PETROLINVEST D.D. SARAJEVO

Financial statements
for the year ended 31 December 2019
together with the Independent auditors' report

This version of the of the financial statements is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over translation.

Contents

Responsibility for the financial statements

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

Management is responsible for selecting suitable accounting policies in accordance with the financial reporting standards in the Federation of Bosnia and Herzegovina and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management is responsible for the submission of the financial statements of the Company to owners for approval.

The financial statements were authorised by Management for issue on 1 June 2020 and are signed below to signify this.

Mustafa Čerimagić
Director

Independent Auditors' Report

To the shareholders of PetroIinvest d.d. Sarajevo

Opinion

We have audited the financial statements of Petrolinvest d.d. Sarajevo ("the Company"), which comprise the balance sheet as at 31 December 2019, the income statement and statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina ("the Framework").

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with 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 Federation of Bosnia and Herzegovina, 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' Report

To the shareholders of Petrolinvest d.d. Sarajevo (*continued*)

Key Audit Matters (continued)

Revenue recognition

For the year ended 31 December 2019, the Company recognized revenue in the amount of BAM 7,920 thousand (2018: BAM 7,100 thousand). Revenue from long-term projects made up 97% of total revenue in 2019 (2018: 92%). Refer to Note 3 to the financial statements and the accounting policies on page 21.

Key audit matter	How our audit addressed the matter

The Company generates its revenue via three streams: long-term construction and engineering projects, preparation of project and technical documentation and revenue from loaned staff.
 	
Recognition of revenue is inherently complex due to the multitude of contracts with customers in place. Significant judgement and complex estimates are required of the Management Board, including in respect of identifying performance obligations and selecting the appropriate pattern of revenue recognition for the performance obligations identified (assessing whether performance obligations are satisfied at a point in time or over time).
 	
Significant risk is also associated with estimating the progress toward satisfaction of performance obligations for those services that are provided over time. Specifically, given the nature of the long-term construction contracts with customers, revenue is recognized on the basis of the "progress toward satisfaction" of the performance obligations, which is usually calculated using the cost-based "input" method that measures the share of the contracted costs associated with the work completed until the reporting date in relation to the estimated total contractual costs necessary for the performance of the contract obligation.
 	
Therefore, the accounting for long-term construction contracts requires the Management Board to make reliable estimates with respect to future costs to completion of a contracts and the fulfilment of contractual obligations. This estimate directly impacts the amount or revenue recognized and the timing thereof.
	Our audit procedures in this area included, among others:
	
	• Assessing the Company's revenue recognition policy, including considering whether the policy is in accordance with the five-step approach required by the revenue standard.
	
	• Assessing the design and implementation of key internal controls within the revenue recognition process, including those over contract authorisation, monitoring of progress toward satisfaction of contract obligation, as well as measuring and recognizing revenues;
	
	• For a sample of contracts with key customers, inspecting the terms of the contracts to assess whether the underlying consideration was recognized within revenue in compliance with the applicable revenue recognition requirements. This included, among other things:
	
	    o challenging the Company's identification of performance obligations, particularly with respect to the evaluation of whether or not the contract includes a single performance obligation;
	
	    o assessing the nature of each contract and timing of control transfer (primarily ˝at a point in time˝ versus ˝over time˝);
	
	• Specifically, for a sample of contracts with revenue accounted for over time:
	
	    o challenging the appropriateness of the method used to measure "progress toward satisfaction" (cost-based "input" method versus "output" method based on surveys of work performed) by considering contract terms and the nature of goods and services promised to customers;

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Independent Auditors' Report
To the shareholders of Petrolinvest d.d. Sarajevo (*continued*)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
This area also required our increased attention in the audit because revenue represents the Company's key performance indicator and as such is associated with increased inherent risk of manipulation of the timing of the recognition of revenue to meet specific targets or expectations.	○ Independently estimating the "progress to satisfaction", by reference to the contract costs incurred as a percentage of total forecast costs, with actual and forecast costs critically evaluated by us through inspection of the underlying contracts and other supporting documentation, such as invoices, reports on the progress toward satisfaction of performance obligation and / or reports on work performed; • For a sample of trade accounts receivable outstanding at the reporting date, obtaining related debtor confirmations and investigating any differences from the Company's records; • Evaluating the quality of the Company's forecasting by reference to the project forecasts for the prior years compared to the actual outcomes; • Inspecting subsequent payments and invoices in 2020 in order to assess the Management Board's cost estimates made as at 31 December 2019; • Considering the adequacy and accuracy of the revenue recognition-related disclosures in the financial statements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

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

KPMG

Independent Auditors' Report

To the shareholders of Petrolinvest d.d. Sarajevo (*continued*)

Auditors' Responsibility for audit of the financial statements (continued)

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 controls 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 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 auditors' 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 auditors' report is Vedran Vukotić.

KPMG B-H d.o.o. za reviziju

Registered Auditors
Zmaja od Bosne 7-7a
71000 Sarajevo
Bosnia and Herzegovina

Kpmg

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

1 June 2020

This version of the of the auditors' report is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over translation.

Income statement
for the year ended 31 December
(All amounts are expressed in thousands of BAM, unless otherwise stated)

	Note	2019	2018
Revenue	5	7,920	7,100
Other income	6	204	194
		8,124	**7,294**
Cost of services provided	7	(4,579)	(3,987)
Personnel expenses	8	(2,298)	(2,126)
Depreciation and amortization	13, 14	(101)	(105)
Impairment (loss) / recovery on trade receivables		59	(64)
Other operating expenses	9	(1,056)	(522)
Operating profit		**149**	**490**
Finance income		125	5
Finance costs		(14)	(65)
Net finance income / (cost)	10	**111**	**(60)**
Profit before tax		**260**	**430**
Income tax	11	-	-
Profit for the period		**260**	**430**
Earnings per share (in BAM)	12	**0.80**	**1.31**

The accompanying notes form an integral part of these financial statements.

Balance sheet
as at
(All amounts are expressed in thousands of BAM, unless otherwise stated)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets and property, plant and equipment	13	1,458	1,495
Investment property	14	1,162	1,186
Investments in debt securities	15	122	152
Investments in equity securities	16	99	35
Deposits	17	35	34
Loans to employees		10	24
		2,886	**2,926**
Current assets			
Cash and cash equivalents	18	3,678	2,144
Trade receivables	19	1,593	3,300
Other receivables	20	670	2,220
Deposits	17	81	81
		6,022	**7,745**
TOTAL ASSETS		**8,908**	**10,671**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	6,532	6,532
Statutory reserves		1,604	1,604
Revaluation reserves		452	452
Accumulated losses		(2,532)	(2,792)
TOTAL EQUITY		**6,056**	**5,796**
Non-current liabilities			
Provisions	22	107	714
Employee benefits	23	47	54
Deferred tax liability	11	45	45
		199	**813**
Current liabilities			
Loans and borrowings	24	400	400
Trade payables	25	1,870	1,394
Employee benefits	23	215	157
Other liabilities	26	168	514
Accrued expenses	27	-	1,597
		2,653	**4,062**
TOTAL LIABILITIES		**2,852**	**4,875**
TOTAL EQUITY AND LIABILITIES		**8,908**	**10,671**

The accompanying notes form an integral part of these financial statements.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

	Share capital	Revaluation reserves	Statutory reserves	Accumulated losses	Total
Balance at 1 January 2018	**6,532**	**452**	**1,604**	**(3,222)**	**5,366**
Profit for the period	-	-	-	430	430
Balance at 31 December 2018	**6,532**	**452**	**1,604**	**(2,792)**	**5,796**
Balance at 1 January 2019	**6,532**	**452**	**1,604**	**(2,792)**	**5,796**
Profit for the period	-	-	-	260	260
Balance at 31 December 2019	**6,532**	**452**	**1,604**	**(2,532)**	**6,056**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December
(All amounts are expressed in thousands of BAM, unless otherwise stated)

	2019	2018
Operating activities		
Profit after tax	**260**	**430**
Adjustments for:		
Depreciation	101	105
Impairment loss / (gain) on trade receivables	(59)	64
Finance costs / (income), net	(111)	60
Cash flows before movements in working capital	*191*	*659*
Change in:		
- trade receivables	1,766	(1,934)
- other receivables	1,550	(1,843)
- trade payables	476	700
- other liabilities	(296)	303
- accrued expenses	(1,597)	1,582
- provisions	(607)	32
- employee benefits	51	(21)
Cash flow used in operating activities	*1,534*	*(522)*
Interest paid	(14)	(20)
Net cash from operating activities	**1,520**	**(542)**
Investing activities		
Purchase of property, plant and equipment	(40)	(49)
Decrease in receivables from loans	14	7
Decrease in bank deposits	(1)	(1)
Proceeds from bonds due	37	-
Interest received	4	-
Net cash from investing activities	**14**	**(43)**
Financing activities		
Proceeds from short-term borrowings	800	400
Repayment of short-term borrowings	(800)	(800)
Net cash from financing activities	**-**	**(400)**
Net changes in cash and cash equivalents	**1,534**	**(985)**
Cash and cash equivalents at 1 January	**2,144**	**3,129**
Cash and cash equivalents at 31 December	**3,678**	**2,144**

The accompanying notes form an integral part of these financial statements.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

1 GENERAL

Petrolinvest d.d. Sarajevo ("the Company") was founded in 1969 by Energoinvest d.d. Sarajevo and TECHNIP Paris, France. Core activities of the Company are: designing, engineering, organization and mediation, and the production of technical documentation for the construction of industrial and other facilities in petroleum, petrochemical and other industries, as well as research and development services in the field of petroleum, petrochemical and process industries. On 22 September 2016, the Securities Commission of the Federation of Bosnia and Herzegovina issued a decision number 04 / 1-19-247 / 15 authorizing ZR Energy SAL Holding Beirut, Lebanon, to acquire a majority stake in Petrolinvest dd. Sarajevo. Initially, 171,800 voting shares were acquired, representing 52.50% of the shares. In December 2016, the stake of ZR Energy SAL Holding increased to 195,883 shares with voting rights, representing 59.97% of the shares.

As at 31 December 2019 the Company had 61 employees (2018: 64 employees).

The Company is part of the ZR Energy group, Lebanon.

Managing bodies of the Company
Managing bodies of the Company as of 31 December 2019 were as follows:

Management

Director	Mr. Mustafa Ćerimagić

Supervisory Board

President	Mr. Samir Raymond Zina
Member	Mr. Mohamad Ibrahim Zaouk
Member	Mr. Aeron Martin Parker
Member	Mr. Achilee De Nino
Member	Mr. Burizchelli Ascenzo

Audit Committee

President	Mr. Massimo Massi
Member	Mr. Charbel Nohra Ghanem
Member	Mr. Roger Safi

The Company is listed on Sarajevo Stock Exchange (ticker symbol PINSR).

2 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina (''FBiH'') ("the Framework"). The Financial Reporting Framework includes the Law on accounting and auditing of the FBiH (Official Gazette of the FBiH, 83/09), accounting standards that apply in the FBiH, published by the Association of Accountants, Auditors and Financial Professionals of the FBiH, based on the Decision on the translation and disclosure authorization, no. 2-11/06 dated 10 March 2006 (Official Gazette of BiH, 81/06) made by the Commission for Accounting and Auditing of BiH, and the Schemes of Financial Statements of the Federal Ministry of Finance (Official Gazette of the FBiH, 82/10).

This is the first set of the Company's annual financial statements in which new requirements of the Framework related to the leases has been applied.. The changes in accounting policies are detailed below in the section *Changes in accounting policies and disclosures.*

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments, which are presented based on revaluation amounts or fair value at the end of each reporting period.

Functional and presentation currency

The financial statements are prepared in the currency of Bosnia and Herzegovina, the convertible mark (BAM), which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management regarding application of accounting policies that have significant effect on the amounts recognised in the financial statements are described in the notes. Key assumptions concerning the future on which significant estimates are based, and other key sources of estimation uncertainty, which involve a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year, are also disclosed in the notes.

Changes in accounting policies and disclosures

The Company has adopted newly translated and published requirements of standards applied in FBiH relating to the Leases as of 1 January 2019 (which are now incorporated into the Framework). A number of other new standards and requirements are also effective from 1 January 2019, but they do not have a material effect on the Company's financial statements.

2 BASIS OF PREPARATION (*CONTINUED*)

Changes in accounting policies and disclosures (*continued*)

The Company applied new requirements of the Framework using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under the requirements of the Framework and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements of new requirements relating to the leases have not generally been applied to comparative information.

I. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under the earlier requirements of the Framework. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

II. As a lessee

As a lessee, the Company leases assets such as business premises. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under the new requirements of the Framework, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

i. Leases classified as operating leases under earlier requirements of the Framework

Previously, the Company classified leases as operating leases under related requirements. On transition, the Company used a number of practical expedients when applying new requirements of the Framework related to leases previously classified as operating leases under earlier requirements.

In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases of low value assets;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term.

Based on these expedients no lease liabilities or right-of-use assets have been recognised.

ii. Leases classified as finance leases under earlier requirements of the Framework

There were no leases classified as finance leases under earlier requirements of the Framework.

III. As a lessor

The Company leases out its investment property. The Company has classified these leases as operating leases. The Company is not required to make any adjustments on transition to the new requirements of the Framework for leases in which it acts as a lessor. The Company has applied the requirements of the Framework related to the *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

IV. Impact on financial statements

i. Impact on transition

On transition to the new requirements of the Framework, there was no impact on the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currencies

Transactions in currencies other than Convertible Mark are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting period date, monetary assets and liabilities that are denominated in such currencies are retranslated at the rates prevailing on the reporting period date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are included in net profit or loss for the period.

Operating segments

The Company monitors operations at the level of one segment, aside from revenue which is presented in more details in Note 5.

Property, plant and equipment

Recognition and measurement

Buildings used for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any revaluation increase arising on the revaluation of such land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Vehicles and equipment and furniture are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Assets in the course of construction are carried at cost, less impairment loss, if any. Depreciation commences when the assets are ready for their intended use.

Gains or losses on the retirement or disposal of fixed assets are included in the income statement in the period they occur.

Revaluation reserves

The revaluation reserves included in equity in respect of revalued items of property, plant and equipment may be transferred directly to retained earnings when the assets are derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the revaluation reserves may be transferred as the assets are used by the Company. In such a case, the amount of the reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost. Transfers from revaluation reserves to retained earnings are not made through income statement.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Property, plant and equipment (*continued*)

Subsequent expenditure

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

Depreciation

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

Buildings	20 – 77 years (1.30% - 5.00%)
Equipment and furniture	5 – 14.3 years (7.00% - 20.00%)
Vehicles	6.5 years (15.50%)

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

Investment property

Investment property, which is property held to earn rentals and / or for capital appreciation, is measured initially at its cost, including transaction costs.

After initial measurement, the Company uses the cost model and carries investment property at cost less accumulated depreciation and any impairment losses.

Depreciation commences when the assets are ready for their intended use. The estimated useful life is determined as follows:

Investment property - buildings	77 years (1.30%)

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

Intangible assets

Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The estimated useful life is determined as follows:

Software	5 years (20.00%)

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

Financial instruments

(i) Recognition and initial measurement

The Company classifies its financial instruments as:

Financial assets:

- Investments in debt securities
- Investments in equity securities
- Deposits
- Loans to employees
- Trade receivables
- Other receivables
- Cash and cash equivalents

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Financial instruments (*continued*)

(i) Recognition and initial measurement (*continued*)

Financial liabilities:

— Loans and borrowings

— Trade payables

— Other payables

— Accrued expenses

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost (“AC”);
- FVOCI (fair value through other comprehensive income)
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Financial instruments (*continued*)

(ii) Classification and subsequent measurement

Financial assets (continued)

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate
- profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets.

The table below provides an overview of key features of the accounting policy that the Company applies with respect to subsequent measurement of financial assets and recognition of gains and losses per each type of financial asset:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Financial instruments (*continued*)

(ii) Classification and subsequent measurement *(continued)*

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in income statement. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss at derecognition is also recognised in income statement.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognise financial assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Employee benefits

On behalf of its employees, the Company pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Company pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina, on federal and cantonal level. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the income statement in the period in which the salary expense is incurred.

Retirement benefits

The company is obliged to provide payments to employees upon retirement, representing three paid salaries to the employee in the last three months or three average salaries paid in the Federation of Bosnia and Herzegovina according to the most recent data available at that time, depending on what is more favourable to the employee.

The cost of providing benefits is determined using actuarial valuations, carried out at each reporting period date. Actuarial gains and losses are recognized in the income statement in full in the period in which they occur.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost.

Impairment

Non-derivative financial assets

The Company recognises loss allowance based on expected credit losses on financial assets measured at amortised cost. The Company measures loss allowance in one of the following ways:

- Twelve month expected losses: expected credit losses due to default events that are possible within the 12 months after the reporting date
- Lifetime expected credit losses: expected credit losses that result from all possible default events over the expected life of a financial instrument

The Company measures loss allowance at an amount equal to lifetime ECLs for all financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Impairment *(continued)*

Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

A simplified measurement approach of expected credit loss is used for trade receivables.

Non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. . Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Finance income and finance costs

The Company's finance income and finance costs include:

- Interest expense on borrowings;
- Foreign currency gains and losses;
- Net gain or loss on financial assets at FVTPL;
- Other finance income and finance costs.

Interest income or expense is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortized cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. Foreign currency gains and losses are reported on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Revenue from Contracts with Customers

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or on a specific date (recognition on completion). Before revenue is recognised, the Company identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Most of the Company's contracts involve only one performance obligation.

a) Long-term contracts

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

The Company uses the progress toward satisfaction of performance obligation method to determine the appropriate amount to recognise in a given period. The progress toward satisfaction of performance obligation is measured by input-based cost method with reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. In determination of progress toward satisfaction of performance obligation costs incurred in the year in connection with future activity on a contract are excluded from contract costs. These costs are presented as inventories, prepayments or other assets, depending on their nature.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

The Company recognises as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed invoiced progress billings. Progress billings not yet paid by customers and retention are included within other receivables.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

b) Sale of services

Revenues from sale of services is recognized at the date when services are performed. Revenues from services are recognized net of related taxes and discounts upon completion of services.

c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

d) Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset and capitalised as a part of cost of those assets, and those being the asset that necessarily requires considerable time in order to be ready for its intended use or sale, are added to the acquisition cost of that asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company has the ability and intention to settle on a net basis.

Earnings per share

Company publishes basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit or loss for the current period intended for ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. During 2019 and 2018, there were no effects of dilution.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Leases

The Company has applied the new requirements of the Framework related to leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under previous requirements of the Framework.

Policy applicable after 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in the Framework.

The Policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Company has no significant lease contracts as a lessee.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance or a an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Company applies requirements of the Framework related to revenue from contracts with customers to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements from the requirements of the Framework related to Financial instruments to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of the “Other operating income”.

Policy applicable before 1 January 2019

Operating lease

Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in *Note 3*, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

— Note 3 – revenue from contracts with customers: whether revenue from contracts with customers is recognized over time or at a point in time.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

— Note 3 – revenue from contract with customers: estimate of progress toward satisfaction of performance obligation at reporting date;

— Note 3 – impairment of trade receivables;

— Note 3 – useful life of intangible assets, property, plant and equipment and investment property.

At each reporting date, the model and the assumptions used for estimating both timing and amount of future cash flows are reviewed by the Company.

Income tax

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

Going concern

The financial statements have been prepared in accordance with the principle of going concern, which implies that the Company will continue its operations for an indefinite period in the foreseeable future.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

5 REVENUE

	2019	2018
Sale of services in foreign market	7,920	7,015
Sale of services in domestic market	-	85
	7,920	**7,100**

Sale of services in foreign market mainly relates to the sales to customers from Algeria, France, Croatia and UAE.

Analysed based on the contract type, the revenue streams are the following:

	2019	2018
Long-term construction and engineering projects	6,662	6,213
Project design and preparation of technical documentation	1,000	350
Revenue from loaned staff	258	537
	7,920	**7,100**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	31 December 2019	31 December 2018
Receivables, which are included in Trade receivables (Note 19)	1,592	3,300
Contract assets – which are included in Other receivables (Note 20)	457	2,138
Contract liabilities – which are included in Other liabilities (Note 26)	-	(346)
	2,049	**5,092**

6 OTHER INCOME

	2019	2018
Rental income	196	194
Written-off liabilities	4	-
Other income	4	-
	204	**194**

7 COST OF SERVICES PROVIDED

Cost of services provided relates to services provided by local and foreign subcontractors at specific projects.

8 PERSONNEL EXPENSES

	2019	2018
Gross salaries	1,840	1,729
Other personnel expenses	458	397
	2,298	**2,126**

As at 31 December 2019 the Company employed 61 employees (2018: 64 employees).

Other staff costs include meal, holiday and transport allowance for employees and business trips. Staff costs include BAM 380 thousand (2018: BAM 362 thousand) of defined pension contributions paid into paid into obligatory State pension fund. Contributions are calculated as a percentage of employee’s gross salaries.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

9 OTHER OPERATING EXPENSES

	2019	2018
Transport	370	62
Bank charges	173	67
Other taxes and fees	151	119
Maintenance and repairs	119	72
Energy	65	60
Office and other materials	38	28
Entertainment costs	36	36
Telecommunications	20	30
Public utility fees	8	7
Other	76	41
	1,056	**522**

10 NET FINANCE INCOME / (COSTS)

	2019	2018
Finance income		
Foreign exchange gains	29	-
Interest income from bonds (Note 15)	11	5
Financial assets at FVTPL – net change in fair value (Note 16)	64	-
Other finance income	21	-
	125	**5**
Finance costs		
Interest expenses	(14)	(30)
Financial assets at FVTPL – net change in fair value (Note 16)	-	(35)
	(14)	**(65)**
Net finance income / (costs)	**111**	**(60)**

11 INCOME TAX

	2019	2018
Profit before income tax	**260**	**430**
Income tax expense at 10%	26	43
Effect of non-deductible expenses	2	3
Tax losses utilized	(28)	(46)
Income tax expense	**-**	**-**
Effective tax rate	**0%**	**0%**

Unrecognized tax losses will expire as follows:

	2019	2018
2022	2,660	2,940
	2,660	**2,940**

Deferred tax liability is recognised in relation to revalued property.

12 EARNINGS PER SHARE

	2019	2018
Net profit - in thousands of BAM	260	430
Weighted average number of ordinary shares	326,600	326,600
Basic earnings per share (in BAM)	**0.80**	**1.31**

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Software	Buildings	Vehicles	Equipment and furniture	Assets under construction	Total
COST						
At 1 January 2018	**154**	**2,347**	**119**	**489**	-	**3,109**
Additions	-	-	-	-	49	**49**
Transfer	40	-	-	9	(49)	**-**
Disposals	-	-	-	(116)	-	**(116)**
At 31 December 2018	**194**	**2,347**	**119**	**382**	**-**	**3,042**
At 1 January 2019	**194**	**2,347**	**119**	**382**	**-**	**3,042**
Additions	-	-	-	-	41	**41**
Transfer	1	-	25	15	(41)	**-**
Disposals	-	-	(15)	(4)	-	**(19)**
At 31 December 2019	**195**	**2,347**	**129**	**393**	**-**	**3,064**
ACCUMULATED DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES						
At 1 January 2018	**143**	**938**	**57**	**445**	**-**	**1,583**
Charge for the year	12	35	17	16	**-**	**80**
Disposals	-	-	-	(116)	**-**	**(116)**
At 31 December 2018	**155**	**973**	**74**	**345**	**-**	**1,547**
At 1 January 2019	**155**	**973**	**74**	**345**	**-**	**1,547**
Charge for the year	10	35	18	13	**-**	**76**
Disposals	-	-	(15)	(3)	**-**	**(18)**
At 31 December 2019	**165**	**1,008**	**77**	**355**	**-**	**1,605**
CARRYING VALUE						
At 1 January 2018	**11**	**1,409**	**62**	**44**	**-**	**1,526**
At 31 December 2018	**39**	**1,374**	**45**	**37**	**-**	**1,495**
At 1 January 2019	**39**	**1,374**	**45**	**37**	**-**	**1,495**
At 31 December 2019	**30**	**1,339**	**52**	**38**	**-**	**1,459**

The Company has pledged property with the net book value of BAM 1,339 thousand (2018: BAM 1,374 thousand) to secure bank borrowings and guarantees.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

14 INVESTMENT PROPERTY

	Investment property
COST	
At 1 January 2018	**1,882**
At 31 December 2018	**1,882**
At 1 January 2019	**1,882**
At 31 December 2019	**1,882**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	
At 1 January 2018	**671**
Depreciation	25
At 31 December 2018	**696**
At 1 January 2019	**696**
Depreciation	25
At 31 December 2019	**720**
NET BOOK VALUE	
At 1 January 2018	1,211
At 31 December 2018	1,186
At 1 January 2019	**1,186**
At 31 December 2019	**1,162**

Investment property relates to the investment property in Bosnia and Herzegovina held to earn rental income.

During 2019 the Company realized total rental income of BAM 196 thousand (2018: BAM 194 thousand).

The Company has pledged investment property with the net book value of BAM 1,162 thousand (2018: BAM 1,186 thousand) to secure bank borrowings and guarantees.

As at 31 December 2019, based on management's assessment, the fair value of investment property corresponds to current net book value.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

15 INVESTMENT IN DEBT SECURITIES

	31 December 2019	31 December 2018
Bonds of Government of Federation of Bosnia and Herzegovina	117	147
Accrued interest	5	5
	122	**152**

As at 31 December 2019, bonds amount to BAM 122 thousand. These bonds have an interest rate of 2,5% p.a. and consist of four series: B, C, D and E with following maturity dates:

- B Series - 30 June 2020;
- C Series - 30 June 2021;
- D Series - 30 June 2022;
- E Series - 30 June 2023.

Bonds of A Series have matured as at 30 June 2019.

16 INVESTMENT IN EQUITY SECURITIES

Description	31 December 2019	31 December 2018
Shares in Union bank d.d. Sarajevo	99	35
	99	**35**

The movement in investments in equity securities can be presented as follows:

	2019	2018
Balance at the beginning of the year	**35**	**70**
Net change in fair value (Note 10)	64	(35)
Balance at the end of the year	**99**	**35**

(All amounts are expressed in thousands of BAM, unless otherwise stated)

17 DEPOSITS

Long-term deposits	**31 December 2019**	**31 December 2018**
Long-term special purpose deposit in Algeria	35	34
	35	*34*
Short-term deposits		
Held with Union bank d.d. Sarajevo, EUR 42 thousand, with maturity date of DIP guarantee to SPC Syria and a 1.10% interest rate	81	81
	81	*81*
	116	**115**

18 CASH AND CASH EQUIVALENTS

	31 December 2019	**31 December 2018**
Cash at bank accounts - foreign currencies	3,642	2,132
Cash at bank accounts - BAM	29	3
Cash at hand	7	9
	3,678	**2,144**

19 TRADE RECEIVABLES

	31 December 2019	**31 December 2018**
Trade receivables from related parties	-	42
Trade receivables from foreign customers	1,592	3,255
Trade receivables from domestic customers	-	3
	1,592	**3,300**

Included in trade receivables balance is impairment allowance for trade receivables in the amount of BAM 94 thousand (31 December 2018: BAM 158 thousand).

20 OTHER RECEIVABLES

	31 December 2019	**31 December 2018**
Accrued income	457	2,138
Advances paid	134	18
VAT receivables, net	67	44
Other receivables	12	20
	670	**2,220**

(All amounts are expressed in thousands of BAM, unless otherwise stated)

21 SHARE CAPITAL

	31 December 2019		31 December 2018	
	%	value	%	value
ZR Energy Sal Holding, Lebanon	59.98	3,918	59.98	3,918
Technip Paris, France	33.01	2,156	33.01	2,156
Private entities	7.01	458	7.01	458
	100.00	**6,532**	**100.00**	**6,532**

22 PROVISIONS

	31 December 2019	31 December 2018
Provisions for expenses in warranty period	107	714
	107	**714**

The movement in provisions can be presented as follows:

	Provisions for expenses in warranty period
Balance at 1 January 2018	**682**
Exchange rate differences	32
Balance at 31 December 2018	**714**
Exchange rate differences	61
Increase in provisions	107
Decrease due to payment	(775)
Balance at 31 December 2019	**107**

23 EMPLOYEE BENEFITS

	Short-term		Long-term	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Retirement benefits	-	-	47	54
Net salaries	88	83	-	-
Salaries contributions and other charges	107	60	-	-
Other liabilities	20	14	-	-
	215	**157**	**47**	**54**

Long term retirement benefits are formed on the basis of the calculation of the net present value of accumulated employee earnings.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

24 LOANS AND BORROWINGS

Creditor	Interest rate	Maturity	31 December 2019	31 December 2018
Union bank d.d. Sarajevo	3.15%	28 August 2020	200	-
Union bank d.d. Sarajevo	3.15%	7 September 2020	200	-
Union bank d.d. Sarajevo	3.99%	15 March 2019	-	400
			400	**400**

25 TRADE PAYABLES

	31 December 2019	31 December 2018
Payables to related parties	261	265
Payables to foreign suppliers	1,329	981
Payables to domestic suppliers	280	148
	1,870	**1,394**

26 OTHER LIABILITIES

	31 December 2019	31 December 2018
Dividends payable	158	158
Prepaid income	-	346
Other	9	10
	167	**514**

27 ACCRUED EXPENSES

	31 December 2019	31 December 2018
Other accrued expenses	-	1,597
	-	**1,597**

Accrued expenses as at 31 December 2018 relates to accrued expenses in relation to services provided on projects the subcontractors are engaged, for which the Company did not receive an invoice at year-end.

(All amounts are expressed in thousands of BAM, unless otherwise stated)

28 COMMITMENTS

Given performance and tender guarantees as at 31 December 2019 and 2018 issued by commercial banks on behalf of the Company can be presented as follows:

Bank	**31 December 2019**	**31 December 2018**
Performance and tender guarantees		
Union bank d.d. Sarajevo	481	730
Sparkasse bank d.d. Sarajevo	1,061	958
	1,542	**1,688**

29 RELATED PARTY TRANSACTIONS

In the normal course of business and at fair exchange amount, being the amount the Company and the related party have agreed on, the Company had the following transactions with related-parties:

	Sales		**Cost of sales / Purchases**	
	2019	**2018**	**2019**	**2018**
Technip, France	73	129	4	13
ZR Energy, Lebanon	36	39	-	3
Technipetrol, Greece	-	17	-	-
	109	**185**	**4**	**16**

	Receivables		**Liabilities**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Technip, France	-	22	261	265
Technipetrol, Greece	-	20	-	-
	-	**42**	**261**	**265**

Transactions with key management personnel

	2019	**2018**
Key management personnel remuneration	**119**	**108**

The number of key management personnel as at 31 December 2019 is one (31 December 2018: one).

(All amounts are expressed in thousands of BAM, unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks in respect of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposures to each of the above risk, and the Company's objectives, policies and processes for measuring and managing such risk.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Most current liabilities at the balance sheet date relate to trade payables.

Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Credit risk

Exposure to credit risk

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

	31 December 2019 BAM '000	**31 December 2018 BAM '000**
Investments in debt securities	122	152
Investments in equity securities	99	35
Deposits	116	116
Loans to employees	10	24
Cash and cash equivalents	3,678	2,144
Trade receivables	1,593	3,300
Other receivables	670	2,220
	6,288	**7,991**

(All amounts are expressed in thousands of BAM, unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (*CONTINUED*)

Credit risk (*continued*)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the Director also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period which is specific per each contract with customers. The Company, based on contract specifics defines whether collateral in respect of trade and other receivables is required.

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables what were past due but not impaired as at 31 December 2019 is as follows:

	31 December 2019 BAM '000	**31 December 2018 BAM '000**
Not due or impaired	936	2,350
0 – 90 days due	491	91
91 – 365 days due	107	89
Due – over 365 days	59	770
	1,593	**3,300**

Cash and cash equivalents

The Company held cash and cash equivalents of BAM 3,678 thousand (31 December 2018: 2,144 thousand). The cash and cash equivalents are held with banks. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

Financial liabilities	**Carrying amount BAM '000**	**Contractual cash flows BAM '000**	**6 months or less BAM '000**	**6-12 months BAM '000**	**1 to 2 years BAM '000**	**2 -5 years BAM '000**	**More than 5 years BAM '000**
31 December 2019							
Loans and borrowings	400	(408)	(4)	(404)	-	-	-
Trade payables	1,870	(1,870)	(1,870)	-	-	-	-
Other liabilities	167	(167)	(167)	-	-	-	-
	2,437	**(2,445)**	**(2,041)**	**(404)**	**-**	**-**	**-**

(All amounts are expressed in thousands of BAM, unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (*CONTINUED*)

Liquidity risk (*continued*)

Financial liabilities	Carrying amount BAM '000	Contractual cash flows BAM '000	6 months or less BAM '000	6-12 months BAM '000	1 to 2 years BAM '000	2 -5 years BAM '000	More than 5 years BAM '000
31 December 2018							
Loans and borrowings	400	(404)	(404)	-	-	-	-
Trade payables	1,394	(1,394)	(1,394)	-	-	-	-
Other liabilities	514	(514)	(514)	-	-	-	-
Accrued expenses	1,597	(1,597)	(1,597)				
	3,905	**(3,909)**	**(3,909)**	**-**	**-**	**-**	**-**

Market risk

Currency risk

The Company's management assesses that the Company is not significantly exposed to currency risk in its transactions as it mostly performs its business operations in the local currency (Convertible Mark) and EUR to which the Convertible Mark is pegged to (EUR 1 = BAM 1.95583). Exposure to currency risk (exposure to currencies excluding BAM or EUR) is presented in table below:

	31 December 2019		**31 December 2018**	
	DZD BAM '000	**USD** BAM '000	**DZD BAM '000**	**USD BAM '000**
Financial assets				
Deposits	35	-	34	-
Cash and cash equivalents	336	88	2	28
Trade receivables	345	62	-	770
Total financial assets	**716**	**150**	**36**	**798**
Financial liabilities				
Trade payables	172	-	262	-
Total financial liabilities	**172**	**-**	**262**	**-**
Net currency position	**544**	**150**	**(226)**	**798**

(All amounts are expressed in thousands of BAM, unless otherwise stated)

30 FINANCIAL RISK MANAGEMENT (*CONTINUED*)

Market risk (*continued*)

Currency risk (continued)

In calculating the sensitivities presented below, a hypothetical revaluation / devaluation of the KM against currencies to which BAM is not pegged by + / - 10% was carried out as at 31 December 2019. All other variables remain unchanged. Under these conditions, the major effects on the earnings before tax (EBT) of the Company would have been as follows:

		31 December 2019 BAM '000	31 December 2018 BAM '000
Financial instruments denominated in foreign currencies to which BAM is not pegged			
Fluctuation in currencies	*+10.0%*	(71)	(66)
(finance income and finance cost)	*-10.0%*	71	66

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, no matter whether the changes are caused by the factors related to that specific instrument or its issuer, or by the factors related to all marketable instruments. The Company has invested to one equity investment, hence the exposure to price risk is limited. A hypothetical increase / reduction in the market interest rate of 5.0 % with all other variables remaining constant would result in increase/decrease BAM 5 thousand (2018: BAM 2 thousand) on EBT.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrows funds that have fixed earning interest rate throughout the whole loan life, but are subject to change based on the Group's decisions. The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2019 BAM '000	31 December 2018 BAM '000
Fixed-rate instruments		
Loans and borrowings	**400**	**400**

A hypothetical increase / reduction in the market interest rate of 1.0 % with all other variables remaining constant would result in the following effects on EBT:

		31 December 2019 BAM '000	31 December 2018 BAM '000
Fixed-rate instruments			
Fluctuation in interest rates	*+1.0%*	(3)	(1)
(finance income and finance cost)	*-1.0%*	3	1

31 SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic, and the Council of Ministers of Bosnia and Herzegovina declared a state of emergency on 17 March 2020. Responding to the potentially serious threat COVID – 19 presents to public health, different levels of governments in the Federation of Bosnia and Herzegovina, Republic of Srpska, Brčko District and cantons have taken measures to contain the outbreak, including introducing restrictions on the cross-border movement of people, entry restrictions on foreign visitors pending further developments. In particular, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Some businesses in Bosnia and Herzegovina have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

— Disruption to business operations and economic activity in Bosnia and Herzegovina, with a cascading impact on both upstream and downstream supply chains;

— Significant disruption to businesses in certain sectors, both within Bosnia and Herzegovina and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;

— Significant decrease in demand for non-essential goods and services;

— An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

In April 2020, governments of Federation of Bosnia and Herzegovina, Republic of Srpska and Brčko District announced aid programs to counter the negative effects of the outbreak of COVID -19 on the economy. It is not the Company's intention to apply for participation in these aid programs nor is it expecting for the aid to be required in the foreseeable future.

The Company operates in an engineering sector that has been partly affected by the outbreak of COVID – 19 due to restrictions to continuation of contracts in some countries where it realises engineering and construction projects. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Company and economic environment, in which the Company operates, including the measures already taken by the Bosnia and Herzegovina government (at all levels) and governments in other countries, where the Company's major business partners and customers are located (e.g. Algeria).

Management considered the following operating and financial risks that may adversely affect the Company:

— unavailability of staff for extended period of time;

— interruptions in transportation of goods that would disrupt distribution of products to selling points;

— economic situation in the countries where the Company realises revenue, possibility of business continuation and potential effects of interruption or suspension of contracts realisation that would result in reduction of the Company's revenue compared to budget for 2020.

31 SUBSEQUENT EVENTS *(CONTINUED*)

As at 31 December 2019, cash and cash equivalents amount to BAM 3,678 thousand and the current assets significantly exceed current liabilities. As at date these financial statement were authorized for issue, cash and cash equivalents amount to BAM 3,365 thousand. Given the fact that the Company does not currently have significant external bank debt to be serviced, management believes the funds currently available to the Company are sufficient to cover fixed operating expenses even in a severe but plausible scenario considered (e.g. no or minimal revenue for one year). In addition, as at that date, the Company has no significant collection issues relating to the trade receivables and has a number of on-going or committed contracts to be delivered in the foreseeable future.

Further, the Company monitors its pipeline of projects to be procured in 2020, and those the Company bidded for and is still awaiting results, especially relevant due to unprecedented industry challenges driven by depressed consumption of oil and refined products globally. In this context, the Company anticipates some contraction in the business in the short-term horizon.

In order to safeguard uninterrupted operating activities and the Company's liquidity position, management has implement a number of measures, which notably include:

- implementation of work from home program;
- employees have been trained to adhere to very strict precautionary standards including social distancing;
- renegotiation of terms and prices with suppliers.

Based on currently publicly available information, the Company's current KPI's and in view of the actions initiated by management, we do not anticipate a direct immediate and significant adverse impact of the COVID – 19 outbreak on the Company, its operations, financial position and operating results. We cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment we operate in will not have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. We continue to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.