“MTEL” a.d. BANJA LUKA

Separate Financial Statements
For the Year Ended 31 December 2021
and
Independent Auditor’s Report

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-5
SEPARATE FINANCIAL STATEMENTS	
Separate Statement of Profit and Loss and Other Comprehensive Income	6
Separate Statement of Financial Position	7
Separate Statement of Changes in Equity	8
Separate Statement of Cash Flows	9
Notes to the Separate Financial Statements	10 - 55

Tel: +387 51 225 011
Fax: +387 51 225 012
www.bdo.ba

Ive Andrića 15
78000 Banja Luka
Republika Srpska, BiH

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA

Opinion

We have audited the accompanying separate financial statements of "Mtel" a.d. Banja Luka (hereinafter the "Company"), which comprise the separate statement of financial position as at 31 December 2021 and the separate statement of profit and loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

(continued)

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
1. **Revenue recognition (accuracy of recording revenues due to the complexity of the information systems for generating income from services rendered),** Note 5 to the financial statements	
There are inherent risks associated with the accuracy of recognized revenues arising from the complexity of information systems (IT) of the Company, through which the realised traffic, billing, approved free traffic and other discounts in the revenue generation process are measured. Based on the procedures performed, we have not identified significant findings in relation to the accuracy of the revenue recorded in the year ended 31 December 2021.	We assessed the Company's most important IT systems for recording the realised traffic, billing and invoicing services to customers and conducted tests of relevant controls over these systems, tested the relevant control over the transfer of data from the respective information systems to the general ledger, as well as controls over the process of payments of bills by the customers and the process of customer complaints resolution. We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.

Key Audit Matter	Audit procedures applied
2. **Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic,** Notes 24 and 34 to the separate financial statements	
Accrued income of the Company from the roaming discounts contracted with other operators in the international traffic, as well as accrued expenses for roaming discounts granted to other operators by the Company were selected as key audit matters due to the fact that they include a significant scope of management estimates relating to meeting the requirements from individual contracts with specific operators. Based on the procedures performed, we have not identified significant findings in relation to the accrued discounts based on the roaming traffic realised in the year ended 31 December 2021.	We reviewed contracts with major operators per income generated/expenses incurred from the roaming discount, tested sales/purchase invoices to/from operators on a sample basis and checked their accuracy, as well as their compliance with the terms defined in the agreements on roaming discounts. We have verified the billing of the amount of roaming with clearings and settlements received from clearing houses for the year ended 31 December 2021. In addition, we have checked the consistency in the application of the Company's accounting policies when recording the roaming discount.

(continued)

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
3. **Capitalisation of costs of investments in intangible assets and property, plant and equipment, and their measurement after initial recognition,** Notes 12 and 14 to the separate financial statements	
The aforementioned key audit matter is chosen due to the fact that it includes significant Company management estimates in the capitalization of costs of investments in software and property, plant and equipment, as well as upon determination of the depreciation/amortization period and subsequent measurement of the recoverable value of these assets due to the relatively rapid technological changes that are characteristic of telecommunications industry.	We have tested on a sample basis the costs of the Company recorded on costs of the current period, as well as the increase the Company recorded during the year on intangible assets and property, plant and equipment, from the standpoint of meeting the criteria for capitalization of costs, i.e. their recognition as costs in the current period. We have analysed the Company's management estimates relating to the existence of impairment indicators for intangible assets, property, plant and equipment, such as changes in use, reduction in the market value, identification of physical damage, etc. We have reviewed the depreciation/amortization rates applied in relation to useful lives of assets, asset replacement schemes, historical disposals experience, as well as income and expenses from disposal of certain assets. We have tested the internal controls implemented by the Company's management in this process. Based on the sample we have checked the arithmetic accuracy of the calculation of depreciation/amortization and compared the rates with the prior accounting period. In addition, we have tested investments in progress by the ageing structure of an investment, its physical condition, additional costs capitalized during the period, at the moment of placing in use and the beginning of depreciation/amortization.
Based on the procedures performed, we have not identified significant findings in relation to the adequacy of capitalization of costs of investments in intangible assets, plant and equipment, as well as their subsequent measurement after initial recognition in the year ended 31 December 2021.	

(continued)

TO THE SHAREHOLDERS AND MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

Emphasis of Matter

We draw attention to Note 2.2 to the separate financial statements, which discloses that the Company is a parent company and that the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been issued separately. The Company's consolidated financial statements as of 31 December 2021 and for the year ended that day were audited and we expressed an unqualified opinion in our auditor's report dated 1 April 2022. Our opinion is not modified in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(continued)

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Banja Luka, 1 April 2022

Društvo za konsalting i reviziju BDO d.o.o. Banja Luka

Tibor Florjan
Certified auditor and
Authorised representative of
BDO d.o.o. Banja Luka

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2021
(In BAM)

	Note	For the year ended as of 31 December 2021	For the year ended as of 31 December 2020
Sales of goods and services	5	428,660,412	414,183,976
Other operating income	6	17,423,401	6,755,165
Cost of materials, merchandise and combined services	7	(54,892,786)	(59,881,167)
Staff costs	8	(71,921,816)	(70,519,365)
Depreciation and amortization charges	12,13,14	(113,285,954)	(106,458,929)
Cost of production services	9	(82,924,533)	(82,463,660)
Other operating expenses	10	(26,749,162)	(27,148,720)
Financial income – interest-bearing	11	668,449	716,383
Financial income - other	11	242,161	6,959,862
Impairment of financial assets	22	(5,281,634)	(2,865,963)
Financial expenses	11	(8,684,945)	(7,869,947)
Profit before taxes		**83,253,593**	**71,407,635**
Income tax expense	36 (a)	(8,951,675)	(7,028,114)
Net profit		**74,301,918**	**64,379,521**
Other comprehensive income, net of income taxes:			
(a) Items that may be subsequently reclassified to profit or loss:			
Losses from financial assets at fair value measured through other comprehensive income		-	(965)
Revaluation reserves - actuarial gains	31	(20,354)	-
Total other comprehensive income, net of income tax		(20,354)	(965)
Total comprehensive income for the year		**74,281,564**	**64,378,556**
Earnings per share:			
Basic and diluted earnings per share	38	0.1512	0.1310

The accompanying separate financial statements of the Company were approved for issuance by the management of "Mtel" a.d. Banja Luka on 28 February 2022.

Signed on behalf of the Company by:

Jelena Trivan, PhD General Manager	L.S.	Dejan Jokic Chief Financial Officer

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

SEPARATE STATEMENT OF FINANCIAL POSITION
As of 31 December 2021
(In BAM)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	12	135,687,853	98,255,867
Leased assets	13	43,379,196	47,730,607
Property and equipment	14	590,354,217	562,926,880
Investments in subsidiaries	15	239,701,599	234,438,735
Investments in the associate	16	179,503,466	161,764,419
Other investments	17	12,878	29,068
Long-term receivables and loans	18	2,046,344	207,655
Deferred tax assets	36 (c)	465,200	313,880
		1,191,150,753	1,105,667,111
Current assets			
Inventories	19	16,886,865	17,228,579
Assets held for sale		34,119	-
Trade receivables	20	75,047,922	73,076,884
Receivables for overpaid income tax	36 (e)	-	293,083
Other receivables	21	6,470,710	9,470,002
Deposits and loan receivables	23	2,229,119	11,761,952
Prepayments and accrued income	24	18,004,049	17,422,828
Cash and cash equivalents	25	16,162,587	5,059,011
		134,835,371	134,312,339
Total assets		**1,325,986,124**	**1,239,979,450**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	491,383,755	491,383,755
Statutory reserves	26	49,141,766	49,141,766
Unrealized losses from financial assets at fair value measured through other comprehensive income		-	(1,641)
Revaluation reserves - actuarial gains		(20,354)	-
Other reserves – reserves for the commitment to invest	26	97,791,500	97,791,500
Retained earnings		45,106,862	48,212,756
		683,403,529	686,528,136
Non-current liabilities and provisions			
Borrowings and other long-term liabilities	27	197,926,308	238,044,696
Liabilities for leased assets	29	33,277,311	37,857,562
Liabilities for the right to TV content distribution	28	50,037,142	23,834,143
Deferred income	30	24,734	37,101
Employee benefits	31	5,971,281	6,144,478
Provisions	32	39,000	35,000
Deferred tax liabilities	36 (d)	3,222,155	1,395,246
		290,497,931	307,348,226
Current liabilities			
Borrowings and other short-term liabilities	27	104,450,434	99,217,039
Liabilities for leased assets	29	11,651,906	11,237,147
Liabilities for the right to TV content distribution	28	21,349,827	11,303,763
Trade payables	33	99,620,779	69,083,278
Accruals and deferred income	34	34,763,120	24,368,331
Employee benefits	31	784,918	664,406
Provisions		2,746,425	1,765,304
Deferred income	30	12,367	12,367
Dividend payables	38	62,796,866	22,995,752
Income tax liabilities	36 (e)	1,543,255	-
Other liabilities	35	12,364,767	5,455,701
		352,084,664	246,103,088
Total equity and liabilities		**1,325,986,124**	**1,239,979,450**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2021
(In BAM)

	Share capital	Statutory reserves	Unrealised (losses)/gains from financial assets at FVTOCI	Other reserves – reserves for the commitment to invest	Revaluation reserves - actuarial gains	Retained earnings	Total
Balance as of 1 January 2020	**491,383,755**	**49,141,766**	**(676)**	**97,791,500**	**-**	**43,575,758**	**681,892,103**
Net profit for the year	-	-	-	-	-	64,379,521	64,379,521
Total other comprehensive income for the year	-	-	(965)	-	-	-	(965)
Total comprehensive income for the year	**-**	**-**	**(965)**	**-**	**-**	**64,379,521**	**64,378,556**
Profit distribution:							
Dividends paid to shareholders	-	-	-	-	-	(43,575,758)	(43,575,758)
Interim dividends paid to shareholders	-	-	-	-	-	(16,166,765)	(16,166,765)
Balance as of 31 December 2020	**491,383,755**	**49,141,766**	**(1,641)**	**97,791,500**	**-**	**48,212,756**	**686,528,136**
Net profit for the year	-	-	-	-	-	74,301,918	74,301,918
Reclassification stated in the income statement	-	-	1,641	-	-	-	1,641
Total other comprehensive income for the year	-	-	-	-	(20,354)	-	(20,354)
Total comprehensive income for the year	**-**	**-**	**1,641**	**-**	**(20,354)**	**74,301,918**	**74,283,205**
Profit distribution *(Note 38):*							
Dividends paid to shareholders	-	-	-	-	-	(48,212,756)	(48,212,756)
Interim dividends paid to shareholders	-	-	-	-	-	(29,195,056)	(29,195,056)
Balance as of 31 December 2021	**491,383,755**	**49,141,766**	**-**	**97,791,500**	**(20,354)**	**45,106,862**	**683,403,529**

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

SEPARATE STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2021
(In BAM)

	For the year ended as of 31 December 2021	For the year ended as of 31 December 2020
Cash flows from operating activities		
Cash receipts from customers and prepayments	426,499,025	413,555,900
Other cash receipts from regular operations	3,437,149	3,367,360
Outflows for the purchase of material, fuel, energy, and other expenses	(117,003,292)	(142,699,410)
Cash paid to and on behalf of employees	(66,317,988)	(70,519,344)
Interest paid	(7,239,559)	(7,660,552)
Income taxes paid	(5,213,916)	(6,173,725)
Other taxes and duties paid	(18,053,531)	(18,174,380)
Net cash generated by operating activities	**216,107,888**	**171,695,849**
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(52,092,443)	(54,618,394)
Proceeds from sale of property, equipment and intangible assets	247,418	377,432
Interest proceeds	659,693	677,942
(Outflows)/inflows from other long-term financial investments	(2,076,894)	1,283,565
Inflows/(outflows) from short-term financial investments	8,809,203	(4,795,728)
Outflows for the acquisition of shares and stakes	(22,695,173)	(60,144,398)
Inflows from dividends	3,120,000	4,460,000
Inflows from other long-term financial investments	10,192	-
Net cash used in investing activities	**(64,018,004)**	**(112,759,581)**
Cash flows from financing activities		
Inflows from long-term loans	28,500,000	73,155,572
Inflows from short-term loans	-	16,890,810
Outflows for long-term financial liabilities	(92,414,352)	(84,777,684)
Outflows for short-term loans	(3,911,660)	(26,239,434)
Payments of liabilities arising from leased assets	(12,093,198)	(11,593,383)
Outflows for other short-term liabilities	(24,374,104)	(13,158,979)
Dividend and interim dividend payments to the shareholders	(36,692,994)	(49,651,520)
Net cash used in financing activities	**(140,986,308)**	**(95,374,618)**
Net increase/(decrease) in cash and cash equivalents	**11,103,576**	**(36,438,350)**
Cash and cash equivalents at the beginning of the year	5,059,011	41,497,361
Cash and cash equivalents at the end of the year	**16,162,587**	**5,059,011**

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

1. CORPORATE INFORMATION

The Company Mtel a.d. (hereinafter: the "Company") is domiciled in Banja Luka, in the Republic of Srpska, Bosnia and Herzegovina, at the following street address: no. 2, Vuka Karadzica Street. The full registered name of the Company is: Telekomunikacije Republike Srpske a.d. Banja Luka, while in its operations the Company uses two abbreviated names – Mtel a d. Banja Luka and Telekom Srpske a.d. Banja Luka.

The majority shareholder of the Company is the Telecommunications Company "Telekom Srbija" a.d. Belgrade, Serbia, holding 65.01% of the Company's shares.

As of 31 December 2021, the Company had stakes in subsidiaries and associates in accordance with the structure below:

SUBSIDIARIES	Share	
Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina	100%	Company
Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company
Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina	100%	Company
Elta-Kabel d.o.o Doboj, Bosnia and Herzegovina	100%	Company
Financ d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company

ASSOCIATES	Share	
	49%	Company
MTEL d.o.o. Podgorica, Montenegro	51%	Telekom Srbija a.d. Belgrade
	41%	Company
MTEL Global d.o.o. Belgrade, Republic of Serbia	59%	Telekom Srbija a.d. Belgrade

As of 31 December 2021, the Company had 2,085 employees (31 December 2020: 2,104 employees).

The Company's principal business activity is the provision of telecommunication services the most significant of which is domestic and international telephony traffic. In addition, the Company offers a wide range of other telecommunication services, including other fixed line and mobile telephony services, IP television, line leases, private conduits, services throughout the entire network area, additional services in the area of mobile telephony, as well as the Internet and multimedia services. The Company also provides services in the area of leasing, construction, management and security of the telecommunication infrastructure.

As of 31 December 2021, the Company provided telecommunication services to 1,706,995 users in total (31 December 2020: 1,558,885 users).

The governing bodies of the Company are: Shareholder Assembly, Management Board, Executive Board, General Manager, Audit Committee and the Internal Auditor.

The General Manager of the Company as of 31 December 2021 was Jelena Trivan.

1. CORPORATE INFORMATION (Continued)

The members of the Management Board as of the date of compiling these separate financial statements were as follows:

Mr. Vladimir Lučić
Ms. Danijela Maletić
Mr. Dejan Carević
Mr. Slavko Mitrović
Mr. Draško Marković
Mr. Branko Malović
Mr. Nenad Tomović

The members of the Executive Board as of the date of compiling these separate financial statements were as follows:

Jelena Trivan, PhD
Mr. Dejan Jokić
Mr. Milan Aleksijević
Mr. Milosav Parezanović
Mr. Nikola Tacić
Mr. Nikola Rudović

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of Compliance

The accompanying financial statements represent separate financial statements of the Company prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2. Basis of Measurement

The separate financial statements of the Company have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, available-for-sale financial assets, which are measured at fair value, as further explained in accounting policies for financial instruments.

Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Company takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date.

The Company's separate financial statements have been prepared under the going concern concept, which implies that the Company will continue its operations for the foreseeable future. The Company makes efforts to maintain and improve its market position through converged and multimedia services, ICT services, devices and equipment, network modernization, as well as the acquisition of other operators.

The company operates continuously with net profit, closely monitors liquidity, maturity of liabilities and collection of receivables. The Company generates cash inflows from operating activities, and has external sources of financing at its disposal. The Company's management believes that funds from external sources of financing together with the expected inflows from business activities and dividends from subsidiaries will be sufficient for the Company to meet its contractual obligations in 2021.

As disclosed in *Notes 1 and 16* to the separate financial statements, the Company “Mtel” a.d. Banja Luka has an interest in the associate “Mtel” d.o.o. Podgorica (Montenegro), in which it holds a 49% equity interest, and an interest in the company *MTEL Global d.o.o.* Belgrade, (Republic of Serbia) in which it holds 41% equity interest, over which the Company has significant influence and the power to participate in the financial and operating policies and decisions of the associates but this power is not control or joint control over those policies and decisions.

2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.2. Basis of Measurement (Continued)

In these separate financial statements investments in the associate are stated at cost less impairment, if any. In accordance with International Financial Reporting Standard (IFRS) 10, "Consolidated Financial Statements", the Company has prepared and issued its consolidated financial statements for the year ended 31 December 2021, prepared in accordance with the International Financial Reporting Standards, where the investment in the associate was accounted for using the equity method.

2.3. Functional and Presentation Currency

The figures in the accompanying financial statements have been stated in Convertible Marks (BAM), which is the official functional and reporting currency in the Republic of Srpska and Bosnia and Herzegovina.

2.4. Application and Impact of the New and Revised IASs/IFRSs

The following new standards, amendments to existing standards, interpretations issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") have been effective over the current financial period:

	Effective on or after
New standards and/or amendments to the existing standards effective over the current financial period	
IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform – Phase 2 (and its impact on financial reporting)	1 January 2021.
IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

On the date of approval of these separate financial statements the following new standards, amendments to and new interpretations of existing standards were published, but they did not become effective:

	Effective on or after
New standards and/or amendments to the existing standards in issue but not yet effective	
IAS 41 "Agriculture" and examples related to IFRS "Leases"	1 January 2022
IFRS 1 "Firs-time Adoption of International Financial reporting Standards" – Subsidiary – First-time Adoption	1 January 2022
IFRS 3 "Business Combinations" updating a Reference to the Conceptual Framework	1 January 2022
IFRS 9 "Financial Instruments" – Test for Derecognition of Financial Liabilities	1 January 2022
IAS 16 "Property, Plant and Equipment" – Amendments	1 January 2022
IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Amendments	1 January 2022
IAS 1 "Presentation of Financial Statements" – Amendments to the classification of liabilities	1 January 2023
IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies – Amendments	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 "Insurance Contracts" - Amendments	1 January 2023

The Company's Management chose not to adopt these standards, amendments and interpretations prior to their effective date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenues

Revenue Recognition

The Company recognizes revenues when the performance obligations to transfer the promised goods or services to the customers are satisfied. The performance obligations are satisfied when the customer acquires control over the goods or services transferred.

The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the Company expects to realize under the prevailing market conditions.

The Company makes estimates affecting the determination of the amount and timing for recognition of revenues from contracts with customers, which involves determining the time of performance obligation fulfilment and the transaction price allocated to the performance obligations. For performance obligations fulfilled over time, the Company uses the output method based on the passage of time and the revenue is recognized on a straight-line monthly basis, as the transaction price, allocated to those services, is recognized at the moment of the initial sales transaction and realized during the period of service rendering (up to two years from the date of ordering services along with goods). For performance obligations fulfilled at a point in time, the Company performs one-off revenue recognition at a specific point in time, i.e. the time of fulfilment of the performance obligation, when the goods are delivered and services are performed.

As regards contracts falling within the scope of IFRS 15, revenues are recognized based on the sales invoiced. The Company is entitled to request from the customer the amount directly corresponding to the value of the service rendered in the agreed period in which the Company invoiced a certain amount for the particular service rendered. Sales income mainly includes charges to customers for calls from the fixed line and mobile networks, monthly subscription fees charged for providing access services, sale of combined service, interconnections, Internet, integrated services and other similar services.

3.1.1. Income from Fixed-Line Telephony

The Company recognizes usage (fixed-line telephony) revenue based upon traffic processed. The telecommunication subscription to fixed-line telephony is invoiced on a monthly basis, one month in arrears.

Income from the connection of new subscribers to the fixed-line telephony represents income earned on invoiced fees for the connection of new subscribers and installation costs. The revenue for new customer connections is recorded in the period in which the user is connected.

3.1.2. Income from Interconnection with Local Operators

Income from interconnection with local operators relates to the access to the service network, establishing a physical and logical linking of telecommunication networks to allow the service users connected to different networks direct and indirect communication. Interconnection income and expenses are stated in gross amounts.

3.1.3. Income from Mobile Telephony

Mobile telephony income is associated with the income earned from mobile telephony users who use prepaid and post-paid services i.e. traffic, data transfer, income from subscriptions, text messages, as well as other additional services.

Revenue from the telephony traffic is recognized on the basis of traffic. Uninvoiced income earned on mobile telephony services provided in the period from the invoice date up to the end of the period of calculation is accrued, while unrealized revenue until the end of the accounting period is deferred.

Income from prepaid usage services is recognized upon sale of the prepaid top-ups and deferred for the amount of unrealized income at the end of the period. These revenues are deferred over the period of the service provision. Top-ups with expired usage are recognized as revenue upon the expiry of the final usage date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Revenues (Continued)

3.1.4. Income from the Sale of Combined Services

Income earned on the sale of hardware is presented within item Income from the sale of combined services and is stated when the sale is realized, i.e. when the device/hardware is delivered to the package user and related costs recognized as expenses in profit or loss statement.

If these services are sold under multiple element arrangements, the total transaction price is allocated to the individual performance obligations. As a result, income from the delivered hardware is recognized commensurately to the transaction price as an item within income from the sales of combined services. The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the Company expects to realize under the prevailing market conditions.

3.1.5. Income and Expenses from International Settlements and Roaming

Income and expenses from the services of the public fixed and mobile telecommunication networks rendered in the international telephony traffic are recognized based on the traffic realized and calculated as per the contractually agreed tariffs of the foreign operators via whose network the traffic is realized.

The Company has entered into various agreements on international traffic in fixed-line and mobile telephony. The respective income/(expenses) and receivables/(payables) arising from these agreements are presented in the accompanying financial statements and are associated with the income generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculations with the Company. A portion of the income earned or expenses incurred is recorded on the basis of an estimate made in accordance with the internal settlements for realized traffic.

The Company recognizes income (receivables) only when it can be measured with reasonable certainty. Where evidence exists that an expense (payables) may be incurred, a full provision is recognized, in instances where such an estimate is possible. When it is not possible to estimate the extent of a liability, an appropriate disclosure is made.

Income and expenses arising from roaming with foreign operators are recorded at the amounts set by the clearing house. Income and expenses arising on roaming are recognized in the gross amount based on the traffic realized throughout the period.

3.1.6. Internet Income

Internet income comprises income from services of direct access to the Internet provided over the fixed telephony network using ADSL, VDSL or GPON technologies and income from direct Internet access realized by providing a link for users to access the Internet at certain speeds, with a specific range of public IP addresses, DNS hosting domain names with or without registering Internet domain names and technical support.

3.1.7. Integrated Services

Income from the integrated services refers to the income from integrated services of fixed telephony, mobile telephony, Internet access, IPTV services and satellite TV, which are organized in appropriate sets of services, i.e. packages, which may yet need not include all of the aforesaid services.

3.1.8. Other Income

Other income includes revenues from other telecommunication services, such as the lease of telephony capacities – telephone lines, call listings, voicemail and other services, as well as revenues from own-work capitalised related to the salary costs of employees engaged in the network construction and capital investment projects. Such income is recognized and recorded in the accounting period in which it occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Leases

The Company as a Lessee

At the beginning of the lease term the Lessee estimates whether it is a lease agreement or if it contains lease elements. An agreement is a lease agreement and/or contains lease elements if it cedes the right of control of using certain assets during the given period for a fee.

According to IFRS 16 the Company recognises right of use assets and the present value of the lease agreement liability taking into consideration the contracted payments, lease term and the discount rate. Initial measurement of leased assets is performed as per the cost, including the amount of the initially measured liability for leased assets, all initial direct costs, estimated costs of dismantling, location reinstating or bringing the assets into the original state, unless such costs are non-material.

When estimating the lease term period, the following is taken into consideration: a period without the cancellation option, an optional period for a lease renewal and the likelihood that the Company will or will not use this option.

The liability for leased assets is measured at the present value of all lease payments which were not made on the recognition date. These payments are discounted at an interest rate contained in the lease and/or at the incremental borrowing rate.

A short-term lease is a lease whose lease period on the lease commencement date is 12 months at most and which does not include the purchase option of the said assets. All lease related payments are recognised as an expense on a straight-line basis during the lease term *(Note 9)*.

The Company as a Lessor

The Lessor classifies each lease as either an operating or a finance lease. A lease is classified as a finance lease if it essentially transfers all risks and benefits related to the ownership over the said assets, whereas an operating lease does not transfer all risks and benefits related to the ownership over the said assets.

The Company recognises operating lease payments as income on a straight-line basis during the lease term. Initial direct costs incurred in connection with obtaining an operating lease are added a carrying value of the said assets and are recognised as an expense during the lease term on the same basis as the lease income.

3.3. Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to BAM at the foreign exchange rate prevailing on the date of the Statement of Financial Position.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at historical cost, are translated into BAM at foreign exchange rates prevailing at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at fair value, are translated into BAM at foreign exchange rates effective as of the fair value assessment date.

Transactions in foreign currencies are translated into BAM by applying the exchange rate in effect on the date of each transaction. The foreign exchange gains or losses arising upon the translation of transactions and assets and liabilities components denominated in foreign currencies are included in the statement of profit or loss within finance income or finance expenses (*Note 11*).

3.4. Corporate Income Taxes

Income taxes comprise current and deferred taxes. Current and deferred taxes are recognized in the statement of profit and loss and comprehensive income except for those related to a business combination or items recognized directly in equity or in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Corporate Income Taxes (Continued)

Current income tax relates to the amount payable in accordance with the Income Tax Law. Current income tax is payable at the rate of 10% applied to the tax base reported in the annual corporate income tax return, being the profit before taxation as reduced by any effects of reconciliation of income and expenses.

Deferred income tax is provided using the financial statement liability method, for the temporary differences arising between the tax bases of assets and liabilities and their carrying values in the statement of financial position.

The currently enacted tax rates or the subsequently enacted rates at the statement of financial position date are used to determine the deferred income tax amount, based on the tax rates that are expected to be applied to temporary differences when they reverse.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and for the tax effects of income tax losses and tax credits available for carry-forwards, to the extent that it is probable that taxable profit will be available against which the tax loss and credit carry-forwards can be reduced.

The prescribed model for calculation of depreciation/amortization costs within the tax statement entails grouping of fixed assets into four classes with defined respective depreciation / amortization rates, with prescribed individual and group calculation of depreciation/amortization expenses.

The prescribed depreciation / amortization rates are presented below:

	Tax return rate (%)
Individual calculation of depreciation/amortization charge – straight-line method	
Property and plant	3%
Intangible assets other than software	10%
Group calculation of depreciation/amortization charge – degression method	
Computers, information systems, software and servers	40%
Individual calculation of depreciation/amortization charge – straight-line method	20%

A taxable temporary difference arising between the carrying value of an asset and its tax-purpose amount is recognized as a deferred tax liability when the tax depreciation is accelerated, and as a deferred tax asset when the tax depreciation is slower than the accounting depreciation / amortization.

3.5. Intangible Assets

Intangible assets include telecommunication licenses, software, other licenses and capitalized contract costs.

Telecommunication licenses, acquired computer software and other licenses are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Cost of an item of intangible assets comprises its purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for its operating capability. Cost is reduced by all received discounts and/or rebates.

Telecommunication licenses are amortized on a straight-line basis over their useful lives as delineated under IAS 38 ”Intangible Assets”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Intangible Assets (Continued)

The costs of obtaining a contract are related to assets arising from performance costs or contract award, which are capitalised and recognised in line with IFRS 15 during the average customer contract validity period.

3.6. Property and Equipment

Items of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost is comprised of the purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and/or rebates received are deducted in arriving at the purchase price. Cost of the constructed property and equipment represents cost thereof as of the date of construction or development completion.

Property and equipment are such assets whose expected useful life is longer than one year. Gains or losses on the retirement or disposal or sale of property and equipment are credited or charged, as appropriate, directly to the statement of profit and loss within other operating income or expenses.

Adaptations, renewals and repairs that extend the useful life of an asset are capitalized. Repairs and maintenance are expensed as incurred and are presented as operating expenses.

3.7. Depreciation and Amortization

The depreciation/amortization rate is determined based on the estimated useful life of intangible assets, property and equipment. The depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the deprecation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Changes of depreciation/amortization rates for asset groups are submitted by the Management of the Company to the Company's Management Board for approval.

The basis for calculation of the depreciation/amortization is the cost of intangible assets, property and equipment less any estimated residual value. Depreciation and amortization are calculated on a straight-line basis.

Depreciation/amortisation rates applied to certain groups of property, equipment and intangible assets for the year ended 31 December 2021 are as follows:

	Depreciation/amortisation rate (%)
GSM /UMTS/LTE licenses	6.67%
Licenses and application software	20%
Buildings	1% - 12.50%
Antenna masts	1% - 3.33%
Distribution network and channelling	1% - 4%
Switching systems and service platforms	9.09% - 33.33%
Transmission network	1% - 25%
Wireless access network	6.67% - 20%
Equipment within the access network and terminal equipment	1% - 25%
Computers and computer equipment	8% - 25%
Office equipment and other equipment	6.67% - 20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Non-Current Assets Held for Sale

Non-current assets are classified as assets held for sale if the carrying value thereof can be recovered primarily from a sales transaction rather than through further use. This condition is deemed fulfilled only if the sale of an asset (or a disposal group) is highly probable and if the asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to a plan to sell such assets, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are carried at the lower of their previous carrying amount and fair value less cost to sell.

3.9. Impairment of Non-Financial Assets

At each statement of financial position date, the Company's management reviews the carrying amounts of the Company's non-financial assets (other than inventory and deferred tax assets) in order to determine whether there are indications of an impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable value of an asset (or its related cash generating unit) is the higher of its fair value less costs to sell and value in use. The estimate of the value in use comprises the assessment of future cash inflows and outflows discounted to their present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimate is recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized as an expense of the current period under operating expenses.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that loss has decreased or no longer exits. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is immediately recognized as income.

According to an estimate of the Company's management, there are no indications that the value of non-current assets was impaired as of 31 December 2021.

3.10. Investments in Subsidiaries

Investments in subsidiaries are carried at cost, net of impairment losses, if any.

Under IFRS 10 *Consolidated Financial Statements* control over subsidiaries is achieved if the Company has:

1) power over the investee;
2) exposure, or rights, to variable returns from its involvement with the investee, and
3) the ability to use its power over the investee to affect the amount of returns.

The Company reassesses whether it truly exercises control over its subsidiaries in instances of certain facts and circumstances indicating that any of the above listed three elements of control has changed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Investments in Subsidiaries (Continued)

When the Company has less than half of the voting power, control is achieved if these voting rights are sufficient to practically allow the Company to unilaterally direct the business activities of the subsidiary.

3.11. Investments in Associates

An associate is an entity over which the Company has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies and decisions of the investee but is not control or joint control over those policies and decisions.

Investments in associates in these separate financial statements are measured at purchase value, net of any impairment.

3.12. Financial Instruments

The classification of financial instruments depends on their nature and purpose and is determined at the time of initial recognition, entailing:

1) financial assets,
2) financial liabilities and
3) equity instruments.

Financial Assets

Financial assets are recognized at the moment when the Company has become a party to the contractual provisions of a particular financial instrument.

Financial assets are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial assets except for financial assets at fair value through profit and loss. Exceptionally, the initial recognition of trade receivables that do not have a significant financial component is made at their transaction price.

Following the initial recognition, financial assets are measured at:

1) amortized cost
2) fair value through other comprehensive income (FVTOCI), and
3) fair value through profit or loss (FVTPL).

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

Financial assets are measured at amortized cost, using the effective interest method.

The effective interest rate is calculated based on the estimated future cash flows, not including the expected credit losses. Once calculated upon initial recognition, the effective interest rate is used upon subsequent calculation of interest income (applied to the gross carrying amount or amortized cost, depending on the impairment of the asset). Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets are impaired via an impairment allowance account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Financial Instruments (Continued)

Financial Assets (Continued)

Upon calculation of the impairment allowance of its financial assets, the Company applies the expected credit loss model by considering the probability of default of the counterparty during the expected life (contractual term) of the financial asset. The Company assesses loans and receivables for impairment grouped per different customer characteristics and historical loss trends.

Financial assets are measured at fair value through other comprehensive income (FVTOCI) if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, unless they are initially irrevocably recognized at fair value through profit or loss (if this results in significant decrease/elimination of the accounting mismatch).

Upon initial recognition, an entity may irrevocably decide to present within its other comprehensive income subsequent changes in the fair value of an investment in an equity instrument, which is not an investment held for trading or an unforeseen amount recognized within business combinations, to which IFRS 3 is applied.

Such a decision is made for each individual instrument (or share). The amounts recognized within the other comprehensive income cannot subsequently be reclassified to the profit or loss statement. However, the entity may reclassify the cumulative gains or losses within equity. Dividend on such investments is recognized with the profit or loss statement in accordance with IFRS 9 unless it is clear that the dividend represents partial recovery of the investment costs.

Financial assets cease to be recognized when settled, cancelled, expired, written-off or transferred. Transfers are treated as derecognition of assets if all the risks and rewards associated with the assets have been transferred. Otherwise, the Company continues to recognize financial assets.

If the risks and rewards are neither transferred nor retained, the assets are not derecognized unless the control over those assets has been transferred.

Subsequently realized or collected financial investments, advances paid and receivables are recognized as income in the current accounting period.

Financial assets are measured at fair value through profit or loss (FVTPL) only if not measured at amortized cost or at FVTOCI.

Financial Liabilities

Financial liabilities comprise non-current liabilities (long-term borrowings), current trade payables and other liabilities. Financial liabilities are recognized at the moment when the Company has become a party to the contractual provisions of a particular financial instrument. The financial liabilities are initially measured at cost, being the fair value of the consideration given or received.

Transaction costs are included in the initial measurement of all financial liabilities other than financial liabilities at FVTPL.

Financial liabilities are subsequently stated at amortized cost using the effective interest rate except for those initially recognized at fair value through profit or loss other than financial liabilities held for trading through profit or loss.

Interest payable on the financial liabilities is calculated using the effective interest method. It relates to and is presented within other current liabilities. Financial liabilities cease to be recognized when the Company fulfils the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value is the estimated selling price in the normal course of business, after allowing for the costs of realization. Cost includes the invoiced amount, transport and other attributable expenses. Small tools are fully written off when issued into use. The cost of inventories is determined using the weighted-average method.

Materials for combined services mostly relate to the hardware devices purchased for further sales to customers within special service packages.

Impairment allowances charged to other operating expenses are made where appropriate in order to reduce the carrying value of such inventories to the management's best estimate of their net realizable value. For inventories found to be damaged, or of a substandard quality, appropriate impairment allowances are made, or they are written off in full.

3.14. Provisions

Provisions are recognized and calculated when the Company has a pending present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are comprised of provisions for litigations filed against the Company, determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the true value of money and the risks specific to the liability.

3.15. Employee Benefits

a) Employee Taxes and Contributions for Social Security

In accordance with local regulations and its adopted accounting policies, the Company is obliged to pay contributions to various national social security funds. These obligations include contribution payable by employees and the employer in the amounts calculated by applying the specific statutory rates. The Company has a legal obligation to withhold contribution from gross salaries of employees, and on their behalf to transfer the withheld funds to appropriate government funds. Contributions paid by the employees and the employer are expensed in the period during which services are rendered by the employees.

b) Liabilities for Retirement Benefits and Jubilee Awards

The Company has an obligation to pay to its employee's retirement benefits upon retirement in the amount of three previous monthly net salaries earned by the vesting employee. In addition, the Company is obligated to pay jubilee awards in the amount between a half and one and a half times the average monthly salary paid by the Company.

IAS 19 "Employee Benefits" requires the calculation and accrual of present value of accumulated rights to retirement benefits and jubilee awards.

c) Liabilities for Employee Bonuses (Variable Portion of Salary)

The relevant Decision enacted by the Company's General Manager defines the base for and manner of calculation of the employee bonuses as variable salary portion. Bonuses are paid according to the realized employee performance, which is monitored on a quarterly or annual basis and recorded within staff costs, as well as the provision made in this respect when estimated that a vesting employee will become entitled to the bonus payment.

3.16. Segment Reporting

The Company applies IFRS 8 "Operating Segments", which requires the identification of operating segments based on internal reports about components of the Company that are regularly reviewed by managers responsible for making key decisions for the purpose of allocating adequate resources to these segments, as well as analysing their results. Segment information is analysed based on the type of services provided by the operating components of the Company (*Note 41*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the separate financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent receivables and liabilities as of the date of preparation of the separate financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on historical experience and other information available as of the date of preparation of the separate financial statements. However, actual results may vary from these estimates.

Basic assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as of the separate statement of financial position date, which bears the risk that may lead to significant restatement of the carrying value of assets and liabilities in the ensuing financial year, were as follows:

Estimated Useful Life of Property, Equipment and Intangible Assets

The estimate of useful life of property, equipment and intangible assets is founded on the historical experience with similar assets, as well as foreseen technical advancement and changes in economic and industrial factors. The depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the deprecation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Management changes depreciation/amortization rates for asset groups. Changes are submitted by the Management to Board for approval.

The Board of Directors of the Company adopted a change in the amortisation/depreciation rates during the reporting period, which has been in effect since 1 January 2021. The effect of the change in the amortisation/depreciation rates for the year ended 31 December 2021 resulted in a decrease in amortisation/depreciation expenses in the amount of BAM 3,816,249.

Due to the significance of non-current assets in the Company's total assets, any change in the aforesaid assumptions may lead to material effects on the Company's financial position, as well as on its financial performance. For example, if the Company were to shorten and/or extend the average useful life of assets by 10%, this would have resulted in the year ended 31 December 2021 in an additional (lower) cost of depreciation by BAM 11,328,595 (the figure from 2020: BAM 10,645,893).

Impairment of Trade Receivables

Upon calculation of impairment allowance, the Company uses the expected credit loss model by considering the probability of the counterparty default over the expected contractually defined life cycle of the financial asset. The Company assesses receivables for impairment grouped based on certain customer characteristics and historical loss trends (*Notes 20, 21, and 22).*

Provisions

Provisions in general are highly judgmental. The Company assesses the probability of an adverse event as a result of a past event and if the probability is evaluated to higher than 50%, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments but due to the high level of uncertainty in certain cases the estimates may not prove to be in line with the actual outcomes *(Note 32).*

Income and Expenses from International Traffic

Income (expenses) and receivables (payables) that have originated under agreements executed with international operators are presented in the accompanying financial statements and are associated with the income generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculation. A portion of the income earned or expenses incurred is recorded on the basis of an estimate made in accordance with the internal settlements for realized traffic (*Notes 24 and 34*). Management believes that the internal calculations/accounts of international traffic are adequate and that they reflect the actually realized international traffic in the corresponding period.

4. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Fair Value

It is the policy of the Company to disclose the fair values of those assets and liabilities for which published market information is readily available, and for which their fair value is materially different from the book value.

However, in the Republic of Srpska and Bosnia and Herzegovina there is not enough market experience, as well as stability and liquidity in buying and selling receivables and other financial assets and liabilities, since official market information is not available at all time. Hence, the fair value cannot be reliably determined in the absence of an active market. If a quoted price in an active market is unavailable as evidence of the instrument's fair value, the fair value for the same asset or liability is assessed by applying valuation techniques that use available market inputs.

5. SALES OF GOODS AND SERVICES

	In BAM For the year ended 31 December 2021	2020
Domestic Sales:		
Fixed-Line Telephony	51,296,525	52,248,273
Mobile Telephony	191,339,861	183,385,272
Integrated services	84,579,192	80,903,385
Internet services	23,813,972	21,800,876
Income from combined services	36,826,518	38,923,849
Sales of goods	1,059,115	2,053,452
ICT and other services	13,822,251	11,501,008
Total domestic sales	**402,737,434**	**390,816,115**
International market sales	24,706,789	22,708,949
Sales of licences, ICT and other services	1,216,189	658,912
Total international sales	**25,922,978**	**23,367,861**
Total sales of goods and services	**428,660,412**	**414,183,976**

Income from international sales mostly relates to income generated in the Republic of Serbia.

6. OTHER OPERATING INCOME

	In BAM For the year ended 31 December 2021	2020
Rental income	3,287,384	2,596,766
Reversal of deferred income - grants (*Note 30)*	12,367	12,367
Other income	14,123,650	4,146,032
	17,423,401	**6,755,165**

Other income mainly refers to the revenues from own-work capitalised related to the salary costs of employees engaged in the network construction and capital investment projects in the total amount of BAM 10,097,236.

7. COST OF MATERIALS, MERCHANDISE AND COMBINED SERVICE

	In BAM For the year ended 31 December 2021	2020
Material for combined services	44,092,668	48,448,517
Cost of commercial goods sold	992,907	2,002,055
Electricity	6,214,806	6,019,717
Fuel and lubricants	1,215,079	972,336
Other costs of materials	2,377,326	2,438,542
	54,892,786	**59,881,167**

Cost of materials and consumables for combined services refers to cost of the hardware sold within special service packages.

8. STAFF COSTS

	In BAM For the year ended 31 December 2021	2020
Gross salaries	60,494,963	60,304,850
Remunerations to the members of the Management Board and Audit Committee	291,176	293,011
Retirement benefits	1,042,268	1,051,226
Other employee benefits	10,093,409	8,870,278
	71,921,816	**70,519,365**

9. COST OF PRODUCTION SERVICES

	In BAM For the year ended 31 December 2021	2020
International settlements	22,804,140	20,372,438
Maintenance	19,197,148	18,315,906
Lease of land and business premises	674,250	618,605
Marketing and advertising	16,320,435	12,096,829
Broadcasting fees	5,322,348	13,593,936
Other production services	18,606,212	17,465,946
	82,924,533	**82,463,660**

10. OTHER OPERATING EXPENSES

	In BAM For the year ended 31 December 2021	2021
Indirect taxes that do not depend on operating results	4,018,610	4,004,012
Fees payable to the Communications Regulatory Agency	10,719,555	10,433,034
Losses from disposal of property, equipment and intangible assets	1,344,219	820,285
Shortages	24,392	10,590
Provisions	443,052	2,202,486
Other expenses	10,199,334	9,678,313
	26,749,162	**27,148,720**

Other expenses mostly relate to other non-productive services, administrative fees and fees for the work of student and youth cooperatives.

11. FINANCIAL INCOME AND EXPENSES

	In BAM For the year ended 31 December 2021	2021
Interest income:		
- interest on deposits	9,346	43,475
- other interest income	659,103	672,908
	668,449	716,383
Dividend income	-	6,500,000
Other financial income	1,591	5,995
Foreign exchange gains	240,570	453,867
	242.161	6.959.862
Total financial income	**910,610**	**7,676,245**
Interest expenses		
- from loan agreements	(6,151,338)	(6,463,509)
- from liabilities for leased assets	(1,051,182)	(1,150,670)
- other interest	(990,352)	(18,528)
	(8,192,872)	(7,632,707)
Foreign exchange losses	(492,073)	(237,240)
Total financial expenses	**(8,684,945)**	**(7,869,947)**
Financial income, net	**(7,774,335)**	**(193,702)**

12. INTANGIBLE ASSETS

In BAM
31 December 2021 and 31 December 2020

	Licences for the use of radio frequency spectrum	Other Licenses	Other intangible assets	Contract acquisition costs	IA under construction	Total IA
Cost						
Balance as of 1 January 2020	157,188,477	10,892,764	111,038,495	5,648,118	22,218,084	306,985,938
Additions	-	-	29,690,456	3,631,925	3,749,999	37,072,380
Transfers (from) / to	-	318,363	3,296,599	-	(3,614,962)	-
Transfers from property and equipment	-	-	-	-	(791,622)	(791,622)
Write-offs and disposals	-	(146)	(7,516,251)	(3,624,601)	-	(11,140,998)
Balance as of 31 December 2020	**157,188,477**	**11,210,981**	**136,509,299**	**5,655,442**	**21,561,499**	**332,125,698**
Balance as of 1 January 2021	157,188,477	11,210,981	136,509,299	5,655,442	21,561,499	332,125,698
Additions	-	101,578	63,205,642	8,524,267	4,646,440	76,477,927
Transfers (from) / to	-	711,942	3,142,034	-	(3,853,976)	-
Transfers from property and equipment	-	-	100,000	-	(25,357)	74,643
Write-offs and disposals	-	(12,600)	(16,055,905)	(1,860,199)	-	(17,928,704)
Balance as of 31 December 2021	**157,188,477**	**12,011,901**	**186,901,070**	**12,319,510**	**22,328,606**	**390,749,564**
Accumulated amortisation						
Balance as of 1 January 2020	130,404,296	9,151,462	73,611,211	3,068,603	-	216,235,572
Amortisation charge	1,870,543	929,550	19,661,446	2,726,278	-	25,187,817
Write-offs and disposals	-	(146)	(3,928,811)	(3,624,601)	-	(7,553,558)
Balance as of 31 December 2020	**132,274,839**	**10,080,866**	**89,343,846**	**2,170,280**	**-**	**233,869,831**
Balance as of 1 January 2021	132,274,839	10,080,866	89,343,846	2,170,280	-	233,869,831
Amortisation charge	1,870,543	732,123	32,308,517	4,345,032	-	39,256,215
Write-offs and disposals	-	(12,600)	(16,054,461)	(1,997,274)	-	(18,064,335)
Balance as of 31 December 2021	**134,145,382**	**10,800,389**	**105,597,902**	**4,518,038**	**-**	**255,061,711**
Carrying value as of:						
31 December 2021	**23,043,095**	**1,211,512**	**81,303,168**	**7,801,472**	**22,328,606**	**135,687,853**
31 December 2020	**24,913,638**	**1,130,115**	**47,165,453**	**3,485,162**	**21,561,499**	**98,255,867**

12. INTANGIBLE ASSETS (Continued)

Licences for the use of radio frequency spectrum constitute radio spectrum licences for the provision of services via mobile access systems. These licences are issued by the Communication Regulatory Agency of Bosnia and Herzegovina (RAK) and they enable the provision of GSM/UMTS/LTE services in the territory of Bosnia and Herzegovina.

Other intangible assets mainly consist of the software in use in the net amount of BAM 10,153,639 and the right to TV content distribution in a net amount of BAM 69,928,486.

The cost of obtaining a contract is related to assets resulting from the costs of executing or obtaining contracts, which are capitalised and recognised in accordance with IFRS 15 over an average customer contract term.

During the reporting period, the Company performed own-work capitalised within intangible assets in the amount of BAM 983,603.

Intangible assets under construction are mainly related to software under construction.

13. LEASED ASSETS

	In BAM 31 December 2021 and FY 2020 Land and buildings
Balance as of 1 January 2020	52,321,161
Additions	7,500,263
Depreciation/amortisation	(12,031,158)
Modification of the lease period	(59,659)
Balance as of 31 December 2020	**47,730,607**
Balance as of 1 January 2021	47,730,607
Additions	8,790,750
Depreciation/amortisation	(12,274,427)
Modification of the lease period	(867,734)
Balance as of 31 December 2021	**43,379,196**

As part of its regular business activities, the Company leases various lease items, the most important of which are: commercial premises for retail outlets, land and building for accommodating telecommunication equipment. In assessing the liabilities for leased assets, the Company also took into consideration the potential exposure to variable lease payments, extension options, termination leases, residual value guarantees and leases that have not yet commenced, but the lessee has committed to them. Most leases are contracted with a fixed lease fee. The Company has no significant lease agreements that have specific limitations or contractual obligations.

14. PROPERTY AND EQUIPMENT

In BAM
31 December 2021 and 31 December 2020

	Land	Property and infrastructure	Leasehold Improvements	Equipment	Fixed assets in progress	Total fixed assets
Cost						
Balance as of 1 January 2020	1,736,140	821,150,651	3,339,494	695,982,453	73,492,365	1,595,701,103
Additions	-	1,585,076	109,261	2,418,448	66,452,403	70,565,188
Transfer (from) / to	16,360	18,581,701	362,100	35,662,711	(54,622,872)	-
Transfer from intangible assets	-	-	-	-	791,622	791,622
Write-offs and disposals	-	(3,010,292)	-	(40,393,849)	(470,140)	(43,874,281)
Disassembly	-	-	-	(401,554)	(51,678)	(453,232)
Reclassification to assets held for sale	-	-	-	(251,977)	(216,989)	(468,966)
Balance as of 31 December 2020	**1,752,500**	**838,307,136**	**3,810,855**	**693,016,232**	**85,374,711**	**1,622,261,434**
Balance as of 1 January 2021	1,752,500	838,307,136	3,810,855	693,016,232	85,374,711	1,622,261,434
Additions	-	5,254,332	46,152	7,656,383	77,963,690	90,920,557
Transfer (from) / to	21,116	26,652,303	298,818	54,082,146	(81,054,383)	-
Transfer from / (to) intangible assets	-	-	-	70,490	(145,133)	(74,643)
Write-offs and disposals	-	(288,217)	(220,885)	(63,149,394)	(482,951)	(64,141,447)
Disassembly	-	-	-	(564,746)	29,690	(535,056)
Reclassification to assets held for sale	-	-	-	(16,934)	(105,608)	(122,542)
Balance as of 31 December 2021	**1,773,616**	**869,925,554**	**3,934,940**	**691,094,177**	**81,580,016**	**1,648,308,303**
Balance as of 1 January 2020	-	534,305,602	2,464,684	497,064,724	-	1,033,835,010
Depreciation charge	-	14,139,345	361,503	54,739,106	-	69,239,954
Write-offs and disposals	-	(2,989,050)	-	(40,046,151)	-	(43,035,201)
Disassembly	-	-	-	(453,232)	-	(453,232)
Reclassification to assets held for sale	-	-	-	(251,977)	-	(251,977)
Balance as of 31 December 2020	**-**	**545,455,897**	**2,826,187**	**511,052,470**	**-**	**1,059,334,554**
Balance as of 1 January 2021	-	545,455,897	2,826,187	511,052,470	-	1,059,334,554
Depreciation charge	-	11,338,523	400,461	50,016,327	-	61,755,311
Write-offs and disposals	-	(200,808)	(216,639)	(62,166,342)	-	(62,583,789)
Disassembly	-	-	-	(535,056)	-	(535,056)
Reclassification to assets held for sale	-	-	-	(16,934)	-	(16,934)
Balance as of 31 December 2021	**-**	**556,593,612**	**3,010,009**	**498,350,465**	**-**	**1,057,954,086**
Carrying value as of:						
31 December 2021	**1,773,616**	**313,331,942**	**924,931**	**192,743,712**	**81,580,016**	**590,354,217**
31 December 2020	**1,752,500**	**292,851,239**	**984,668**	**181,963,762**	**85,374,711**	**562,926,880**

14. PROPERTY AND EQUIPMENT (Continued)

Fixed assets in progress as of 31 December 2021 are mainly related to the purchased telecommunication equipment not yet put in use. As of 31 December 2021, there were no encumbrances on and restrictions to the Company's titles and ownership rights over property and equipment. Contractually agreed but not yet realized liabilities of the Company arising from investments in property and equipment as of 31 December 2021 totalled BAM 42,526,493 (31 December 2020: BAM 45,091,278).
During the reporting period, the Company performed own-work capitalised within property and equipment in the amount of BAM 9,186,155.

15. EQUITY INVESTMENTS IN THE SUBSIDIARIES

Equity investments in subsidiaries in the total amount of BAM 239,701,599 are related to subsidiaries: *Logosoft d.o.o.* Sarajevo, Bosnia and Herzegovina*; Blicnet d.o.o.* Banja Luka, Bosnia and Herzegovina*, Telrad Net d.o.o.* Bijeljina, Bosnia and Herzegovina, *Elta-Kabel d.o.o.* Doboj, Bosnia and Herzegovina and *Financ d.o.o*. Banja Luka.

Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina

The Company owns 100% of equity interest in Logosoft d.o.o. Sarajevo.

The subsidiary Logosoft d.o.o. Sarajevo was incorporated in 1995 as an information engineering company. Initially, it provided ICT system integration services and two years after the incorporation it became the first Internet provider in Bosnia and Herzegovina. Presently, the subsidiary provides Internet access, telephony and TV services, it is engaged in the sale of computer equipment and it also provides system integration, educational and IT consultancy services.

Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina

The Company owns 100% of equity interest in Blicnet d.o.o Banja Luka.

The subsidiary Blicnet d.o.o. Banja Luka was incorporated in 1992. It is one of the leading cable operators in Bosnia and Herzegovina that provides cable TV, Internet, fixed and mobile telephony services, as well as system integration services.

Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina

The Company owns 100% of equity interest in Telrad Net d.o.o Bijeljina.

The subsidiary Telrad Net d.o.o. Bijeljina was incorporated in 1990. The company provides services related to public fixed telephony, VoIP and IP telephony, cable TV, Internet and mobile telephony.

Elta-Kabel d.o.o. Doboj, Bosnia and Herzegovina

The Company owns 100% of equity interest in Elta-Kabel d.o.o. Doboj.

The subsidiary Elta-Kabel d.o.o. Doboj was founded in 2001. Elta-Kabel d.o.o. is one of the largest cable operators in Bosnia and Herzegovina that provides cable television, internet and fixed telephony services.

Financ d.o.o. Banja Luka, Bosnia and Herzegovina

The Company owns 100% of equity interest in Financ d.o.o. Banja Luka.

The subsidiary Financ d.o.o. Banja Luka was incorporated in 2002. It is engaged in the mediation in the sale of e-refills and scratch card numbers, USB modems and the conclusion of contracts with potential customers of Mtel services. It additionally provides processing services.

16. EQUITY INVESTMENTS IN ASSOCIATES

Equity investments in associates amounting to BAM 179,503,466 relate to the cost of equity investments in the companies MTEL d.o.o. Podgorica and *MTEL Global* d.o.o. Belgrade.

As of 31 December 2021, the Company held a 49% of equity interest in MTEL d.o.o. Podgorica, Montenegro, and a 41% of equity interest in *MTEL Global* d.o.o. Belgrade, the Republic of Serbia, which are involved in the provision of telecommunication services.

The total investment in MTEL d.o.o. Podgorica, after the initially agreed amount for the purchase of 49% of shares paid on 1 February 2010, capital increases and further investments, as well as other costs directly related to the above said transaction, and non-monetary contribution made, amounted to BAM 143,565,421. During this reporting period the Company performed a recapitalisation in the amount of 11,500,280, which did not distort the previous ownership structure.

The total investment in *MTEL Global* d.o.o. Belgrade, Serbia, after making a contribution in kind in the form of 100% of equity interest in Mtel Austria GmbH, based on which the Company became the owner of 41% of interest, and a capital increase, amounts to BAM 35,938,045. During this reporting period the Company performed a recapitalisation in the amount of BAM 6,238,766, which did not distort the previous ownership structure.

17. OTHER INVESTMENTS

		In BAM	
	Share	31 December 2021	31 December 2020
Financial assets measured at fair value through OCI:			
- Nova banka a.d. Banja Luka	0.02%	-	5,359
		-	5,359
Financial assets measured at amortized cost:			
- Long-term bonds issued by the Republic of Srpska		12,478	23,309
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		12,878	23,709
		12,878	**29,068**

In 2020 the Company owned shares of Nova banka a.d. Banja Luka, which were measured at fair value, whose changes were stated as gains/(losses) within the statement of other comprehensive income. During the reviewed financial year, the Company accepted the terms and conditions of the Buyback Offer and transferred shares to the acquirer (majority shareholder of Nova banka a.d.).

Financial assets at amortized cost relate to the bonds of the Republic of Srpska issued by the RS Ministry of Finance in order to pay for the debt of budget beneficiaries towards to the Company. The bonds were issued with maturities of up to 15 years, starting from 31 December 2007, with the grace period of 5 years and an interest rate of 1.5% annually. The bonds are measured at amortized cost applying the effective interest rate.

18. LONG-TERM LOANS AND RECEIVABLES

	In BAM	
	31 December 2021	31 December 2020
Long-term loans to employees	67,727	71,113
Less: Current portion of long-term loans due within one year (Note 23)	(67,727)	(70,157)
	-	956
Other long-term loans	234,508	265,966
Less: Current portion of long-term loans due within one year (Note 23)	(37,178)	(34,318)
	197,330	231,648
Long-term loans to related parties	2,862,569	740,000
Less: Current portion of long-term loans due within one year (Note 23)	(993,856)	(740,000)
	1,868,713	-
Total long-term receivables and loans	**2,066,043**	**232,604**
Less: Impairment allowance:		
- impairment allowance of long-term loans to employees	(3,531)	(3,753)
- impairment allowance of long-term loans	(16,168)	(21,196)
	2,046,344	**207,655**

19. INVENTORIES

	In BAM	
	31 December 2021	31 December 2020
Material	3,381,034	3,609,127
Goods	179,488	169,379
Material for combined services	12,068,732	12,027,845
Advances paid for inventories	1,257,611	1,422,228
	16,886,865	**17,228,579**

20. TRADE RECEIVABLES

	In BAM	
	31 December 2021	31 December 2020
Trade receivables:		
- related parties (Note *37 (a)*)	17,515,457	13,294,330
- domestic	118,415,857	117,290,895
- foreign	739,362	535,444
Gross trade receivables	**136,670,676**	**131,120,669**
Less: Impairment allowance of trade receivables for expected credit losses	(61,622,754)	(58,043,785)
	75,047,922	**73,076,884**

20. TRADE RECEIVABLES (Continued)

The Company's total gross trade receivables as of 31 December 2021 amounted to BAM 136,670,676. The Company used a simplified approach in recognition of the lifetime expected credit losses for trade receivables and other receivables not containing a significant financing component, by grouping those per different customer characteristics and historical loss trends.

The total amount of allowance for impairment of trade receivables as of 31 December 2021 amounted to BAM 61,622,754, which accounts for 45.09% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in *Note 22* to the separate financial statements.

21. OTHER RECEIVABLES

	In BAM	
	31 December 2021	**31 December 2020**
Dividend receivables	5,720,000	8,840,000
Other receivables	1,186,608	1,117,468
	6,906,608	9,957,468
Less: Impairment allowance of other receivables	(435,898)	(487,466)
	6,470,710	**9,470,002**

22. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM From 1 January to 31 December 2021 and FY 2020		
	Trade receivables	**Other receivables**	**Total**
	(Note 20)	***(Note 21)***	
Balance as of 1 January 2020	56,327,706	684,177	57,011,883
Charge for the year	2,776,689	89,274	2,865,963
Write-off of receivables	(1,346,595)	-	(1,346,595)
Other	285,985	(285,985)	-
Balance as of 31 December 2020	**58,043,785**	**487,466**	**58,531,251**
Balance as of 1 January 2021	58,043,785	487,466	58,531,251
Charge for the year	5,274,625	7,009	5,281,634
Write-off of receivables	(1,730,450)	-	(1,730,450)
Other	34,794	(58,577)	(23,783)
Balance as of 31 December 2021	**61,622,754**	**435,898**	**62,058,652**

23. DEPOSITS AND LOAN RECEIVABLES

	In BAM	
	31 December 2021	31 December 2020
Short-term deposits	1,130,358	9,939,561
Loans to employees due within one year *(Note 18)*	67,727	70,157
Loans to related parties due within one year *(Note 18)*	993,856	740,000
Other loans due within one year *(Note 18)*	37,178	34,318
Short-term loans to related parties	-	977,916
	2,229,119	**11,761,952**

24. PREPAYMENTS AND ACCRUED INCOME

	In BAM	
	31 December 2021	31 December 2020
Accrued receivables	4,496,827	1,594,531
Contractual assets	9,252,526	11,588,248
Prepaid expenses	445,943	683,652
Accrued advance invoices for VAT calculation purposes	3,808,753	3,556,397
	18,004,049	**17,422,828**

Accrued receivables mostly, in the amount of BAM 3,907,961 relate to the estimates of the international traffic and roaming made in accordance with the internal calculation of the traffic realized and calculation received from the clearing house.

Contractual assets represent the Company's entitlement to considerations in exchange for goods or services the Company transferred to the customers, when the entitlement is dependent on factors other than the passage of time (e.g. delivery of other elements of the contract). The Company recognizes contractual assets mainly from the contract under which the devices are delivered at a specific time as part of the package with services rendered over time.

25. CASH AND CASH EQUIVALENTS

	In BAM	
	31 December 2021	31 December 2020
Gyro accounts	14,381,439	2,654,611
Foreign currency accounts	1,669,293	2,293,488
Cash on hand	11,855	10,912
Cash equivalents	100,000	100,000
	16,162,587	**5,059,011**

26. EQUITY

Share capital

The Company's share capital structure (as per the Book of Shareholders maintained by the Republic of Srpska Central Registry of Securities, Banja Luka) as of 31 December 2021 and 31 December 2020 was as follows:

	31 December 2021	In %	31 December 2020	in %
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund, Banja Luka	43,340,269	8.82	43,840,269	8.92
RS Restitution Fund, Banja Luka	24,715,439	5.03	24,715,439	5.03
DUIF Kristal invest a.d. – OAIF Future fund	10,361,604	2.11	12,861,604	2.62
Other shareholders	93,538,250	19.03	90,538,250	18.42
	491,383,755	**100**	**491,383,755**	**100**

The Company's share capital in the amount of BAM 491,383,755 is fully paid in and divided into 491,383,755 ordinary shares, each with the par value of BAM 1. All shares are of the same class with equal rights comprising common stock (ordinary shares) and are registered in the name of the holder. Each share gives the right to one vote.

The Company's shares are listed on Banja Luka Stock Exchange (active but insufficiently developed financial market). The market value of one share as of 31 December 2021 amounts to BAM 1.42 (31 December 2020: BAM 0.99). Earnings and dividend per share are disclosed in *Note 38* to the separate financial statements.

Statutory reserves

Statutory reserves as of 31 December 2021 amounting to BAM 49,141,766 represent allocations from profit made pursuant to Article 231 of the Company Law in the amount of no less than 5% of the net profit for the year less prior year losses until such reserves, until together with equity reserves, attain a level equivalent to 10% of the Company's total stake capital or a greater portion of the stake capital defined under the Articles of Association.

Legal reserves are used for loss coverage, and if they exceed stake capital or a greater portion of the stake capital defined under the Articles of Association, they may be utilized to increase the stake capital.

Other Reserves - Reserves Arising on the Investment Commitment

Other reserves as of 31 December 2021 amounting BAM 97,791,500 entirely pertained to the reserves formed during 2008 based on the execution of the commitment to invest undertaken by the majority owner (Telekom Srbija a.d. Belgrade), as the purchaser of the majority block of the Company's shares.

27. BORROWINGS AND OTHER LONG-TERM LIABILITIES

	In BAM	
	31 December 2021	31 December 2020
a) Long-term borrowings:		
- cash loans	227,994,621	266,640,282
- borrowings for purchases of equipment	67,063,183	55,980,997
	295,057,804	322,621,279
b) Other long-term liabilities	7,318,938	10,728,796
Total long-term liabilities	**302,376,742**	**333,350,075**
Less: Current portion of long-term liabilities:		
- long-term borrowings	(100,978,530)	(91,905,608)
- other long-term liabilities	(3,471,904)	(3,399,771)
Total current portion of long-term liabilities	**(104,450,434)**	**(95,305,379)**
	197,926,308	**238,044,696**
c) Short-term loans:		
- Cash loans	**-**	**3,911,660**

The average interest rate accrued on long-term loans for purchase of equipment equals six- month EURIBOR increased by the margin ranging from 0.5% to 1% annually (2020: six- month EURIBOR increased by the margin ranging from 0.5% to 1% annually). The interest rate applied to the cash loan is in accordance with the current market conditions.

Other long-term liabilities are related to the obligations for the license for the use of radio frequency spectrum for the provision of services via mobile access systems issued by the Communication Regulatory Agency of Bosnia and Herzegovina.

The contractual currency for all loans, except for loans granted by the Government of the Kingdom of Spain, banks and domestic suppliers, is EUR.

The Company settles its liabilities arising from borrowings according to the contractually defined repayment schedules. The Company complies with all other loan agreement provisions. There has been no non-compliance that could give rise to any creditor demanding early loan repayment.

Maturities of long-term borrowings:

	In BAM	
	31 December 2021	31 December 2020
Current portions	104,450,434	95,305,379
From 1 to 2 years	91,728,668	87,897,690
From 2 to 3 years	63,040,064	73,871,747
From 3 to 4 years	24,207,210	49,338,849
From 4 to 5 years	10,084,638	11,872,115
After 5 years	8,865,728	15,064,295
Total non-current portion of borrowings	197,926,308	238,044,696
	302,376,742	**333,350,075**

28. LIABILITIES FOR THE RIGHT TO TV CONTENT DISTRIBUTION

	In BAM 31 December 2021	In BAM 31 December 2020
Liabilities for the right to TV content distribution	71,386,969	35,137,906
Less: Current portion of long-term liabilities for the right to TV content distribution	(21,349,827)	(11,303,763)
	50,037,142	**23,834,143**

	In BAM 31 December 2021	In BAM 31 December 2020
Current portions	21,349,827	11,303,763
From 1 to 2 years	20,762,225	6,064,864
From 2 to 3 years	13,884,785	5,669,019
From 3 to 4 years	11,847,407	5,498,275
From 4 to 5 years	3,542,725	4,618,152
After 5 years	-	1,983,833
Total non-current portion of borrowings	50,037,142	23,834,143
	71,386,969	**35,137,906**

29. LIABILITIES FOR LEASED ASSETS

	In BAM 31 December 2021 and FY 2020 Land and buildings
Balance as of 1 January 2020	53,239,178
New additions	7,500,263
Interest expense for leased assets (*Note 11*)	1,150,670
Modification of the lease period	(210,876)
Liability closing	(12,584,526)
Balance as of 31 December 2020	**49,094,709**
Balance as of 1 January 2021	49,094,709
New additions	8,790,750
Interest expense for leased assets (*Note 11*)	1,051,182
Modification of the lease period	(1,118,008)
Liability closing	(12,889,416)
Balance as of 31 December 2021	**44,929,217**
Less: Current portion of long-term leases due within one year	(11,651,906)
Balance as of 31 December 2021	**33,277,311**

29. LIABILITIES FOR LEASED ASSETS (Continued)

The Company recognised the liabilities for leased assets in accordance with IFRS 16, based on which a liability is measured at the present value of all lease payments that were not made on the recognition date.

The Company used the interest rate on the liabilities for leased assets which the Company would have paid as a lessee if it had borrowed funds, under a similar time period and similar guarantees, necessary for the purchase of assets that have a similar value as the right-of-use assets in a similar economic environment.

30. DEFERRED INCOME

	In BAM	
	31 December 2021	31 December 2020
Grants received	37,101	49,468
Less: Current portion of deferred income	(12,367)	(12,367)
	24,734	**37,101**

Movements on deferred income for the year ended 31 December 2021 and FY 2020 were as follows:

	In BAM	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance as of 1 January	49,468	61,835
Reversal credited to other income	(12,367)	(12,367)
Balance, end of year	**37,101**	**49,468**

31. EMPLOYEE BENEFITS

	In BAM	
	31 December 2021	31 December 2020
Employee benefits		
- non-current portion	5,971,281	6,144,478
- current portion	784,918	664,406
	6,756,199	**6,808,884**

Long-term provisions for employee benefits as of 31 December 2021 in the amount of BAM 6,756,199 relate to the non-current and current provisions formed based on the calculation of present value of accumulated employee entitlements to retirement benefits and jubilee awards in accordance with IAS 19 "Employee Benefits".

The cost associated with the retirement benefits and jubilee awards are determined using the projected unit credit method, with actuarial calculation performed as of the date of the statement of financial position.

31. EMPLOYEE BENEFITS (Continued)

Accordingly, the Company has hired a certified actuary to perform the calculation of the present value of accumulated rights to retirement benefits and jubilee awards as of 31 December 2021 on behalf of the Company. When calculating the present value of these accumulated rights to retirement benefits and jubilee awards, the authorized actuary used the following assumptions: a discount rate of 3.5% per annum, projected salary growth rate of 0.3% per annum, projected years of service for retirement - 40 years for men and 35 for women, the projected staff turnover on the basis of historical data on the movement of employees in the past, officially published mortality rates and other conditions necessary for exercising the right to retirement benefits and jubilee awards. As of 31 December 2021, demographic assumptions changed. The effects of changes in these assumptions are recognised as an actuarial loss in the statement of other comprehensive income.

The number of monthly salaries for jubilee awards is presented in the table below:

Years spent with the Company	Number of salaries
10	0.5
20	1
30	1.5
40	0.5

Movements on long-term provisions for employee benefits as of 31 December 2021 and FY 2020 were as follows:

	In BAM 31 December 2021 and FY 2020
Balance as of 1 January 2020	6,852,930
Charge for the year (*Note 10*)	413,181
Payments during the year	(457,227)
	6,808,884
Less: Non-current portion of benefits due within one year	(664,406)
Balance as of 31 December 2020	**6,144,478**
Balance as of 1 January 2021	6,808,884
Charge for the year (*Note 10*)	439,052
Actuarial losses	20,354
Payments during the year	(512,091)
	6,756,199
Less: Non-current portion of benefits due within one year	(784,918)
Balance as of 31 December 2021	**5,971,281**

32. PROVISIONS

In BAM

	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance as of 1 January	35,000	46,032
Provisions for litigations	4,000	24,000
Reversal of provisions for litigations	-	(35,032)
Balance, end of year	**39,000**	**35,000**

33. TRADE PAYABLES

In BAM

	31 December 2021	31 December 2020
Trade payables:		
- related parties (*Note 37(a)*)	11,136,768	5,104,827
- domestic	60,479,441	47,889,284
- foreign	14,068,648	9,403,089
- for uninvoiced investments and services	13,935,922	6,686,078
	99,620,779	**69,083,278**

Trade payables are non-interest bearing. The Company regularly settles its liabilities to suppliers and has financial risk management policies in place which ensure that the liabilities are settled within the agreed time lines. The average days payable outstanding for the year ended 31 December 2021 amounted to 132 days (2020: 94 days).

The ageing structure of trade payables as of 31 December 2021 and 31 December 2020 was as follows:

In BAM

	31 December 2021	31 December 2020
From 0 to 30 days	87,430,171	51,133,125
From 31 to 60 days	5,322,920	7,336,402
From 61 to 120 days	4,528,223	6,723,099
From 121 to 180 days	1,477,118	3,098,912
From 181 to 270 days	641,785	568,718
From 271 to 360 days	220,562	223,022
	99,620,779	**69,083,278**

34. ACCRUALS AND DEFERRED INCOME

	In BAM	
	31 December 2021	31 December 2020
Deferred income – sales of prepaid top-ups	5,137,745	3,886,610
Accrued liabilities – international traffic	7,905,873	4,500,424
Accrued liabilities – media content distribution/broadcasting	5,803,657	4,130,973
Accrued liabilities per other expenses	12,306,353	8,388,032
Accrued VAT liabilities on advance invoices	3,413,356	3,239,267
Other accruals	196,136	223,025
	34,763,120	**24,368,331**

Accrued liabilities for international traffic totalling BAM 7,905,873 as of 31 December 2021 mostly relate to cost estimates of international settlements realised with related parties.

Accrued liabilities for other expenses amounting to BAM 12,306,353 as of 31 December 2021 represent expenses of the period for which there were sufficient information on their existence and inception yet the Company had not received the final invoices for services or goods received until these separate financial statements' preparation date.

35. OTHER LIABILITIES

	In BAM	
	31 December 2021	31 December 2020
Advances and prepayments received from customers	1,761,933	1,548,794
Taxes and customs duties charged to expenses	234,737	225,029
VAT liabilities	3,522,896	2,512,166
Liabilities to employees	6,322,664	58
Liabilities for acquiring equity interest	-	671,177
Other liabilities	522,537	498,477
	12,364,767	**5,455,701**

36. INCOME TAXES

(a) Components of Income Taxes

	In BAM Year ended 31 December	
	2021	2020
Current income tax expense	7,276,086	5,962,833
Deferred tax expense – increase in deferred tax assets	(151,320)	(54,626)
Deferred tax expense - increase in deferred tax liabilities	1,826,909	1,119,907
	8,951,675	**7,028,114**

36. INCOME TAXES (Continued)

(b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Statutory Tax Rate

	In BAM Year ended 31 December 2021	2020
Profit before tax	83,253,593	71,407,635
Income taxes calculated at the rate of 10%	8,325,359	7,140,764
Adjustments for:		
- Non-taxable income effects	(1,855,395)	(1,760,692)
- Non-deductible costs effects	806,122	582,761
- Temporary difference effects	1,675,589	1,065,281
Income tax expense	**8,951,675**	**7,028,114**
Effective tax rate for the year	10.75%	9.84%

(c) Deferred Tax Assets

	In BAM For the year ended 31 December 2021	For the year ended 31 December 2020
Temporary differences:		
Balance as of 1 January	313,880	259,254
Increase of deferred tax assets	151,320	54,626
Balance, end of the year	**465,200**	**313,880**

(d) Deferred Tax Liabilities

	In BAM For the year ended 31 December 2021	For the year ended 31 December 2020
Temporary differences:		
Balance as of 1 January	(1,395,246)	(275,339)
Deferred tax liabilities arising from the measurement of property and equipment for tax purposes	(1,826,909)	(1,119,907)
Balance, end of the year	**(3,222,155)**	**(1,395,246)**

36. INCOME TAXES (Continued)

(e) Current tax liabilities / receivables

In BAM

	31 December 2021	31 December 2020
Receivables for overpaid income tax	-	293,083
Liabilities for current income tax	1,543,255	-
Balance, end of the year	**1,543,255**	**293,083**

37. RELATED PARTY TRANSACTIONS

The majority owner of the Company is Telekom Srbija a.d. Belgrade, whose majority shareholder is the Republic of Serbia. The following table presents the receivables and payables arising from the related party transactions:

(a) STATEMENT OF FINANCIAL POSITION

31 December 2021 — In BAM

	Parent company	Subsidiaries	Associates	Other related parties	TOTAL
Right to TV content distribution	46,153,937	-	-	-	46,153,937
Property and equipment	-	-	48,896	-	48,896
Total non-current assets	**46,153,937**	**-**	**48,896**	**-**	**46,202,833**
Trade receivables	2,812,218	7,519,719	5,537,310	1,646,210	17,515,457
Interest receivables	-	-	89,359	-	89,359
Dividend receivables	-	5,720,000	-	-	5,720,000
Calculated, uninvoiced income from international settlements	3,040,933	174,675	685,795	-	3,901,403
Long-term loans	-	1,868,712	-	-	1,868,712
Short-term loans	-	993,856	-	-	993,856
Other short-term receivables	675	160	-	-	835
Total receivables	**5,853,826**	**16,277,122**	**6,312,464**	**1,646,210**	**30,089,622**
Total	**52,007,763**	**16,277,122**	**6,361,360**	**1,646,210**	**76,292,455**
Trade payables	(8,426,553)	(1,217,781)	(871,919)	(620,515)	(11,136,768)
Calculated (estimated) expenses	(7,235,734)	-	(2,056,107)	(310,257)	(9,602,098)
Liabilities for the right to TV content distribution	(37,732,470)	-	-	(398,403)	(38,130,873)
Dividend payables	(48,672,592)	-	-	-	(48,672,592)
Other payables	(21,647)	(1,000,954)	(7,731)	-	(1,030,332)
Total payables	**(102,088,996)**	**(2,218,735)**	**(2,935,757)**	**(1,329,175)**	**(108,572,663)**
Net	**(50,081,233)**	**14,058,387**	**3,425,603**	**317,035**	**(32,280,208)**

31 December 2020 — In BAM

	Parent company	Subsidiaries	Associates	Other related parties	TOTAL
Right to TV content distribution	1,159,511	-	-	-	1,159,511
Property and equipment	-	-	-	-	-
Total non-current assets	**1,159,511**	**-**	**-**	**-**	**1,159,511**
Trade receivables	2,139,395	6,249,561	4,356,637	548,737	13,294,330
Interest receivables	-	-	81,168	-	81,168
Dividend receivables	-	8,840,000	-	-	8,840,000
Calculated, uninvoiced income from international settlements	757,393	53,775	174,577	-	985,745
Long-term loans	-	-	-	-	-
Short-term loans	-	740,000	977,915	-	1,717,915
Other short-term receivables	-	-	-	-	-
Total receivables	**2,896,788**	**15,883,336**	**5,590,297**	**548,737**	**24,919,158**
Total	**4,056,299**	**15,883,336**	**5,590,297**	**548,737**	**26,078,669**
Trade payables	(2,951,488)	(1,876,673)	(265,986)	-	(5,094,147)
Calculated (estimated) expenses	(1,516,991)	(322,210)	(2,170,904)	(323,948)	(4,334,053)
Liabilities for the right to TV content distribution	(1,881,806)	-	-	(4,121,489)	(6,003,295)
Dividend payables	(15,509,344)	-	-	-	(15,509,344)
Other payables	-	(654,140)	-	-	(654,140)
Total payables	**(21,859,629)**	**(2,853,023)**	**(2,436,890)**	**(4,445,437)**	**(31,594,979)**
Net	**(17,803,330)**	**13,030,313**	**3,153,407**	**(3,896,700)**	**(5,516,310)**

37. RELATED PARTY TRANSACTIONS (Continued)

(b) STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	16,281,276	22,852,734	2,205,268	1,097,473	42,436,751
Interest income	-	21,222	8,191	-	29,413
Dividend income	-	-	-	-	-
Other operating income	47,130	214,562	21,732	-	283,424
Total income	**16,328,406**	**23,088,518**	**2,235,191**	**1,097,473**	**42,749,588**
Expenses incurred with related parties	(17,518,832)	(6,591,050)	(1,612,682)	-	(25,722,564)
Total expenses	**(17,518,832)**	**(6,591,050)**	**(1,612,682)**	**-**	**(25,722,564)**
Net income/(expenses)	**(1,190,426)**	**16,497,468**	**622,509**	**1,097,473**	**17,027,024**

Year ended 31 December 2020 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	16,911,247	21,778,078	2,180,536	548,737	41,418,598
Interest income	-	5,280	79,385	-	84,665
Dividend income	-	6,500,000	-	-	6,500,000
Other operating income	-	89,662	-	-	89,662
Total income	**16,911,247**	**28,373,020**	**2,259,921**	**548,737**	**48,092,925**
Expenses incurred with related parties	(17,853,021)	(6,726,848)	(1,648,027)	(3,780,030)	(30,007,926)
Total expenses	**(17,853,021)**	**(6,726,848)**	**(1,648,027)**	**(3,780,030)**	**(30,007,926)**
Net income/(expenses)	**(941,774)**	**21,646,172**	**611,894**	**(3,231,293)**	**18,084,999**

37. RELATED PARTY TRANSACTIONS (Continued)

(б) STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

	In BAM Period ended 31 December 2021	2020
Short-term remunerations to key management personnel:		
- Executive Board	(704,201)	(674,094)
- Management Board	(296,210)	(295,589)
- Audit Committee	(86,568)	(83,336)
	(1,086,979)	**(1,053,019)**

The key management personnel are not entitled to the additional long-term employee benefits or termination benefits other than those disclosed in *Note 3.15*.

Related party transactions were performed under terms and conditions that are the same as or similar to those applying to the arm's length transactions. The Company did not have expected credit losses on the date of compiling these separate financial statements, based on which an allowance for impairment of receivables from related parties would be made.

38. EARNINGS AND DIVIDEND PER SHARE

	In BAM Year ended 31 December 2021	2020
Net profit for the period	74,301,918	64,379,521
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.1512	0.1310

On 21 June 2021 the Company's Assembly passed a Decision on the Distribution of Profit Earned in 2020, based on which the profit was distributed to the shareholders in the amount of BAM 48,212,756 (BAM 0.0981163 of dividend per share), whereas on 9 December 2021, the Company's Shareholders Assembly passed a Decision on the Payment of a Temporary Dividend in the amount of BAM 29,195,056 (BAM 0.05941396 of dividends per share).

Liabilities for the remaining unpaid dividends to the shareholders totalled BAM 62,796,866 as of 31 December 2021 (31 December 2020: BAM 22,995,752).

39. CONTINGENT LIABILITIES

Litigations

The Company appears at times as a defendant in legal suits filed against it by legal entities and private individuals claiming damages. The estimated contingent liabilities arising from lawsuits filed against the Company as of 31 December 2021 totalled BAM 54,057,917, excluding effects of penalty interest and court expenses.

The most significant court proceeding is the one which involves as a plaintiff *Crumb group* d.o.o. Bijeljina amounting to BAM 42 million. The Company's management uses legal advisory services in these cases, based on which it believes that the probability of negative outcomes for the Company is very remote, given that most of these lawsuits are lacking in merit.

Such belief is based on the fact that in all these suits, within legally prescribed proceedings, the competent courts have already established that there had been no illegality on the part of the Company. Management further expects that the final outcome of these disputes will not significantly or materially hinder the financial operations of the Company. Based on the aforesaid facts, the Company has not recorded provisions for the said legal suits nor does it consider any further disclosures in respect thereof necessary.

The Company's management estimates that there will be no material losses based on the outcome of the remaining ongoing litigation, above the amount for which the provision has already been made.

40. FINANCIAL INSTRUMENTS

40.1. Capital Risk Management

The Company manages capital risk in order to ensure the continuity of its business operations for an indefinite period in the foreseeable future and preserve optimal capital structure with a view to decrease the capital-related expenses and provide return on equity to its owners. The Company monitors capital based on the debt-to-equity ratio.

Management of the Company reviews the capital structure on an as-needed basis. Based on this review, the Company will balance its overall capital structure through new long-term investments as well as obtaining new borrowings or redemption of the existing debt. The Company's overall capital management strategy remains unchanged.

40.1.1. Debt-to-Equity Ratio

The Company's gearing ratios as of the year end were as follows:

	In BAM	
	31 December 2021	**31 December 2020**
Debt (a)	302,376,742	336,587,336
Cash and cash equivalents	(17,292,945)	(14,998,572)
Net debt	**285,083,797**	**321,588,764**
Equity (b)	683,403,529	686,528,136
Debt to Equity Ratio	41.72%	46.84%

(a) Debt relates to long-term borrowings and current portion of long-term liabilities.
(b) Equity includes share capital, reserves and retained earnings and losses from financial assets at FVOCI.

40. FINANCIAL INSTRUMENTS (Continued)

40.1. Capital Risk Management (Continued)

40.1.2. Significant Accounting Policies Regarding Financial Instruments

Significant accounting policies and adopted principles, including the recognition criteria, basis of measurement and recognition of income and expenses for each category of financial assets, financial liabilities and equity, is set out in *Note 3* to the separate financial statements.

40.2. Categories of Financial Instruments

Categories of financial instruments as of 31 December 2021 and 31 December 2020 are presented in the table below:

		In BAM
	31 December 2021	**31 December 2020**
Financial assets		
Financial assets whose fair value is measured at amortized cost	101,969,560	99,599,213
Financial assets whose fair value is measured through other comprehensive income	-	5,359
	101,969,560	99,604,572
Financial liabilities at amortized cost	**580,818,938**	**513,780,065**

40.3. Financial Risk Management

In its regular course of business, the Company is exposed to certain financial risks, which are: market risk (comprised of currency risk, interest rate risk and price risk), liquidity risk and credit risk. The risk management in the Company is focused on minimizing the potential adverse effects on the Company's financial position and business operations, contingent on the volatility of the market. The accounting policies adopted by the Company regulate the risk management.

The Company did not enter into transactions with derivative instruments, such as interest rate swaps or forwards in the year ended as of 31 December 2021.

(1) Market Risk

(a) Foreign Exchange Risk

Although the Company performs a number of its transactions in foreign currencies, the Company's management holds that the Company is not significantly exposed to currency risk in transactions in the country and abroad, as it mostly performs its business operations in the local currency (Convertible Mark), as well as in EUR, to which the Convertible Mark is indexed-linked (1 EUR = 1.95583 Convertible Mark).

Accordingly, the Company did not perform analysis of the sensitivity to the changes of the foreign exchange rates, except for the USD currency as it has certain liabilities denominated in USD.

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Financial Risk Management (Continued)

(1) Market Risk (Continued)

(a) Foreign Exchange Risk (Continued)

The carrying values of financial assets and liabilities of the Company expressed in foreign currencies as of the reporting date were as follows:

In BAM

	Assets		Liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	11,821,001	9,260,958	191,187,129	197,650,778
USD	427,100	346,707	4,800,467	3,082,050
CHF	1,624	1,550	-	-
GBP	58	2,367	-	-
HRK	2,249	287	-	-
RSD	4,855	5,017	-	-
	12,256,887	9,616,886	195,987,596	200,732,828

Sensitivity Analysis

Sensitivity analysis to changes in foreign currency was made only for USD, and determined based on the exposure to foreign currency exchange rate at the end of the reporting period.

If the foreign currencies exchange rate had been 10% higher/lower, the Company's net profit for the year ended 31 December 2021 would have been decreased/increased by the amount of BAM 25,150 (comparative figure for 2020: BAM 21,663).

(b) Interest Rate Risk

The Company is exposed to various risks which through the effects of the fluctuations in the market interest rates influence its financial position and cash flows. Given that the Company has no significant interest-bearing assets, the Company's income is to a great extent independent of interest rate risk.

The Company's risk from the changes in the interest rates arises primarily on the long-term borrowings from suppliers. The loans obtained at variable interest rates make the Company susceptible to cash flow interest rate risk, while the loans obtained at fixed interest rates expose the Company to the fair value interest rate risk.

During the year ended 31 December 2021, the largest portion of the liabilities arising from borrowings had a variable interest rate which was linked to EURIBOR. Borrowings with variable interest rates were mostly denominated in foreign currency (EUR).

The Company analyses its exposure to interest rate risk on a dynamic basis taking into consideration the alternative sources for financing and refinancing, of long-term liabilities in the first place, as these represent the most important interest-bearing item.

The Company still does not swap variable for fixed interest rates, and vice versa, but takes steps to securitize loans from banks at more favourable terms.

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk (Continued)

Sensitivity Analysis

Sensitivity analysis to changes in interest rates is determined on the basis of exposure to interest rate of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis has been prepared assuming that the outstanding liabilities at the end of the reporting period remained outstanding throughout the reporting period.

If the interest rates applied to cash loans and commodity loans during the reporting period had been higher/lower by 10%, while other variables remained unchanged, the Company's net profit for the year ended 31 December 2021 would have been decreased/increased by the amount of BAM 615,134 (comparative figure for 2020: BAM 646,351) as a result of higher/lower interest expenses.

(c) Equity Price Risk

During the reporting period ended 31 December 2021, the Company was exposed to a risk of price changes of equity securities. The aforesaid investments are held for strategic purposes rather than everyday trading, and they are not actively traded.

(2) Liquidity Risk

On the Company level, liquidity management is centralized. Ultimate responsibility for the liquidity risk management rests with the Company's management, which has established certain procedures for the management of the Company's long and short-term liquidity.

The Company has a sufficient amount of highly liquid assets (cash and cash equivalents), and continuous cash flows from the provision of services which enables it to discharge its liabilities when due.

The Company does not use financial derivatives.

In order to manage liquidity risk, the Company has adopted financial policies which define dispersion on decision-making levels in the course of the acquisition of certain goods/services. This dispersion is ensured by limiting the authority of certain persons or bodies within the Company to make decisions on certain acquisitions.

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Financial Risk Management (Continued)

(2) Liquidity Risk (Continued)

Maturities of the Company's financial assets and liabilities as of 31 December 2021 and 31 December 2020 were as follows:

Financial assets — In BAM

31 December 2021	Up to 3 Months	3 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	98,140,491	409,585	298,114	695,599	-	99,543,789
Fixed interest rate						
- Fair value at amortised cost	1,166,729	253,757	310,795	754,395	60,057	2,545,733
Total	**99,307,220**	**663,342**	**608,909**	**1,449,994**	**60,057**	**102,089,522**
31 December 2020						
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	89,616,895	-	-	-	-	89,616,895
Fixed interest rate						
- Fair value at amortised cost	9,969,595	89,968	46,105	114,188	94,375	10,314,231
Total	**99,586,490**	**89,968**	**46,105**	**114,188**	**94,375**	**99,931,126**

Financial liabilities — In BAM

31 December 2021	Up to 3 Months	3 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
Other liabilities at amortized cost						
- *Non-interest bearing*	163,639,742	20,868,825	20,762,225	29,274,917	-	234,545,709
- Instruments at variable interest rate	27,290,251	78,267,641	91,142,642	99,364,789	8,925,537	304,990,860
- Instruments at fixed interest rate	3,187,102	12,766,166	15,522,705	17,308,631	5,551,244	54,335,848
Total	**194,117,095**	**111,902,632**	**127,427,572**	**145,948,337**	**14,476,781**	**593,872,417**
31 December 2020						
Other liabilities at amortized cost						
- *Non-interest bearing*	88,868,944	15,447,167	7,825,110	14,025,199	1,983,833	128,150,253
- Instruments at variable interest rate	21,570,027	79,809,751	88,244,532	135,092,916	15,245,993	339,963,219
- Instruments at fixed interest rate	3,185,856	12,431,678	15,710,712	24,612,796	6,402,480	62,343,522
Total	**113,624,827**	**107,688,596**	**111,780,354**	**173,730,911**	**23,632,306**	**530,456,994**

The review of maturities of financial instruments (assets and liabilities) is made based on the undiscounted cash flows of financial assets and financial liabilities, including interest charged to those assets which will be earned (except from the assets based on which the Company expects cash flow in another period), i.e., based on the earliest date on which the Company can be expected to settle the liability incurred.

The amounts included in the table above for financial instruments (assets and liabilities) at variable interest rates may be subject to change if the changes in variable interest rates are different from the estimated interest rate established at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Financial Risk Management (Continued)

(3) Credit Risk

Credit risk is the risk that counterparty will default on its contractual obligations to the Company, which will result in financial loss to the Company. The Company has adopted policies regarding the monitoring of customer creditworthiness as well as requiring certain security (collateral), where possible, with a view to reducing the risk of potential financial losses resulting from failure to meet certain contractual obligations.

Credit risk is inherent in receivables from corporate and retail customers, in cash and cash equivalents, deposits held with banks and financial institutions, and commitments.

The Company is exposed to credit risk to a limited extent. As hedges against credit risk, certain measures and activities have been taken on the Company level. In case any service user falls behind in settlement of liabilities to the Company, further services to such a user are suspended.

In addition, the Company does not have material credit risk concentration in receivables as it has a large number of unrelated customers with individually small amounts of debt. Apart from disabling further use of services, the following procedures of collection are also in place: debt rescheduling, offsets with legal entities, legal suits, out-of-court settlements and other.

The collection of loans extended to the Company employees is ensured through salary garnishment, i.e., by decreasing salaries for the adequate amount of repayment instalments, whereas the employees leaving the Company enter agreements to regulate the manner of repayment of the outstanding loan portion upon leaving the Company.

For credit risk minimization purposes, the Company has developed and maintained credit risk assessment in order to categorize its exposures according to the default risk. Information on the credit rating is obtained from the independent credit rating agencies. In case such information is not available, the Company uses other publicly available financial information and its own data on the trading activity in order to assess its major customers and other debtors. The Company's credit risk exposure and the counterparty credit risk are constantly monitored and the aggregate value of the contractually agreed transactions is diversified among eligible (approved of) parties.

The Company's current framework for credit risk assessment is comprised of the following categories:

Category	Description	Basis for ECL recognition
Performing	Low-level default risk of the counterparty; no outstanding amounts past due	12-month ECL
Doubtful	Amounts outstanding over 30 days past due or a significant increase in credit risk has occurred since the initial recognition	Lifetime ECL – no impairment allowance
Non-performing – Default	Amounts outstanding over 60 days past due or there is objective evidence of impairment	Lifetime ECL – with impairment allowance
Write -off	Evidence of the debtor's severe financial difficulties and there is no realistic likelihood of recovery of the Company's receivables	Written-off amount

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Financial Risk Management (Continued)

(3) Credit Risk (Continued)

The following table present the credit quality of the Company's financial assets, contractual assets and financial guarantees, as well as the Company's maximum credit risk exposure per credit risk assessment.

31 December 2021	Note	External classification	Internal classification	12-month ECL or lifetime ECL?	Gross amount	Impairment allowance	Net amount
Long-term loans and receivables	18	NA	Performing and non-performing	Lifetime	4,295,162	19,699	4,275,463
Trade receivables	20	NA	Performing and non-performing	Lifetime	136,670,676	61,622,754	75,047,922
Other receivables	21	NA	Performing and non-performing		6,906,608	435,898	6,470,710
Cash and cash equivalents	25	NA	Performing		16,162,587	-	16,162,587
Financial assets subsequently measured at amortized cost	17	NA	Performing		12,878	-	12,878

(4) Fair Value

Fair Value of Financial Assets Other than Measured at Fair Value

Except as described below, the Company's management believes that the carrying values of financial assets and financial liabilities recognized in the separate financial statements approximate their fair values.

	31 December 2021		31 December 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Financial assets measured at amortized cost	12,478	11,974	23,309	22,424
Total	**12,478**	**11,974**	**23,309**	**22,424**

The assumptions used to estimate current fair values of financial assets/liabilities are summarized below:

- For short-term investments, loans and liabilities, the carrying value approximates their fair value due to their short maturity.
- For long-term investments and liabilities fair value is calculated using the method of discounting future cash flows at a current market interest rate, which is available to the Company for similar financial instruments.
- For securities available for sale that are traded in an active market, fair value calculation is based on the current market value of listed securities.

41. SEGMENT REPORTING

41.1. Segment information

As of 31 December 2021, the Company's reporting segments in accordance with IFRS 8, were as follows:

1. Fixed-line telephony,
2. Mobile telephony.

41.2. *Segment Revenues and Results*

The segment revenues and results for the year ended 31 December 2021 are presented in the following table:

In BAM

31 December 2021	Fixed-Line Telephony	Mobile Telephony	Total
Sales of goods and services	171,153,640	257,506,772	428,660,412
Other operating income	6,958,027	10,465,374	17,423,401
Inter-segment settlement	72,173,834	32,352,771	104,526,605
Cost of materials, merchandise and combined services	(9,922,084)	(44,970,702)	(54,892,786)
Staff costs	(28,718,381)	(43,203,435)	(71,921,816)
Depreciation and amortization charge	(67,535,156)	(45,750,798)	(113,285,954)
Cost of production services	(45,897,718)	(37,026,815)	(82,924,533)
Other operating expenses	(8,631,550)	(18,117,612)	(26,749,162)
Finance income – interest-bearing	266,912	401,537	668,449
Finance income - other	96,695	145,466	242,161
Impairment of financial assets	(2,108,957)	(3,172,677)	(5,281,634)
Finance expenses	(3,467,899)	(5,217,046)	(8,684,945)
Inter-segment settlement	(32,352,771)	(72,173,834)	(104,526,605)
Profit before taxes	**52,014,592**	**31,239,001**	**83,253,593**
Income tax	(5,550,038)	(3,401,637)	(8,951,675)
Net profit	**46,464,554**	**27,837,364**	**74,301,918**

41. SEGMENT REPORTING (Continued)

41.2. Segment Revenues and Results (Continued)

The segment revenues and results for the year ended 31 December 2020 are presented in the following table:

In BAM

31 December 2020	Fixed-Line Telephony	Mobile Telephony	Total
Sales of goods and services	161,155,852	253,028,124	414,183,976
Other operating income	2,628,435	4,126,730	6,755,165
Inter-segment settlement	65,165,830	28,386,903	93,552,733
Cost of materials, merchandise and combined services	(10,995,621)	(48,885,546)	(59,881,167)
Staff costs	(27,439,085)	(43,080,280)	(70,519,365)
Depreciation and amortization charge	(44,801,578)	(61,657,351)	(106,458,929)
Cost of production services	(47,973,332)	(34,490,328)	(82,463,660)
Other operating expenses	(8,552,113)	(18,596,607)	(27,148,720)
Finance income – interest-bearing	278,745	437,638	716,383
Finance income - other	2,708,082	4,251,780	6,959,862
Impairment of financial assets	(1,115,146)	(1,750,817)	(2,865,963)
Finance expenses	(3,062,202)	(4,807,745)	(7,869,947)
Inter-segment settlement	(28,386,903)	(65,165,830)	(93,552,733)
Profit before taxes	**59,610,964**	**11,796,671**	**71,407,635**
Income tax	(2,734,639)	(4,293,475)	(7,028,114)
Net profit	**56,876,325**	**7,503,196**	**64,379,521**

Segment revenues and results reported above (for the year ended 31 December 2021 and 31 December 2020) represent revenue generated from external customers. Inter-segment sales during the period have been eliminated.

The accounting policies of the reporting segments are the same as the Company's accounting policies described in *Note 3*.

Segment profit represents the profit earned by each segment with allocation of all costs, on the basis of the revenues earned by each individual reporting segment. This is the measure reported to the chief operating decision makers for the purposes of adequate resource allocation and assessment of segment performance.

The Company's revenue from its major services is presented in detail in *Note 5* to the separate financial statements.

41. SEGMENT REPORTING (Continued)

41.3. Segment Capital Expenditures

Capital expenditures of the segments for the years ended 31 December 2021 and 31 December 2020 are as follows:

In BAM

	Fixed-Line Telephony	Mobile Telephony	Total
31 December 2021			
Capital expenditures (*Notes 12, 13 and 14)*	120,409,826	54,911,674	**175,321,500**
31 December 2020			
Capital expenditures (*Notes 12, 13 and 14)*	81,014,942	34,063,230	**115,078,172**

Capital expenditures include purchases of intangible assets, leased assets, property and equipment during the reporting period.

42. TAX RISKS

The Republic of Srpska and Bosnia and Herzegovina currently have several tax laws in effect, as imposed by various governmental agencies. The applicable taxes include: a value added tax, corporate income tax, and payroll (social) taxes, among others. Besides that, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent.

Hence, with regard to tax issues there is limited number of cases that can be used as an example. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, thusly creating uncertainties and areas of legal contention. Tax declarations, together with other legal compliance matters (e.g., customs and currency control matters) are subject to the review and investigation by a number of authorities that are legally enabled to impose extremely severe fines, penalties and interest charges.

The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. In accordance with the Law on Tax Authority of the Republic of Srpska, expiration period of the tax liability is five years.

This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability. The afore-described situation creates tax risks in the Republic of Srpska and Bosnia and Herzegovina that are substantially more significant than those typically existing in countries with more developed tax systems. In addition, the Company performs a significant number of business transactions with its related parties.

Although the Company's management is of the opinion that the documentation on transfer prices is sufficient and adequate, it is uncertain whether the requirements and interpretations of the tax authorities differ from those of the management. The Company's management believes that no varying interpretations could have material impact on the Company's financial statements on the whole.

43. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE COMPANY

The Company regularly monitors developments related to the spread of the Covid-19 virus, as well as the impact on the macroeconomic environment and operations of the Company, and implements all necessary measures to minimize the impact of the pandemic on business. At the date of issuance of these financial statements, the Company continues to meet its liabilities on maturity, and continuously provides services to its clients.

44. EXCHANGE RATES

The official median exchange rates for major currencies, as determined in the Interbank Foreign Exchange Market and used in the translation of the statement of financial position components denominated in foreign currencies into BAM were as follows:

	In BAM	
	31 December 2021	31 December 2020
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01664	0.01663
American Dollar (USD)	1.72563	1.59257
Swiss Franc (CHF)	1.88732	1.80145

BDO d.o.o. Banja Luka
Ive Andrića 15
78000 Banja Luka
Republika Srpska, BiH
Tel: +387 51 225 011
Fax: +387 51 225 012

www.bdo.ba