.266.439</i>	<i>1.941.533</i>

Receivables and liabilities from related parties	<i>In RSD thousand</i>	
	<i>31.12.2015.</i>	<i>31.12.2014.</i>
<i>Receivables:</i>		
a) EP Garant Plc.	636	652
b) EP Visokogradnja Plc.	710.478	622.367
c) EP Niskogradnja Plc.	315.859	482.860
d) EP Hidroinzenjering Plc.	22.497	47.832
e) EP Entel Plc.	9.075	9.471
f) EP Energodata Plc.	70.997	74.011
g) EP Industrija Plc.	75.247	75.444
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	46.256	56.041
j) EP Oprema Plc.	8.206	13.744
k) EP Sunnyville Ltd.	36.077	
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting,Engineering&Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd.	211.271	199.220
<i>Total</i>	<i>1.506.599</i>	<i>1.581.642</i>
<i>Liabilities:</i>		
a) EP Garant Plc.	18	19
b) EP Visokogradnja Plc.	3	298
c) EP Niskogradnja Plc.		176
d) EP Hidroinzenjering Plc.		
e) EP Entel Plc.		
f) EP Energodata Plc.	1.656	
g) EP Industrija Plc.		
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.		
j) EP Oprema Plc.	25.142	12.774
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, Great Britain	40	
m) Encom GmbH Consulting,Engineering&Trading, Germany	11.463	16.480
n) Dom 12 S.A.L.		
o) Enjub Ltd.		
<i>Total</i>	<i>38.322</i>	<i>29.747</i>
TOTAL	<i>1.544.921</i>	<i>1.611.389</i>

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date. Blank bills of exchange and relevant authorizations were provided to the Company as payment securities.

Liabilities to the related parties arise primarily from the purchase transactions and have maturity periods from 5 to 30 days following the purchase date. Presented liabilities are exclusive of interest accrued. The Company has not provided any payment collaterals for liabilities owed to related parties.

45. COMMITMENTS AND CONTINGENCIES

Contingent liabilities that can potentially result in an outflow of economic benefits of the Company can primarily arise from the lawsuits. Contingent **liabilities arising from lawsuits** are primarily reflected in the potential completion of lawsuits against the Company, yet no liability or provision was recorded in the balance sheet.

The number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case are presented in the following Table. The disclosed lawsuits' amounts with the contingent liability as at December 31, 2015 include only the principal amount per case.

Plaintiff	First instance procedure	Second instance procedure	Total
<i>No. of lawsuits</i>			
Physical person	4	3	7
Legal entity	3	1	4
TOTAL	7	4	11
<i>In RSD thousand</i>			
Physical person	71.648	444	72.092
Legal entity			0
TOTAL	71.648	444	72.092

Additional details on lawsuits in which the Company is involved as the defendant are presented in the following Table.

Plaintiff	Basis for legal action	Contingent liability in RSD thousand
Raonic Milan	Damage compensation for copyright infringement	36.016
Land development public agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Marko Martinoli	Compulsory redemption of shares	Uncertain
Belim Plc. in bankruptcy	Unfounded gains	Uncertain
Sreta Ivanisevic	Compensation for expropriated property (Bezanija)	Uncertain
Vladan and Tomislav Krdzic	Damage compensation (for the value of free shares that they did not acquire)	444
Goran Rakic	Establishment of ownership right on the land under building for legalization purposes	Ungrounded
Pavle, Radmila and Milan Kovacevic	Compensation for expropriated land (Block 26)	Amount not determined
Rajko Ljubojevic	Expropriation of land from 1957	35.632
Activeast management Ltd	Payment of difference in the price of shares	Uncertain
TOTAL		72.092

In addition of the above listed court cases in which the Company is the defendant, there is a lawsuit with the New Company Ltd. branch IN Hotel, in which the plaintiff requests the GP Napred Razvoj Plc. to determine the ownership right over the hotel building constructed on a lot for which the Company was registered as a holder of rights in addition to the GP Napred Razvoj Plc. In this lawsuit, the Company is a passive co-litigant, and thus there are no potential commitments for the Company, but it had to be included in the action due to the formal reasons.

In addition to the above stated, the second instance procedure is in progress as well, in which a number of minority shareholders of the Energoprojekt Niskogradnja company called in question the price of shares from compulsory redemption that was paid by the Company as the majority shareholder. In addition to that, the first instance procedure is also in progress in which a small number of minority shareholders of the Energoprojekt Visokogradnja Company called into question the price paid to them in the procedure initiated at their request for compulsory sale of shares.

Contingent assets that can potentially result in economic benefits for the Company may primarily arise based on the lawsuits in which the Company is involved as the plaintiff.

Contingent assets arising from lawsuits leads to the potential for completion of lawsuits in favour of the Company, yet no receivables was recorded in the balance sheet and no economic benefit has been recorded in any other manner (such as, for example, by reducing value of an unjustified advance payment, etc.).

The number and estimated values of lawsuits and litigations in which the Company acts as the plaintiff are presented in the following Table.

Defendant	First instance procedure	Second instance procedure	Total
<i>No. of lawsuits</i>			
Physical person			
Legal entity	3	2	5
TOTAL	3	2	5
<i>In RSD thousand</i>			
Physical person			
Legal entity	855	210.881	211.736
TOTAL	855	210.881	211.736

Additional details on lawsuits in which the Company acts as the plaintiff are presented in the following Table.

Defendant	Basis for legal action	Contingency amount in RSD thousand
Beogradsko mesovito preduzeće Plc. (BMP)	Determining of BMP shares' value	Amount not determined
Zekstra group Ltd.	Damage compensation (roof repair works in 38 Goce Delceva Street)	855
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	Acquiring of 13% of the total hotel surface area is legally founded, but the value thereof has not been determined
City of Belgrade, Land development public agency, Republic of Serbia	Debt (Arena)	208.000
Napred Razvoj Plc.	Remuneration for organization of an extraordinary Company meeting	2.881
TOTAL		211.736

It should be noted here that an impairment of the receivable owed by the Zekstra Group Ltd. was performed in 2014 in the amount of RSD 855 thousand (EUR 7 thousand), and that in 2015 the receivable amount owed by Napred Razvoj Plc. in the amount of RSD 2.881 thousand was impaired (Note 18).

In addition to the presented legal actions in which the Company is involved as the plaintiff, there is a court action initiated against Music Ivan, for compensation of damage (roof repair in 38 Goce Delceva Street), on the basis of which a receivable amounting to RSD 30 thousand was presented in the accounting books of the Company.

46. POST BALANCE SHEET EVENTS

There were no events after the balance sheet date that could have any significant effect on the credibility of the financial statements.

In Belgrade,
On February 19, 2016

Legal Representative


Vladimir Milovanovic, Dipl. Ing.



3. ANNUAL BUSINESS REPORT

- Company background;
 - Summary of Company's business operations and organizational structure;
 - Overview of Company's development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information;
 - Description of Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed;
 - Significant events after the end of the reporting business year;
 - Significant transactions with related parties;
 - Company's research and development activities;
 - Information on investments aimed at environmental protection;
 - Information on redemption of own stock and/or shares;
 - Company branches;
 - Financial instruments of significance for the assessment of Company's financial position and business results;
 - Objectives and policies related to financial risk management and protection policy for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and assessment of their effectiveness;
 - Statement on Code of Corporate Governance Implementation
-

Note:

Annual Business Report and Consolidated Annual Business Report were presented as a single report and these contain information of significance for the economic entity. u.

Company Background

Business name: Energoprojekt Holding Plc.

Head office and address: Beograd, Bulevar Mihaila Pupina 12

Registration number: 07023014

TIN: 100001513

Web site and e-mail address: www.energoprojekt.rs ; ep@energoprojekt.rs

Number and date of the Decision on Company Registration with the Companies Register: BD 8020/2005

Registered business activity (code and description): 06420 - Holding Company

Number of employees (average number of employees in 2015): 70

Auditor's business name, head office and business address: BDO doo. Beograd, Knez Mihailova 10

Number of shareholders (as at December 31, 2015): 7.460

Ten principal Company's shareholders (as at December 31, 2015):

No.	Name and family name (business name)	No. of shares	% of total issue
1.	Republic of Serbia	3.671.205	33,58%
2.	Napred Razvoj Plc. New Belgrade	2.235.685	20,45%
3.	East Capital (Lux) - Balkan Fund	370.593	3,39%
4.	Vojvođanska Bank Plc Novi Sad-summ.acc.	220.868	2,02%
5.	Societe Generale Bank Srbija-custody	174.885	1,60%
6.	Raiffeisen Bank Plc. – custody	98.848	0,90%
7.	Raiffeisen Bank Plc.- custody	97.058	0,89%
8.	Societe Generale Bank Srbija- custody	80.199	0,73%
9.	NLB Bank Plc. Belgrade- custody rn-ks	72.320	0,66%
10.	Gustavia Fonder Aktiebolag	70.000	0,64%

Basic capital: Share capital RSD 5.574.958.920

Number of shares: 10.931.292 ordinary shares

Nominal value of share is RSD 510

ISIN number: RSHOLDE58279

CIF with: ESVUFR

Price of shares over the reported period:

- Last price (as at December 31, 2015): RSD 1.037/share
- Highest price (as at April 4, 2015): RSD 1.320/share
- Lowest price (as at November 16, 2015): RSD 899/share

Market capitalization (as at December 31, 2015): RSD 11.335.749.804

Organized market: Belgrade Stock Exchange, New Belgrade, Omladinskih brigada 1

Energoprojekt Holding Plc. shares are prime-listed on the Belgrade Stock Exchange.

Shares of other companies of the Energoprojekt Group are traded in the Open Market of the Belgrade Stock Exchange (share of Energoprojekt Entel Plc. and Energoprojekt Industrija Plc. Companies) and in the MTP Belex market segment of the Belgrade Stock Exchange (share of the Energoprojekt Oprema Plc. and Energoprojekt Garant Ltd. Companies).

Overview of Company's Business Activities and Organizational Structure

Energoprojekt Group comprises of the Energoprojekt Holding Plc. as the parent company and its subsidiaries in the country and abroad. Based on equity investments, Companies of the Energoprojekt Group are related companies, since the Energoprojekt Holding Plc. directly or indirectly (through its subsidiaries) holds the majority ownership share in all these companies.

Energoprojekt Holding Plc. is the controlling – parent company pursuing holding operations, or financing and management of subsidiaries. In addition to energy and water management, the business activity of Energoprojekt Group includes design and construction of industrial plants, public and residential complexes, telecommunication systems, service provision in the fields of urbanism and environmental protection, information technologies, trade, real estate and insurance.

According to the Company's turnover, except for the domestic market, the most important markets are those in the African countries (Nigeria, Uganda, Ghana, Algeria, Zambia), Kazakhstan, Russia, Near East (Qatar, UAE, Oman, Jordan) and South America (Peru)

Information about subsidiaries (principal subjects of consolidation procedure):

No.	Business Name	Business Seat and Address
1.	Energoprojekt Visokogradnja Plc.	Bulevar Mihaila Pupina 12, Beograd
2.	Energoprojekt Niskogradnja Plc.	Bulevar Mihaila Pupina 12, Beograd
3.	Energoprojekt Oprema Plc.	Bulevar Mihaila Pupina 12, Beograd
4.	Energoprojekt Entel Plc.	Bulevar Mihaila Pupina 12, Beograd
5.	Energoprojekt Hidroinzenjering Plc.	Bulevar Mihaila Pupina 12, Beograd
6.	Energoprojekt Industrija Plc.	Bulevar Mihaila Pupina 12, Beograd
7.	Energoprojekt Energodata Plc.	Bulevar Mihaila Pupina 12, Beograd
8.	Energoprojekt Urbanizam i Arhitektura Plc.	Bulevar Mihaila Pupina 12, Beograd
9.	Energoprojekt Garant Ltd .	Bulevar Mihaila Pupina 12, Beograd

Information about Company management::

Supervisory Board members (as at December 31, 2015):

Name, family name and place of residence	Educational background/	No. of ENHL shares
1. Andjelko Kovacevic, President	VII-1 degree, B.Sc.CE	0
2. Tamara Kaznovac Popovic, member	VII-1 degree, B. Sc. Ecc,	0
3. Dragan Aleksic, member	VII-2 degree, B. Sc. Ecc,	1.172
4. Nebojsa Perunicic, member	VII-1 degree, M. Sc. Law	1.000
5. Slobodan Jovanovic, member	VII-1 degree, B. Sc. EE	1.299
6. Aleksandar Glisic, member	VII-2 degree, B. Sc. EE	1.197
7. Vladimir Sekulic, member	VII-1 degree, B. Sc. Ecc	1.220

Executive Board members (as at December 31, 2015):

Name, family name and place of residence	Educational background/	No. of ENHL shares
1. Vladimir Milovanovic, General Manager	VII-1 degree, B. Sc. EE,	15.323
2. Dimitraki Zipovski, Executive Manager for Finances, Accounting and Planning	VIII degree, B. Sc. Ecc,	11.378
3. Zoran Jovanovic, Executive Manager for Legal Affairs	VII-2 degree, M. Sc. Law,	7.924
4. Dragan Tadic, Executive Manager for Real Estate	VII-1 degree, B. Sc. CE	6.243

Overview of Company's development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information

Energoprojekt Group Beograd (hereinafter: Energoprojekt Group) comprises of the parent joint stock company - Energoprojekt Holding Plc., Beograd (hereinafter: Energoprojekt Holding), 12 subsidiaries in the country, 11 of which are directly controlled (9 joint stock companies and 2 limited liability company) and 1 of which is indirectly controlled through other subsidiary companies (1 limited liability company) and of one joint venture, which will hereinafter be referred to as joint undertaking (1 limited liability company) with ownership share of 50%, 1 affiliated company (1 joint stock company) and 7 direct subsidiary companies abroad.

Within subsidiary companies units for investment works and representative branches abroad are organized (100 in total) as well as own companies in the country and abroad (13 subsidiaries abroad, 1 affiliated company abroad and 1 affiliated company in the country), which jointly conduct construction, design, equipping, making of studies, research, programming of investment facilities and systems, sales of goods and services and other business activities.

The average number of employees in the energoprojekt Group in 2015, as of the end of each month, not including local workers abroad, is 2.316 (2.355 in 2014).

In 2015, organizational structure of Energoprojekt Group included the following units:

Business Activity	No. of subsidiaries, affiliates and joint undertakings in the country	No. of units for investment works abroad and branch offices abroad	No. of subsidiaries and affiliates abroad
Design and Research	4	27	5
Construction and equipping	5	73	12
Holding	1		
Other	6		4
Total	16	100	21

Group for consolidation comprises of the Energoprojekt Holding parent company and of the following subsidiary companies and joint undertakings in the country listed below, and of the subsidiary companies abroad – international companies:

Subsidiaries and joint undertakings in the country

No.	N a m e	% ownership share
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Subsidiary Companies

Construction and Equipping

1.	Energoprojekt Visokogradnja Plc.	100,00
2.	Energoprojekt Niskogradnja Plc.	100,00
3.	Energoprojekt Oprema Plc.	67,87
4.	Energoprojekt Sunnyville Ltd.	100,00

Design and Research

5. Energoprojekt Urbanizam i arhitektura Plc.	100,00
6. Energoprojekt Industrija Plc.	62,77
7. Energoprojekt Entel Plc.	86,26
8. Energoprojekt Hidroinzenjering Plc.	100,00

Other

9. Energoprojekt Energodata Plc.	100,00
10. Energoprojekt Promet Ltd.	100,00
11. Energoprojekt Garant Ltd.	92,94
12. Energoplast Ltd.	60,00

(Energoprojekt Industrija Plc. 40,00% and Energoprojekt Entel Plc. 20,00)

Joint Undertakings

Construction and Equipping

13. Enjub Ltd.	50,00
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Affiliated companies

Other

14. Fima See Activist Ltd.	20,93
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In 2015, Energoprojekt Holding formed a new company in the country, Energoprojekt Sunnyville Ltd., Belgrade, for the purpose of own investment construction in Belgrade.

Applying the total consolidation method, the consolidated financial statements of the Energoprojekt Group are including the subsidiary company Energoplast Ltd., with prior elimination, by equity method, of its presence in financial statements of Energoprojekt Industrije Plc. (40,00%) and Energoprojekt Entela (20,00%), made through primary consolidation.

On the occasion of the inclusion of Enjub Ltd. joint venture in the consolidated financial statements of the Energoprojekt Group, equity method was used in compliance with IFRS 11 – Joint Arrangements, both for the reporting period and for the comparable period of the preceding year.

By equity method, closed-end investment fund Fima See Activist Ltd. is included in consolidated financial statements of Energoprojekt Group for 2015, in compliance with IFRS 11 – Joint Arrangements, since the percentage of Energoprojekt Holding shares in equity of subject company in 2015 was over 20,00%.

Subsidiary companies abroad – international companies:

No.	N a m e	% ownership share
1.	Zambia Engineering and Contracting Company Limited, Zambia	100,00
2.	Energoprojekt Holding Guinee S.A, Guinea	100,00
3.	I.N.E.C. Engineering Company Limited, United Kingdom	100,00
4.	Encom GmbH Consulting, Engineering & Trading, Germany	100,00
5.	Dom 12 S.A.L, Lebanon	100,00
6.	Energo (Private) Limited, Zimbabwe	100,00
7.	Energo Kaz Ltd., Kazakhstan	100,00

In 2015, Energoprojekt Holding in its nbusiness records registered Energo Kaz Ltd., Kazakhstan, a company founded in 2009, but not active till 2014.

A number of above listed overseas companies (Energoprojekt Holding Guinee S.A., Guinea, Zambia Engineering and Contracting Company Limited, Zambia, Energo (Private) Limited, Zimbabwe and Energo Kaz Ltd., Kazakhstan) was registered as companies owned by the Energoprojekt Holding, but are in fact controlled and managed by certain subsidiary companies.

Among the above listed subsidiary companies in the country, Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Industrija, Energoprojekt Entel, Energoprojekt Hidroinženjering and Energoprojekt Energodata are at the same time parent companies that prepare consolidated financial statements, and thus their subsidiary and affiliated companies listed in the following table are included through the primary consolidation.

No.	N a m e	Included through primary consolidation
<i>Foreign countries</i>		
<i>Subsidiary companies abroad - international companie</i>		
1.	Energoprojekt Ghana Ltd., Akra, Ghana	EP Visokogradnja Plc.
2.	Energoprojekt Montenegro Ltd., Montenegro	EP Visokogradnja Plc.
3.	Energoprojekt Rus d.o.o., Moskva, Russia	EP Visokogradnja Plc.
4.	Energo Uganda Company Ltd, Kampala, Uganda	EP Niskogradnja Plc.
5.	Enlisa S.A., Lima, Peru	EP Niskogradnja Plc.
6.	Energoprojekt Oprema Crna Gora d.o.o., Podgorica, Montenegro	EP Oprema Plc.
7.	Enhisa S.A., Lima, Peru	EP Hidroinzenjering Plc.
8.	Zahinos Ltd., Cyprus	EP Industrija Plc.
9.	Energoprojekt Entel L.L.C., Muscat, the Sultanate of Oman	EP Entel Plc.
10.	Energoprojekt Entel LTD, Doha, Qatar	EP Entel Plc.
11.	Energoconsult L.L.C., Abu Dhabi, UAE	EP Entel Plc.
12.	Energoprojekt Energodata Montenegro Ltd., Montenegro	EP Energodata Plc.
13.	Energoprojekt Zambia Limited, Zambia	Zambia Engineering and Contracting Company Limited, Zambia

Affiliated Companies abroad

1. Energo Nigeria Ltd., Lagos, Nigeria (40,00%) EP Oprema Plc.

In the Country

Affiliated Companies in the Country

1. Energopet Ltd. (33,33 %) EP Industrija Plc.

In 2015, Energoprojekt Zambia Limited was found in Zambia, with 80% of Zambia Engineering and Contracting Company Limited, Zambia and 20% of Energoprojekt Holding stake, which is included in consolidated financial statements of Energoprojekt Group, through primary consolidation in Zambia Engineering and Contracting Company Limited, Zambia.

Authentic overview of the development and business results of the Company, its financial position and information of significance for the assessment of the Company's assets are presented in detail and explained in the "Notes to Financial Statements for the Year of 2015".

Only some of the relevant parameters of the parent company's (Energoprojekt Holding Plc.) and of the Energoprojekt Group's business operations are presented below, which are of significance for adequate understanding of the presented subject matter.

Structure of the total business result of Energoprojekt Holding Plc. (parent company) in 2015

Structure of gross result	<i>In RSD thousands</i>	
	2015	2014
Operating income	504,040	583,921
Operating expenses	455,939	525,408
Operating result	48,101	58,513
Financial revenues	475,673	695,280
Financial expenses	22,318	21,600
Financial result	453,355	673,680
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss	730	
Other revenues	13,746	1,329
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss	9,163	642,483
Other expenses	251,678	24,449
Result of other revenues and expenses	(246,365)	(665,603)
Net income from discontinuing operations, changes in accounting policy and correction of errors from previous period		6,989
Net expense from discontinuing operations, changes in accounting policy and correction of errors from previous period	3,066	
TOTAL INCOME	994,189	1,287,519
TOTAL EXPENSE	742,164	1,213,940
PROFIT/LOSS BEFORE TAX	252,025	73,579

Earnings per Share:

Earnings per Share is calculated by dividing the profit for ordinary shareholders with the average weighted number of ordinary shares in circulation for the period.

Indicator	<i>In RSD thousands</i>	
	2015	2014
Net profit	236,972	43,867
Average number of shares per year	10,931,292	10,931,292
Earnings per share (in RSD)	21.68	4.01

The most important liquidity indicators for the Company's business in 2015 are presented in the following table, and specifically:

- The current liquidity ratio (ratio of working capital and short-term liabilities), indicating the short-term liabilities coverage against working capital;
- Quick ratio (ratio of liquid assets, which include total working capital reduced by inventories, and short-term liabilities), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow liquidity ratio (ratio of cash flow increased by cash equivalents and short-term liabilities), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (the excess of working capital over short-term liabilities).

Drawing conclusions on liquidity indicators based on the ratio analysis means, *inter alia*, comparison of these indicators against satisfactory general standards, which are presented in the following table.

Liquidity Indicators	Satisfactory General Standards	2015	2014
Current liquidity ratio	2:1	3,13:1	5,54:1
Quick ratio	1:1	3,13:1	5,48:1
Operating cash flow ratio		0,72:1	0,44:1
Net working capital (in RSD thousand)	Pozitivna vrednost	1,382,945	1,216,152

The results of the ratio analysis indicate that the Company was **liquid** during 2015, meaning that it had no difficulties to meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good creditworthiness.

The best **profitability** indicator is the *return on average own capital employed* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicators	<i>In RSD thousand</i>	
	2015	2014
Net profit	236,973	43,867
Average capital:		
a) Capital at the beginning of the year	8,418,694	8,054,188
b) Capital at the end of the year	8,450,766	8,418,694
Total	8,434,730	8,236,441
Average return rate on own capital at the end of the year	2.81%	0.53%

Financial adequacy structure is reflected in the amounts and types of debts.

The most significant indicators of Company's financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, indicating coverage per dinar of the Company's assets from borrowed sources; and
- The ratio of long-term funds to total assets, indicating coverage per dinar of the Company's assets from long-term sources.

Financial structure indicators	<i>In RSD thousand</i>	
	31.12.2015.	31.12.2014.
Liabilities	647,987	268,136
Total assets	9,517,328	9,103,107
Ratio of borrowed funds to total assets	0.07 : 1	0.03 : 1
Long-term assets:		
a) Capital	8,450,766	8,418,694
b) Long-term provisions and long-term liabilities	418,575	416,277
Total	8,869,341	8,834,971
Total assets	9,517,328	9,103,107
Ratio of long-term to total assets	0.93 : 1	0.97 : 1

The net debt ratio indicates the Company's capital coverage against Company's net debt.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) plus Loss Above Equity, and
- Cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>In RSD thousand</i>	
	<i>31/12/2015</i>	<i>31/12/2014</i>
Net debt:		
a) Liabilities	647,987	268,136
b) Cash and cash equivalents	463,343	116,713
<i>Total</i>	<i>184,644</i>	<i>151,423</i>
Capital	8,450,765	8,418,694
Net debt to capital ratio	1 : 45.77	1 : 55.60

Energoprojekt Group operating income structure for 2015

Structure of gross operating income	<i>In RSD thousand</i>	
	2015	2014
Operating income	35,258,170	33,832,266
Operating expense	33,419,193	32,753,077
Operating income	1,838,977	1,079,189
Financial income	1,845,349	2,534,584
Financial expenses	2,077,322	2,430,316
Financial income	(231,973)	104,268
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss	18,431	21,457
Other income	437,908	756,597
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss	302,084	40,711
Other expense	599,865	606,776
Result of other revenues and expenses	(445,610)	130,567
Result from regular operations before tax	1,161,394	1,314,024
Net income from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods	42,818	
Net loss from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods		34,280
TOTAL INCOME	37,602,676	37,144,904
TOTAL EXPENSE	36,398,464	35,865,160
PROFIT/LOSS BEFORE TAX	1,204,212	1,279,744

Earnings per share:

Indicator	<i>In RSD thousand</i>	
	2015	2014
Net profit	856,443	825,122
Average number of shares per year	10,931,292	10,931,292
Earnings per share (in RSD)	78.35	75.48

The profit per share as at December 31, 2015 amounts RSD 78,35 and is calculated by dividing net profit of the parent company's shareholders (RSD 856.443 thousand) with the average weighted number of ordinary shares in circulation for the period (10.931.292 shares).

Description of the Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed

Starting from the strategic determination to achieve lasting and sustainable development of the Energoprojekt Group oriented towards continuous profitability growth, conducting business in its traditional markets (in the country and abroad), economically viable employment of resources and global macroeconomic trends, the following business tasks were planned to be achieved in 2016:

Priority tasks:

- Activities aimed at preparation of a new strategic document – “Basic Elements of the Medium-Term Business Plan for 2016–2020“;
- Further development of the business and information system that is matched to the needs of the Energoprojekt Holding Plc. Company;
- Continued financial and business consolidation of individual subsidiaries of the Energoprojekt Group, which have, due to various reasons, presented poorer business results over the previous period (from the aspect of their revenues, profit, human resources' competencies, secured projects and borrowing debts).

Other business-related tasks:

- To improve efficiency of the management system and allocation of individual responsibilities in all operational processes;
- To strengthen the management system and the internal control system for the business processes in the subsidiaries (with the aim to increase their revenues and profit, parallel with optimization of operational costs) and to thus reduce the operational risk levels;
- To introduce adequate management structure that will raise the team spirit to a higher level in a team-work atmosphere;
- To revitalize the existing business activities that are currently in decline or stagnating and to initiate new developmental projects;
- To re-engineer the business processes and to improve personnel structures in Energoprojekt Visokogradnja Plc., Energoprojekt Hidroinženjering Plc. and in all the other Companies in the Energoprojekt Group, wherever necessary;
- To strengthen the functions of internal supervision and internal audit in Energoprojekt Holding Plc. and in the Energoprojekt Group;
- To provide for sustainable growth and development of the Energoprojekt Group, and to increase equity capital and dividend distribution;

- Transparency of business operations and public presentation of Energoprojekt, by means of supplying relevant information through the Stock Exchange and regular communication with investors, partners and experts, in the country and abroad.

The most significant threats to which the Company is exposed include: continuing and deepening of the global and Eurozone economic crisis; competition in the form of foreign companies from the countries with huge populations and cheap workforce; competition in the form of the foreign companies with easier access to cheaper financial resources; institutional changes in the domestic and selected foreign markets; dependency on the political stability of the markets in which Energoprojekt realizes its projects and so on.

It is necessary to establish a system for timely risks' identification and management for the business operations of the Energoprojekt in the country and in the foreign markets as one of the principal functions of the Company's internal audit, and this system needs to be integrated with all the executive functions. In the following period, efforts on risk management development strategy will be intensive and according to the plans, in compliance with the established annual plan of the Energoprojekt Holding Plc. internal audit for 2016.

Significant events after the end of the year for which the reports are prepared

There were no significant business events from the balance date to the date of publication of the said statements, which would require disclosure or exert any impact on the authenticity of the disclosed financial statements.

Relevant business news on significant events are being regularly published on the Energoprojekt web site (at: <http://www.energoprojekt.rs>) and on the web site of the Belgrade Stock Exchange (in Serbian and in English), as a part of the Company's obligations related to the Prime Listing of its shares on the Belgrade Stock Exchange.

Significant business transactions with the related parties

In compliance with the requirements contained in the IAS 24 – Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below.

From the point of view of the **related parties**, transactions resulting in revenues and expenses in the Income Statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets within it) in the Balance Sheet are presented in the following two Tables.

Receivables and expenses from the related parties	In RSD thousand	
	2015	2014
<i>Receivables:</i>		
a) EP Garant Ltd.	53,205	49,854
b) EP Visokogradnja Plc.	107,736	139,685
c) EP Niskogradnja Plc.	111,680	138,281
d) EP Hidroinzenjering Plc.	33,802	34,940
e) EP Entel Plc.	354,983	351,871
f) EP Energodata Plc.	11,092	14,196
g) EP Industrija Plc.	20,609	23,060
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	7,512	9,794
j) EP Oprema Plc.	190,514	318,673
k) EP Sunnyville Ltd.	782	
l) I.N.E.C. Engineering Company Limited, UK		16
m) Encom GmbH Consulting, Engineering & Trading	11	
n) Dom 12 S.A.L.		
o) Enjub Ltd.	11,629	20,586
<i>Total</i>	<i>903,555</i>	<i>1,100,956</i>
<i>Expenses:</i>		
a) EP Garant Ltd.	951	1,129
b) EP Visokogradnja Plc.	231,362	652,473
c) EP Niskogradnja Plc.	4,399	5,067
d) EP Hidroinzenjering Plc.	24,741	279
e) EP Entel Plc.	160	480
f) EP Energodata Plc.	22,034	15,607
g) EP Industrija Plc.	20	131
h) EP Promet Ltd.	415	543
i) EP Urbanizam i arhitektura Plc.	4,261	2,060
j) EP Oprema Plc.	74,392	159,140
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, UK	40	1,354
m) Encom GmbH Consulting, Engineering & Trading, Germany	66	2,314
n) Dom 12 S.A.L.	43	
o) Enjub Ltd.		
<i>Total</i>	<i>362,884</i>	<i>840,577</i>
TOTAL	1,266,439	1,941,533

Receivables and liabilities from the related parties	In RSD thousand	
	31/12/2015	31/12/2014
Receivables:		
a) EP Garant Plc.	636	652
b) EP Visokogradnja Plc.	710,478	622,367
c) EP Niskogradnja Plc.	315,859	482,860
d) EP Hidroinzenjering Plc.	22,497	47,832
e) EP Entel Plc.	9,075	9,471
f) EP Energodata Plc.	70,997	74,011
g) EP Industrija Plc.	75,247	75,444
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	46,256	56,041
j) EP Oprema Plc.	8,206	13,744
k) EP Sunnyville Ltd.	36,077	
l) I.N.E.C. Engineering Company Limited, UK		
m) Encom GmbH Consulting, Engineering & Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd.	211,271	199,220
<i>Total</i>	<i>1,506,599</i>	<i>1,581,642</i>
Liabilities:		
a) EP Garant Plc.	18	19
b) EP Visokogradnja Plc.	3	298
c) EP Niskogradnja Plc.		176
d) EP Hidroinzenjering Plc.		
e) EP Entel Plc.		
f) EP Energodata Plc.	1,656	
g) EP Industrija Plc.		
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.		
j) EP Oprema Plc.	25,142	12,774
k) EP Sunnyville Ltd.		
l) I.N.E.C. Engineering Company Limited, UK	40	
m) Encom GmbH Consulting, Engineering & Trading, Germany	11,463	16,480
n) Dom 12 S.A.L.		
m) Enjub Ltd.		
<i>Total</i>	<i>38,322</i>	<i>29,747</i>
TOTAL	<i>1,544,921</i>	<i>1,611,389</i>

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date. Blank bills of exchange and relevant authorizations were provided to the Company as payment securities.

Liabilities to the related parties arise primarily from the purchase transactions and have maturity periods from 5 to 30 days following the purchase date. Presented liabilities are exclusive of interest accrued.

Company activities in the field of research and development

Activities on further development and implementation of an adequate business and information system are underway, and the system will be adequate to the current scope and planned growth of the Company's business.

A new strategic document, "Basic Elements of the Company's Medium-Term Business Plan for 2016-2020" will be prepared in the following period, which will, among other things, include information about new Company's projects in the field of research and development.

Information on investments aimed at environmental protection

Energoprojekt Holding Plc. establishes and improves its own integrated management system (IMS) that includes quality management (harmonized with the ISO 9001:2008 standard), environmental protection management (harmonized with the ISO 14001:2004 standard) and occupational health and safety management (harmonized with OHSAS 18001:2007 standard).

Company's business activities are regularly harmonized with the applicable requirements of the positive legal regulations in the field of environmental protection, environmental protection programs are adopted and efforts are made towards the strict compliance with such requirements and programs. The said programs are being implemented through impact and/or risk analyses and assessments in the field of environmental protection, as well as through the implementation of relevant technical and technological solutions and instructions for elimination and/or reduction of adverse environmental effects. In that sense, Energoprojekt management organize and continuously monitor, review and direct activities of all the organizational units, services and individuals in order to completely implement the said IMS policy.

Company's activities aimed at environmental protection are integrated and implemented in compliance with the business philosophy and through joint activities on the level of the Energoprojekt Group. Thus, the "Waste Management Project" is an example of the said activities, which is being implemented in a coordinated manner, in compliance with the Rulebook on Waste Management in the Energoprojekt Building. Participation of the representatives of each Company of the Energoprojekt Group in the waste management working group serves as a guarantee that all the planned activities will be implemented in the least

expensive and most effective manner: such as, for example, the selection of various office waste materials (used paper, used batteries, car batteries, discarded electrical and electronic appliances and devices), recycling of these items, as well as the disposal of such items in compliance with the legally prescribed standards, etc.

Information about redemption of own stock and/or shares

Company does not hold its own shares. Company has not acquired its own shares since the previous annual report.

Company branches

Energoprojekt Holding Plc. does not have any registered branches in Serbia.

The official seat of the Parent Company and its subsidiaries is located in 12 Bulevar Mihaila Pupina Street in New Belgrade.

Detailed reviews of and comments on the business operations of the (foreign) entities of the Energoprojekt Group are presented in the Notes to the Consolidated Financial Statements of the Energoprojekt Group and in the Notes to the Consolidated Financial Statements of its subsidiary companies.

Financial instruments of significance for the assessment of Company's financial position and business results

Financial instruments include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instruments and related accounting records is conditional upon their classification that is to be performed by the Company management in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four available types of financial instruments as specified by provisions of IAS 39:

- Financial asset or liability at fair value through the profit and loss account,
- Held-to-maturity investments,
- Loans and receivables, and
- Financial assets available for sale.

All the relevant financial instruments of significance for the assessment of the financial position and business results of the Company are presented in greater detail in the Notes to the Financial Statements.

Objectives and policies related to financial risk management and protection policies for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and the assessment of their effectiveness

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects to the financial condition and operations of the Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management. Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

Credit Risk

A credit risk is a risk of adverse effects to the financial result and capital of the Company due to a debtor's failure to fulfil obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

Market Risk

A market risk is a risk of adverse effects to the financial result and capital of the Company due to losses under specific balance sheet items as a result of negative price shifts on the market and other relevant financial parameters.

The market risk includes three risk types:

- The currency risk,
 - The interest risk and
 - The price risk.
-
- **The currency risk**, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

The sensitivity analysis indicates that variations in the exchange rate will significantly affect variations in financial results of the Company and it can therefore be concluded that the Company is exposed to the currency risk to a significant extent.

- **Kamatni rizik** je rizik mogućnosti nastanka negativnih efekata na rezultat i kapital Društva zbog nepovoljnih promena kamatnih stopa. Društvo je ovoj vrsti rizika izložen preko pozicija finansijskih obaveza za kredite uzete sa potencijalno promenljivim kamatnim stopama (Belibor).
- **The interest risk** is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk to a significant extent due to financial obligations related to loans with potentially fluctuating interest rates (Belibor).

Liquidity Risk

Liquidity risk is a risk of having difficulties to fulfil due obligations and maintain the necessary scope and structure of the working capital and good creditworthiness. The results of the ratio analysis indicate that the Company was **liquid** during 2015, meaning that it had no difficulties to

meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good creditworthiness.

Therefore we emphasise that:

- Considering the dynamic nature of the Company's business, the finance department aims to maintain financial flexibility, which means, among other things, to keep the existing lines of credit available and to expand them; and
- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents, as well as the liquid potentials according to the expected cash flows.

This subject matter was defined in and it is being implemented in compliance with the following adopted internal acts of the Company:

- *“Rulebook on the Basic Elements of the Internal Control System and Risk Management in Energoprojekt Holding Plc.”*,
- *“Rulebook on the Operations of the Internal Supervision Sector of Energoprojekt Holding Plc.”*,
- *“Rulebook on Accounting and Accounting Policies of Energoprojekt Holding Plc.”*.

All the Companies in the Energoprojekt Group have adopted and are implementing their own individual acts regulating the said subject matter.

Most of the above listed risks, as well as some other risks not mentioned herein, are presented in greater detail in the Notes to the Financial Statements (which are primarily focusing on the review of the financial risks: the credit risk, market risk and liquidity risk) and/or other internal acts of the Company.

Statement on Code of Corporate Governance Implementation

Energoprojekt Holding Plc. implements its own Code of Corporate Governance (as adopted in 11th meeting of the Management Board of the Energoprojekt Holding Plc. held on January 26, 2012). The Code has been made publicly available on the Company's Internet page (at www.energoprojekt.rs).

The Energoprojekt Holding Plc. Code on Corporate Governance set out the principles of corporate practices and organizational culture that the principal holders of the corporate governance function of the Energoprojekt Holding Plc. comply with, with regard to the shareholders' rights, corporate governance frameworks and methods, public relations and transparency of the Company's business operations. The main objective of this Code is to introduce good business practice in the field of corporate management, which should provide for the right balance between the influences exerted by the principal corporate governance holders, consistency of the control system and strengthening of shareholders' and investors' trust in the Company, all with the aim to achieve long-term development of the Company.

Relevant Company's bodies make a point of presenting the principles laid down in the Code in greater detail in other general acts of the Company, whenever necessary. In the application thereof, there are no significant deviations from the rules of the Code of Corporate Governance.

In compliance with the Rules on Listing and Quotation of the Belgrade Stock Exchange, parallel with the disclosure of its Annual Business Report, Energoprojekt Holding Plc. delivers and discloses the completed "Questionnaire on Corporate Governance Practices" and has agreed to its online publication on the Internet page of the Belgrade Stock Exchange.

All the Companies of the Energoprojekt Group have adopted and are now implementing their own codes of corporate governance regulating the said subject matter.

Energoprojekt Holding Plc.

Executive Director for Finance, Accounting and Planning



Dimitraki Zipovski

Dimitraki Zipovski, D.Sc. Ecc.

Energoprojekt Holding Plc.

Chief Executive Officer



Vladimir Milovanovic

Vladimir Milovanovic, B.Sc. Mech. Eng.

INDEPENDENT AUDITOR'S REPORT ON ANNUAL BUSINESS REPORT

To the Shareholders of Energoprojekt Holding a.d. Belgrade

We have audited the accompanying standalone and consolidated financial statements of Energoprojekt Holding a.d. Belgrade (hereinafter: "The Company") for the year ended 31 December 2015 and presented in the consolidated annual business report for 2015, on which we issued our audit opinion on 7 April 2016 and 26 April 2016, respectively.

Management's Responsibility for the Annual Business Report

Management of the Company is responsible for the preparation and fair presentation of consolidated annual business report in accordance with the requirements of the Law on Accounting and Law on the Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011).

Auditor's Responsibility

Our responsibility is to express an opinion on the consistency of the Company's consolidated annual business report for the year ended 31 December 2014 with the standalone and consolidated financial statements for the year then ended. Our procedures in this regard were performed in accordance with International Standard on Auditing 720 "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements", and are only limited to the assessment of the consistency of the consolidated annual business report with the audited standalone and consolidated financial statements.

Opinion

In our opinion, the Company's consolidated annual business report for the year ended 31 December 2015 is consistent, in all material respects, with the Company's audited standalone and consolidated financial statements for the year ended 31 December 2015.

Belgrade, 26 April 2016




Igor Radmanovic
Certified Auditor

4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

To the best of our knowledge, Annual Financial Statements for the year of 2015 were prepared in compliance with the relevant International Financial Reporting Standards and these present authentic and objective information about assets, liabilities, financial position and operations, profit and losses, cash flows and changes in equity of the Public Company, including those of the Companies included in the Consolidated Statements.

Person responsible for preparation of the Annual Report:

Legal Representative:

Energoprojekt Holding Plc.

Energoprojekt Holding Plc.

Executive Director for Finance, Accounting and Planning

Chief Executive Officer



Dimitraki Zipovski
Dimitraki Zipovski, D.Sc. Ecc.



Vladimir Milovanović
Vladimir Milovanović, B.Sc. Mech. Eng.

5. DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF ANNUAL FINANCIAL STATEMENTS *

Note *:

- Financial Statements of Energoprojekt Holding Plc. for the year 2015. were approved on February 25, 2016. in the 38th meeting of the Supervisory Board of the Issuer. At the moment when the Company's Annual Report is published, it has not yet been adopted by the competent Company's body (Shareholders' Assembly). The Company shall publish the complete the Decision of the competent body on the adoption of Company's Annual Report at a later date.

6. DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES *

Note *:

- Decision on Distribution of Company's Profit for 2015. shall be passed in the regular annual General Assembly meeting. The Company shall publish the complete Decision of the competent body on distribution of Company's profit at a later date.

A public company is legally obliged to prepare their annual consolidated financial statements, to disclose them and to deliver them to the Commission, and, providing that the securities of such company are admitted for trading, to deliver these Statements to the regulated market or to the MTP four months after the end of each business year at the latest, and to ensure that the annual financial statements are available to the general public over the course of five years at the minimum from the date of its disclosure.

The Company shall be held responsible for the accuracy and authenticity of information presented in the Annual Report.

In Belgrade, April 2016

Person responsible for preparation of Annual Report:

Executive Director for Finance, Accounting and Planning

Energoprojekt Holding Plc.


Dimitraki Zipovski, D.Sc. Ecc.

Legal Representative:

Chief Executive Officer

Energoprojekt Holding Plc..


Vladimir Milovanović, B.Sc. Mech. Eng.

