

**Financial statements
For the year ended 31 December 2021
and
Independent Auditor's Report**

**PUBLIC UTILITY COMPANY
"VISOKO" d.o.o. Visoko**



REVİK d.o.o. Sarajevo
Member of

Sarajevo, Branilaca Sarajeva 20
Tel./fax: (387) (33) 200-383 ; 226-289
E-mail: revik@bih.net.ba
Community Court of Sarajevo:
065-0-Reg-21-005204, CIN: 65-01-1066-09
Tax code: 01075138
Raiffeisen Bank d.d. BH Sarajevo
- 1610000001640087
UnitCredit Bank d.d. Mostar
- 3383202250064583
Identification number: 4200002790002
VAT identification number:
200002790002

“VISOKO” d.o.o. VISOKO

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“VISOKO” d.o.o. VISOKO

GENERAL INFORMATION

The public utility company “VISOKO” d.o.o. Visoko is engaged in collecting, purifying and supplying water.

Code of main activity of the Company is 36.00, according to the Code Register of BiH 2010.

The public utility company “Visoko” d.o.o. Visoko was established based on Decision on compliance of data of significance for legal transactions and compliance of status of the Public utility company “Visočica” Visoko p.o. with the Law on public enterprises, No. 01/1-02-151/99 dated 7 October 1999, and registered with Cantonal court in Zenica, Decree No. U/I 920/99 dated 9 November 1999, Company identification number: 1-7991.

By Decree on data change No. 043-0-reg-14-000415 dated 4 April 2014, the Public utility company “Visoko” d.o.o. Visoko, street Sarajevska 6, Visoko changed its name and headquarters and expanded its operations, which was registered in court register with Municipal court in Zenica.

As at 14 May 2014 the Company got tax identification code: 4218192550009, and dated 4 June 2014, VAT identification code, No: 04/1-17-1-UPJR/1-3662-2/14.

The average number of employees based on working hours in 2021 was 95 (2020. 96).

Bodies of the Company:

Supervisory Board

Kubat Mustafa	President from 04.10.2021.
Džafić Mahir	Member from 04.10.2021.
Jahić Senad	Member from 04.10.2021.
Omanović Mirza	President from 14.06.2021. to 04.10.2021.
Mostić Fadil	Member from 14.06.2021. to 04.10.2021.
Kubat Mustafa	Member from 14.06.2021. to 04.10.2021.
Hadžiosmanović Almir	President until 14.06.2021.
Alibegović Mirsad	Member until 14.06.2021.
Omerbegović Elmir	Member until 14.06.2021.

Audit Board:

Altunbabić Vildana	President
Lemeš Fariš	Member
Smajić Adna	Member

“VISOKO” d.o.o. VISOKO

Management Board

- Hadžialić Almir
- Alibašić Aida
- Dr. sci. Hasan Prelić
- Dino Delibasić
- Executive director until 16.11.2021.
- Director until 16.11.2021.
- V.d. director from 16.11.2021. to 08.12.2021.
- Director from 08.12.2021.

After market enquiries, the management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the management continues to adopt the going concern basis in preparing the financial statements. In preparing those financial statements, the responsibilities of the management include ensuring that:

- suitable accounting policies are selected and then applied consistently.
- judgments and estimates are reasonable and prudent.
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is impracticable to presume that the Company will continue in existence.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time the financial position of the Company and must also ensure that the financial statements comply with the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the Company:



Hadžialić Almir, Director
Public utility company "VISOKO" d.o.o. VISOKO
Nasele Lake II, 16
71300 VISOKO
Bosnia and Herzegovina

VISOKO, 12.04.2022.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Pursuant to the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina (Official Gazette of FBiH, No. 83/09), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the state of affairs and results of the Company for that period.

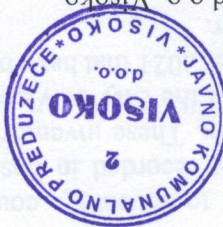
After making enquiries, the management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the management continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in existence.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the Company:



Hadžialić Almir, director

Public utility company "VISOKO" d.o.o. VISOKO

Nasrje Luke II 16

71300 Visoko

Bosnia and Herzegovina

Visoko, 12.04.2022.

Within Note 26 Long-term accruals are expressed deferred revenues based on right of use of a public good – land in total amount of 254,991 KM. During 2021 and earlier, it was not recorded transfer of adequate amount from the mentioned account to the revenues of the period. According to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, shall be

Long-term deferred income

Due to the above stated, we were not able to confirm that balance of inventories as at 31 December 2021 in an amount of 314,790 KM was expressed fairly. We were not able to determine whether and to what extent additional corrections of inventory were necessary as at 31 December 2021 and effects of possible correction of inventories on related items in the statement of comprehensive income, statement of financial position and statement on changes in equity for the year ended 31 December 2021.

Through procedure of attendance to inventory counting of the Company, we have noticed existence of inventory that are not recorded in business books of the Company and that are separated on the warehouse location. These inventories originated through realization of the III phase of the project water supply of the City of Visoko – construction of subsystem Mostre and Handover Report as of 17 November 2021 that have been delivered for use to the Company for its further installation by the contractor.

Inventories

Basis for qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Law on Accounting and Auditing of the FBiH and International Financial Reporting Standards (IFRS).

We have audited the financial statements of JKP Visoko d.o.o. Visoko (the Company), set out on pages 10 to 35, which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Qualified opinion

To the owners of Public utility company "Visoko" d.o.o. Visoko

INDEPENDENT AUDITOR'S REPORT

Sarajevo, Branilaca Sarajeva 20
Tel./fax: (387) (33) 200 – 383 ; 226 – 289
E-mail: revik@bih.net.ba
Community Court of Sarajevo:
065-0-Reg-21-005204, CIN: 65-01-1066-09
Tax code: 01075138

Ratifikacija Bank d.d. BH Sarajevo
- 161000001640087
UniCredit Bank d.d. Mostar
- 3383202250064583
Identification number: 4200002790002
VAT identification number: 200002790002

REVIK d.o.o. Sarajevo
Member of
International



recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Grants related to non-depreciable assets may also require the fulfilment of certain obligations and would then be recognised in profit or loss over the periods that bear the cost of meeting the obligations. Recognition of government grants in profit or loss on a receipts would be acceptable only if no basis existed for allocating a grant to periods other than the one in which it was received.

In accordance with the above stated, the Company has not determined a basis for allocation of grants, i.e. right on use of land on a systematic basis in the statement of profit/loss, considering that on the land are located building, whose useful life could have been used as a basis for recognition of revenue and expenditure in the reporting years. On the contrary, inability to adequately determine the basis results in recognition of revenue in the amount of fair value of right on use of land in the period when it was received.

We were not able to determine effects of this non-compliance with IAS 20 on financial statements for the year 2021.

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 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 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.

Emphasis of matter

The Company records significant amount of assets as a public good within intangible assets. Namely, the Founder of the Company declared water supply and sewage system network as a public good in the previous period. The Founder distributed profit, in the previous and audited period based on decisions, as purposefully use of funds for investments in public goods which was recorded in book-accounting as decrease of retained earnings and record of deferred income. Deferred income are used for reconciliation with calculated amortisation, which has as an effect that the Company has higher profit for the reconciled part of amortisation from deferred income.

Our opinion is not modified in terms of these matters.

Other information

Financial statements of the Company for the year ended 31 December 2020 were audited by other audit company, which in its report as of 30 April 2021 expressed an unqualified opinion. We did not audit published comparative date for the year ended 31 December 2020 and accordingly, we do not express an opinion in that regard.

Other information in the annual report

Management is responsible for the other information. The other information comprises the information included in the annual reports, but do not include the annual financial statements and our auditor's report. Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In terms of Report on business operations for the year 2021, our obligation is, according to the article 68 of the Law on accounting and auditing FBiH, to express an opinion on compliance of Report on business operations with financial statements for the same financial year.

Based on performed procedures to the extent we were able to assess, we report as follows:

1. Information in Report on business operations in 2021 are in compliance, in all material effects, with the accompanying financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation 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.

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.

REVİK d.o.o. Sarajevo
 Member of HLB International
 Branilaca Sarajeva 20
 71000 Sarajevo
 Bosnia and Herzegovina

[Signature]
 Kenan Kapetanović, director

Sarajevo, 13.04.2022.



[Signature]
 Lejla Cenamović, certified auditor

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021	2020
OPERATING INCOME	3,835,112	4,066,674
Income from the sale of goods	427,135	442,637
Other operating income	4,262,247	4,509,311
OPERATING EXPENSES	3,963,495	3,957,425
Cost of goods sold	461	2,769
Material costs	559,352	664,890
Salaries and other personnel expenses	2,129,466	2,072,839
Productive services	162,120	161,996
Amortisation and depreciation expense	878,742	784,650
Provisions	-	50,642
Non-material costs	233,354	219,639
Total operating expenses	3,963,495	3,957,425
OPERATING PROFIT	298,752	551,886
FINANCIAL INCOME AND EXPENSES	3,174	3,515
Financial income	3,174	3,515
Financial expenses	(90,994)	(66,657)
LOSS FROM FINANCING ACTIVITIES	(87,820)	(63,142)
OTHER INCOME AND EXPENSES	244,299	226,923
Other income	244,299	226,923
Other expenses	(295,513)	(465,131)
LOSS FROM OTHER INCOME AND EXPENSES	(51,214)	(238,208)
INCOME AND EXPENSES FROM CHANGES IN ACCOUNTING POLICIES	2,478	24,149
Revenue from changes in accounting policies and correction of insignificant errors from previous period	2,478	24,149
Expenditure from changes in accounting policies and correction of insignificant errors from previous period	(31,974)	(64,339)
LOSS FROM CHANGES IN ACCOUNTING POLICIES	(29,496)	(40,190)
PROFIT BEFORE TAX	130,222	210,346
INCOME TAX	(14,825)	(28,361)
NET PROFIT OF THE PERIOD	115,397	181,985

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

VISOKO d.o.o. VISOKO
(IN BAM)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

31.12.2021.		31.12.2020.	
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	18	2,370,761	2,607,658
Property, plant and equipment	19	8,462,282	7,120,632
TOTAL NON-CURRENT ASSETS		10,833,043	9,728,290
CURRENT ASSETS			
Inventories	20	314,790	351,925
Trade receivables	21	648,043	948,353
Other receivables	22	86,104	283,519
Accruals	23	24,410	-
Cash and cash equivalents	24	707,365	378,919
TOTAL CURRENT ASSETS		1,780,712	1,962,716
TOTAL ASSETS		12,613,755	11,691,006
EQUITY AND LIABILITIES			
EQUITY			
Initial capital		2,000	2,000
Reserves		1,263,500	1,263,500
Retained earnings		115,397	181,985
TOTAL EQUITY	25	1,380,897	1,447,485
LONG-TERM AND SHORT-TERM LIABILITIES			
Long-term accruals	26	1,576,326	1,708,909
Long-term financial liabilities	27	7,050,217	5,393,223
Short-term financial liabilities	28	786,586	550,000
Trade payables	29	344,250	1,743,731
Liabilities for salaries, compensations and other personnel expenses	30	129,019	147,155
Other liabilities	31	171,728	155,387
Short-term accruals	32	1,174,732	545,116
TOTAL LONG-TERM AND SHORT-TERM LIABILITIES		11,232,858	10,243,521
TOTAL EQUITY AND LIABILITIES		12,613,755	11,691,006
OFF-BALANCE SHEET ITEMS			
	33	468,212	410,252

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

Signed on behalf of the Company:

Hadzialic Almir, director

VISOKO d.o.o. VISOKO
(IN BAM)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	2021		2020	
Share capital and equity investments in the LLC	Other reserves	Retained earnings	TOTAL	
Balance at 1 January 2019	2,000	1,263,500	24,198	1,289,698
Net profit in the income statement	-	-	62,046	62,046
Dividends declared and other forms of profit distribution and loss coverage	-	-	(24,198)	(24,198)
Balance at 31 December 2019	2,000	1,263,500	62,046	1,327,546
Net profit in the income statement	-	-	181,985	181,985
Dividends declared and other forms of profit distribution and loss coverage	-	-	(62,046)	(62,046)
Balance at 31 December 2020	2,000	1,263,500	181,985	1,447,485
Net profit in the income statement	-	-	115,397	115,397
Dividends declared and other forms of profit distribution and loss coverage *	-	-	(181,985)	(181,985)
Balance at 31 December 2021	2,000	1,263,500	115,397	1,380,897

* As of 14 June 2021, the assembly of the Company issued a Decision on profit distribution of Public utility company "VISOKO" d.o.o. Visoko for the year 2020. By this Decision profit is distributed as a source of financing – funds for planned investments in water supply and sewerage system infrastructure.

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

	2021		2020	
NET CASH FLOWS FROM FINANCING ACTIVITIES	378,919	378,919	177,521	378,919
Increase in cash and cash equivalents	378,919	378,919	201,398	378,919
Cash and cash equivalents at the beginning of the period	378,919	378,919	177,521	378,919
Cash and cash equivalents at the end of the period	757,838	757,838	378,919	757,838

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

VISOKO P.O. VISOKO
(IN BAM)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

2021 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net profit 115,397 181,985

Amortisation and depreciation 878,742 784,650

Decrease of inventories 37,135 139,682

Decrease / (Increase) in trade receivables 300,310 (16,735)

Decrease / (Increase) in other receivables 197,415 (146,864)

(Increase) / Decrease in accruals (24,410) 4,748

Decrease in long-term accruals (132,583) -

(Decrease) / Increase in trade payables (1,399,481) 1,387,369

(Decrease) / Increase in other liabilities (1,795) 9,728

Increase / (Decrease) in accruals 629,616 (103,325)

NET CASH FLOWS FROM OPERATING ACTIVITIES 600,346 2,241,238

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of intangible fixed assets (27,673) -

Purchase of tangible fixed assets (1,955,822) (2,631,085)

NET CASH FLOWS FROM INVESTING ACTIVITIES (1,983,495) (2,631,085)

CASH FLOWS FROM FINANCING ACTIVITIES

Profit distribution (181,985) (62,046)

Decrease in long-term investments - 25,148

Increase in long-term liabilities from loans 1,562,509 521,066

Increase in long-term liabilities from lease 94,485 -

Increase in short-term liabilities from loans 222,850 107,077

Increase in short-term liabilities from lease 13,736 -

NET CASH FLOWS FROM FINANCING ACTIVITIES 1,711,595 591,245

Increase in cash and cash equivalents

378,919 201,398

Cash and cash equivalents at the beginning of the period 378,919 177,521

Cash and cash equivalents at the end of the period 707,365 378,919

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except to the extent that they are disposed of in equity as cash flow hedging instruments and net investment hedging instruments.

Transactions and Balances

Items included in the Company's financial statements are measured and presented in Convertible Marks ("BAM") regardless of whether BAM is the Company's functional currency.

Functional and Presentation Currency

2.2. Foreign Currency Translation

The accompanying financial statements have been prepared under the (historical) cost convention)

2.1. Basis of Measurement

The preparation of financial statements in conformity with IFRSs requires the application of certain critical accounting estimates. It also requires management to use its judgment in applying the Company's accounting policies. The financial statements have been prepared under the going concern basis and recognized in the financial statements for the period to which they relate, using the going concern basis.

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

Chart of accounts and content of accounts in the Chart of Accounts is prescribed by the Rulebook on Chart of Accounts and Account Content and Application of Chart of Accounts for Companies ("Official Gazette of the Federation of BiH", No. 82/10 - hereinafter: Rulebook on Chart of Accounts).

The content and form of the forms of financial statements and the content of positions in the forms are prescribed by the Rulebook on the content and form of forms of financial statements for companies ("Official Gazette of the Federation of BiH", No. 82/10).

The accompanying Financial Statements of the Company have been prepared in accordance with the Law on Accounting and International Financial Reporting Standards issued by the Financial Reporting Standards Board.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
VISOKO d.o.o. VISOKO

VISOKO d.o.o. VISOKO
 NOTES TO THE FINANCIAL STATEMENTS – (continued)

2.3. Comparative Figures

Comparative data and opening balances are data contained in the financial statements for the year ended 31 December 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Intangible Assets

Intangible assets are non-monetary assets without physical substance, which the legal entity expects to use in the future, either in production or delivery of goods or services, when renting to other persons or when used for administrative purposes.

Intangible assets are recognized and measured in accordance with IAS 38, IAS 36 and other relevant standards.

Acquired computer software licenses are capitalized in the amount of costs incurred in acquiring and putting the software into use. These costs are amortized over their estimated useful lives. Expenditures related to the development or maintenance of computer software programs are recognized as an expense in the period in which they are incurred.

All assets owned by the Municipality of Visoko, which the Company received for management and use, are recorded under intangible assets "Third party assets given for management and use".

The useful life of intangible assets is estimated as finite and non-finite.

Amortization of intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives ranging from 5 to 20 years.

Useful life	Amortization rate
3 years	20%
5 years	5%
20 years	5%
25 years	5%
30 years	8.33%
33.33%	15%
33.33%	15%

VISOKO d.o.o. VISOKO
 NOTES TO THE FINANCIAL STATEMENTS – (continued)

23.2. Property, plant and equipment

Property, plant and equipment are all those assets that enter the entire value of the business process, but are not consumed in one business cycle, but their value is reduced due to physical and moral use.

According to IAS 16, property, plant and equipment are assets that meet the following requirements:

- that these are assets that are kept for use in production, provision of services, for rent, for administrative or any other (business and non-business) purposes; - that these assets are expected to be in use for more than one year.

Items of property are measured at cost less accumulated depreciation and accumulated impairment losses, if cost includes expenditures directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its value can be measured reliably. The carrying amount of the replaced asset is derecognised. All other maintenance costs are charged to the statement of profit and loss and other comprehensive income in the period in which they are incurred. Borrowing costs, incurred in the construction of each asset that meets the recognition criteria, are capitalized over the time period required for completion of the asset and its placement into use. Other borrowing costs are recognized as expenditures.

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

Intangible assets	Right of use - buildings	Buildings - own	Water supply networks - right of use	Machinery and equipment	Motor vehicles	Furniture, fittings and equipment
20%	5%	5%	8.33%	15%	15%	33.33%/15%
Useful life	20 years	20 years	12 years	6.67 years	6.67 years	3 - 6.67 years
	Depreciation/			amortisation rate		

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

Residual value and the useful life of an asset is revised and adjusted if needed at each balance sheet date.

Book value of an asset is reduced to its recoverable value if the book value is greater than its estimated recoverable value.

VISOKO P.O.O. VISOKO
NOTES TO THE FINANCIAL STATEMENTS – (continued)

Gains and losses arising from asset disposal are determined as the difference between cash inflows and book value and are recognized in the income statement as a gain or loss from the sale of fixed assets.

3.3. Financial instruments

Financial assets

Financial assets are recognized in the Company's balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument. Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realised, expired, abandoned, and/or ceded.

The Company's financial assets comprise cash, short-term deposits, securities held to maturity, accounts receivable and other trade receivables.

Subsequent measurement of financial assets depends on their classification. The Company classifies its financial assets in the following categories: accounts receivables and assets held to maturity.

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

(a) *Accounts receivable*

Trade receivables are recorded and measured at invoiced value net of allowance for impairment. The assessment of the amount of uncollectible receivables is based on the ageing structure analysis and historical experience, and when the collection of the total amount or a portion of the receivable is no longer probable. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in other expenses.

(b) *Financial assets held to maturity*

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

In the Company's balance sheet this category of financial assets includes securities held to maturity (war reparations bonds) recorded within long-term financial placements.

Financial liabilities

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

Financial liabilities cease to be recognized when the Company fulfils the obligations, or when the contractual repayment obligation has either been cancelled or has expired. In case the existing

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)

financial liability is replaced by another liability toward the same creditor, but under significantly different terms, or if the conditions of the existing liabilities change, such replacement or a change of conditions is treated as the cancellation of the initial liability with a concurrent recognition of a new liability, while the difference between the initial and new value of liability is recognised in the

Statement of profit and loss and other comprehensive income.

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

(a) *Borrowings from banks*

Borrowings from banks are initially recognised at the amount of the consideration received, net of transaction costs. Borrowings are subsequently measured at the amortised cost; all differences between the realized inflow (less transaction costs) and the repayment amount. A liability is classified as current if it is expected to be settled in an ordinary course of the business cycle of the Company, that is if it matures within the period of 12 months after the balance sheet date.

(b) *Accounts payable*

Accounts payable and other short-term payables are subsequently measured at nominal value.

3.4. Inventories

Inventories of raw materials and materials, spare parts, small tools, car tires are valued at cost. If the net sale value of inventories is lower than the purchase cost, inventories of raw materials and materials, spare parts, small tools, car tires are valued at the net sale value. Inventory impairment for the reduction to market value when the market value of the inventory is lower than the purchase cost is charged to the:

- value adjustment, if the inventories are recorded at the actual purchase price;
- price deviations, if the inventories are recorded at a planned price.

Inventories are made for each type of material, spare part and the like, item by item, and the data on the basis of which the net value of the inventory is compared to the cost is made, can be grouped for similar or related items, that is, for a particular group of materials, and not just for each individual type of material.

Exceptionally, inventory impairment of raw material for production below cost will not be made if it is expected that the finished products containing these materials and supplies will be sold at a price equal to cost or higher than cost.

An increase in the value of inventories that was in the preceding period the subject of a write-off, is done when the circumstances that caused a decrease in the value of the inventories cease to exist, but this increase cannot be higher than the cost at which these inventories were recorded at their purchase.

Payments by the customers, in accordance with the contractual provisions, booking of the increase in the value of the inventories up to the cost is done in reverse order, that is, by increasing the value adjustment, if the inventories are recorded at the real prices, or by increasing the price deviation, if the inventories are recorded at planned prices.

3.5. Profit Distribution

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

3.6. Employee Benefits

Contributions for Social Security

In accordance with the regulations applied in the Federation of Bosnia and Herzegovina, the company is obliged to pay contributions to the state funds which provide social security for employees. These liabilities include contributions for employees at the expense of the employer calculated at the rates stipulated by the relevant legal regulations. The company is also obliged to retain the contributions from the gross salaries of employees and to make a payment on behalf of the employees to the above-mentioned funds. Contributions at the expense of the employer and contributions at the expense of the employee should be booked as an expense of the period to which they relate. After the payment of the contributions is made, the company has no further legal obligations regarding the future payment of contributions in an event where the fund does not have sufficient funds to pay the benefits to the retired employees. Prepaid contributions are recognized as an asset in the amount which can be refunded or in the amount for which a future liability for payment of contributions may be reduced.

3.7. Revenue Recognition

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

(a) *Sales of Products and Goods*

Income from sale of products and goods is recognised at the moment when the significant risks and rewards of ownership of the goods have passed to the buyer, which usually occurs upon delivery of products and goods.

(b) Sales of Services

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

(c) Interest Income

Interest income originates from interests accrued on deposits with banks and default interest accrued on default payments by the customers, in accordance with the contractual provisions. Interest income is recognised on an accrual basis.

(d) Other Income

Other income consists of income from the collection of adjusted receivables, write-off of liabilities, gains from the sale of assets and sundry income.

3.8. Expenditure Recognition

(a) Operating Expenses

Operating expenses comprise costs incurred by generating the revenue from sales and include cost of sold goods, material, fuel and energy, gross salaries and compensations, depreciation and amortisation charge, maintenance and cost of services provided by third parties. Expenses for current maintenance and repairs of property, plant and equipment are recognized as expenses in the accounting period in which they are incurred in the amount actually incurred. Operating expenses also include intangible costs such as consulting services, security services and other costs incurred in the current accounting period.

(b) Borrowing Costs

Borrowing costs are recorded as an expense during the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Interest expenses are recorded in the statement of profit and loss and other comprehensive income on an accrual basis in the accounting period to which they relate.

(c) Other Expenses

Other expenses include shortages, direct write-off of receivables, impairment of property and inventories and sundry expenses. Other expenses are recorded as an expense in the period in which they are incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions relating to the future. The resulting accounting estimates shall rarely be equal to realised results, as a rule. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates and Assumptions

Useful lives of intangible assets and property, plant and equipment

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

Impairment of non-financial assets

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

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

Impairment of trade receivables and other receivables

The Company calculates impairment for doubtful receivables based on estimated losses resulting from the inability of its customers to make required payments. The Company bases its estimate on the ageing of the account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behaviour and the resulting future cash collections.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively.

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5. OPERATING INCOME

	2021	2020
Sales of products and services	3,835,112	4,066,674
Reconciliation of deferred income	398,313	397,092
Other operating income	28,822	45,545
Total	4,262,247	4,509,311

6. MATERIAL COSTS

	2021	2020
Raw materials and materials	92,668	213,218
Fuel and energy	411,554	384,935
Spare parts	19,266	34,216
Cost of one-off tools and inventory write-off	35,864	32,521
Total	559,352	664,890

7. SALARIES AND OTHER PERSONNEL EXPENSES

	2021	2020
Salaries and payroll contributions	1,432,622	1,360,823
Compensations	253,224	249,226
Business trips	24,295	29,612
Other benefits, compensations and material rights of employees	323,425	327,320
Temporary job contracts, gross	71,449	84,744
Gross remunerations to the Supervisory Board and Audit Committee	24,451	20,808
Gross remuneration to the Assembly members	-	306
Total	2,129,466	2,072,839

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 (IN BAM)

	2021	2020
8. COST OF PRODUCTIVE SERVICES		
Expenses of own-work and goods capitalised	2,535	7,754
Transportation cost	23,510	7,451
Maintenance	108,259	98,601
Rental expenses	10,930	16,399
Advertising and marketing fees	7,037	22,285
Other services	9,849	9,506
Total	162,120	161,996
9. AMORTISATION, DEPRECIATION AND PROVISIONS		
Amortisation of intangible assets	264,569	221,007
Depreciation of property, plant and equipment	614,173	563,616
Provisions	-	50,642
Total	878,742	835,265
10. NON-MATERIAL COSTS		
Cost of non-productive services	55,553	58,286
Entertainment	16,597	18,391
Insurance premiums	9,900	7,643
Bank charges	7,239	6,806
Postal and telecommunication services	44,508	46,190
Taxes	82,885	68,157
Membership fees	11,168	11,036
Other non-material costs	5,504	3,130
Total	233,354	219,639
11. FINANCIAL INCOME		
Interest income	3,174	3,515
Total	3,174	3,515

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)
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12. FINANCIAL EXPENSES

	2021	2020
Interest expense	90,994	66,657
Total	90,994	66,657

13. OTHER INCOME

	2021	2020
Gains on sale of intangible assets, property, plant and equipment	6,777	9,864
Collected receivables previously written-off	221,344	217,059
Other income	16,178	-
Total	244,299	226,923

14. OTHER EXPENSES

	2021	2020
Losses from the sale of obsolete inventories	-	126,444
Allowance for receivables and write-offs	290,182	335,608
Other expenses	5,331	3,079
Total	295,513	465,131

15. INCOME FROM CHANGES IN ACCOUNTING POLICIES

	2021	2020
Income from changes in accounting policies and error adjustments	2,478	24,149
Total	2,478	24,149

16. EXPENSES FROM CHANGES IN ACCOUNTING POLICIES

	2021	2020
Interest expenses	31,974	64,339
Total	31,974	64,339

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)
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17. INCOME TAX

Obračun poreza na dobit prema poreskom bilansu iskazan je u narednoj tabeli:

	2021	2020
Profit for the year	130,222	210,346
Expenditures not recognized in tax balance sheet:		
- Penalty interest and forced collection	10,147	5,434
- Fines charges by relevant authorities	2,623	1,000
- Expenditures not related with principle of due care	9,819	-
- Entertainment	11,617	14,760
- Other provisions	-	52,069
- Derecognition of provisions	(16,178)	-
Taxable income	148,250	283,609
Calculated tax income by rate of 10%	14,825	28,361

18. INTANGIBLE ASSETS

	Third-party land	Concessions, public goods	Software	Total
<u>COST</u>				
At 31 December 2020	254,991	6,194,436	15,020	6,464,447
Additions	-	27,672	-	27,672
At 31 December 2021	254,991	6,222,108	15,020	6,492,119
<u>AMORTISATION</u>				
At 31 December 2020	-	3,845,450	11,339	3,856,789
Amortisation (Note 9)	-	262,689	1,880	264,569
At 31 December 2021	-	4,108,139	13,219	4,121,358
<u>NET BOOK VALUE</u>				
At 31 December 2021	254,991	2,113,970	1,800	2,370,761
At 31 December 2020	254,991	2,348,986	3,681	2,607,658

Concessions, patents, licenses and similar rights include funds that are assigned to the Company for use free of charge. Other intangible assets include externally acquired software.

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19. PROPERTY, PLANT AND EQUIPMENT

	COST					
	Balance at 31 December 2020	Balance at 31 December 2021	Depreciation 2020	Depreciation 2021	Balance at 31 December 2020	Balance at 31 December 2021
Land	83,579	83,579	-	83,579	83,579	83,579
Buildings	6,163,149	4,724,917	1,091,105	1,557,634	1,567,689	1,525,761
Plant and equipment	118,912	358,867	1,116,526	1,208,822	41,928	76,506
Furniture	-	19,585	54,593	64,756	7,835	84,341
Vehicles	-	128,945	801,819	847,003	5,900	975,948
Assets in progress	1,365,632	3,146,389	-	-	(56,153)	3,146,389
Total	7,120,632	8,462,282	3,064,043	3,678,215	12,140,497	10,184,675
	83,579	83,579	1,091,105	1,557,634	1,567,689	1,525,761
	5,072,044	4,724,917	92,296	466,529	118,912	1,189,12
	409,236	358,867	1,116,526	1,208,822	41,928	76,506
	21,913	19,585	54,593	64,756	7,835	84,341
	168,228	128,945	801,819	847,003	5,900	975,948
	1,365,632	3,146,389	-	-	(56,153)	3,146,389
	7,120,632	8,462,282	3,064,043	3,678,215	12,140,497	10,184,675

Structure of construction in progress is as follows:

	2020	2021
Construction in progress – waterworks material	2,460	60,786
Construction in progress – canalization material	-	735
Construction in progress – construction material	-	32,597
Construction in progress - Radinovići MZ Mošće	3,500	3,500
Construction in progress - Devetak MZ Kralupi	6,825	13,295
Own assets - III phase of Mošće	39,243	149,570
III phase Unioninvest	1,310,544	2,881,907
IV phase Srhinje, Vratnica, Porječani	-	4,000
Investments in computer equipment	3,060	-
Investment balance as at 31 December	1,365,632	3,146,390

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20. INVENTORIES

	2021	2020
Material, spare parts and small tools	373,432	374,975
Mechandise	-	461
Non-current assets held for sale	8,900	8,900
Less: allowance for impairment	(67,542)	(32,411)
Total	314,790	351,925

21. TRADE RECEIVABLES

	2021	2020
Domestic trade receivables – legal entities	372,591	629,290
Domestic trade receivables – natural persons	35,182	74,641
Domestic trade receivables - incaso	240,270	244,423
Doubtful and disputed receivables – legal entities	596,550	595,909
Doubtful and disputed receivables – natural persons	427,985	428,277
Doubtful and disputed receivables – legal incaso	938,907	873,060
Doubtful and disputed receivables – undisputed incaso	815,568	815,567
Less: allowance for impairment	(1,024,535)	(1,024,186)
Less: allowance for impairment incaso	(1,754,475)	(1,688,628)
Total	648,043	948,353

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

	2021	2020
Balance at 1 January 2021	2,712,814	2,712,148
Additional charge for the year (Note 14)	290,182	335,608
Write-off of previously provisioned receivables	(2,642)	(117,884)
Recovered previously provisioned receivables (Note 13)	(221,344)	(217,058)
Balance at 31 December 2021	2,779,010	2,712,814

22. OTHER RECEIVABLES

	2021	2020
Receivables from employees	2,864	2,368
Receivables from governmental bodies and organizations	81,271	50,000
VAT receivables	1,969	223,221
Receivables for overpaid taxes and contributions	-	7,930
Total	86,104	283,519

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)
 (IN BAM)

	2021	2020
23. ACCRUALS		
Other accruals	24,410	-
Total	24,410	-
24. CASH AND CASH EQUIVALENTS		
Cash in banks	706,274	377,421
Cash in hand	1,091	1,498
Total	707,365	378,919
25. EQUITY		
Basic capital	2,000	2,000
Reserves	1,263,500	1,263,500
Retained earnings	115,397	181,985
Total	1,380,897	1,447,485
Basic capital amount 2,000 KM as at 31 December 2021 (31 December 2020: 2,000 KM) and is in the ownership of Municipality of Visoko.		
26. LONG-TERM ACCRUALS		
Deferred income and grants received	1,576,326	1,708,909
Total	1,576,326	1,708,909

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)
 (IN BAM)

	2021	2020
Prepaid and other deferred income		
Deferred income from use of public goods - land	233,443	70,536
Deferred income from use of public goods - buildings	185,220	146,197
Deferred income from use of public goods - water	172,728	21,548
Deferred income from use of public goods - Smršnica	182,335	172,728
Deferred income from use of public goods - Kučetine	157,221	182,335
Deferred income I PHASE – GRANT IPSA	106,341	157,221
Deferred income II PHASE – GRANT IPSA	122,955	106,341
Deferred income – Water supply system – II phase	1,668	122,955
Construction in progress - donations	18,961	1,668
Deferred income – set for fault detection	157,173	18,961
Other deferred income for which reconciliation with the calculated depreciation is performed		157,173
Total	1,576,326	1,576,326

A major amount of the acquired deferred income is related to the investments of the City of Visoko in the water supply system, which was assigned to be used and managed without fee payment.

27. LONG-TERM FINANCIAL LIABILITIES

	2021	2020
Long-term foreign borrowings	7,728,582	5,943,223
Long-term liabilities from lease	108,221	-
Total long-term liabilities	7,836,803	5,943,223
Current portion of long-term liabilities falling due within one year (Note 28)	(772,850)	(550,000)
Short-term liabilities from lease	(13,736)	-
Total	7,050,217	5,393,223

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 NOTES TO THE FINANCIAL STATEMENTS – (continued)
 (IN BAM)

	2021	2020
Opening balance at 1 January	5,943,222.77	4,872,157.60
UNIONINVEST HOLDING payment of temporary situations	1,245,016.45	230,400.46
UNIONINVEST HOLDING payment of temporary situations	374,772.89	265,420.91
UNIONINVEST HOLDING payment of temporary situations	278,094.49	473,279.51
UNIONINVEST HOLDING payment of temporary situations	336,064.92	113,512.00
UNIONINVEST HOLDING payment of temporary situations	48,697.26	-
UNIONINVEST HOLDING payment of temporary situations	120,139.28	-
Withdrawn loan balance as at 31 December	8,346,008.06	5,954,770.48
Reduced for credit note No. 594/1-adjustments	-	(1,669.03)
Repayment of loan in the period	(617,426.00)	-
Withdrawn loan balance as at 31 December	7,728,582.06	5,953,101.45
Transfer to short-term liabilities of a loan portion	(772,850.00)	-9,878.68
Balance of total long-term loan	6,955,732.06	5,943,222.77

Liabilities of the Company on the basis of long-term loans as at 31 December 2021 amount to 7,728,582 KM, and relate to the long-term loan of the European Bank for Reconstruction and Development (EBRD) for Visoko water supply project.

In 2016, the Company concluded the contract on the project implementation with the European Bank for Reconstruction and Development (EBRD) for Visoko water system project in the amount of 4,500,000 EUR. The loan repayment period is 15.5 years with a grace period of 3.5 years with an interest rate of six-month EURIBOR plus a margin of 1% per annum. Annuitates mature semi-annually in equal principal repayments. The first annuity is due on 1 February 2020, while the last 24th annuity matures on 1 August 2032. The one-off commission is 1% of the loan amount. The commission on the undrawn loan amount is 0.5% per annum. The last date for disposing of funds was extended from 15 December 2019 to 15 December 2020, at the Company's request on 16 December 2019.

The amount of 8,798,808 KM or 4,498,759 EUR was withdrawn as at 31 December 2021. The amount of 617,426 KM was paid during the year related to repayment of the principal. Undrawn funds as at 31 December 2021 amount to EUR 1,241 or KM 2,427.

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Project description:

Section A: Construction works on the expansion of the water supply network which will encompass the primary and secondary network in Gračanica, the primary network in the Moštra and the initial part of the reconstruction of the existing distribution system in Visoko.

Section B: Construction works on expansion of the water supply network including the secondary network in Moštra and reconstruction of the existing distribution system in Visoko.

Maturity of long-term loans and borrowings (calculated based on the principal amount paid in 2021):

	2021	2020
Between 1 and 2 years	1,545,716	1,080,586
Between 2 and 5 years	2,318,574	1,620,879
Over 5 years	3,091,442	3,241,758
Balance as at 31 December 2021	6,955,732	5,943,223

28. SHORT-TERM FINANCIAL LIABILITIES

	2021	2020
Current portion of long-term liabilities falling due within one year (Note 27)	772,850	550,000
Operational lease	13,736	-
Total	786,586	550,000
Opening balance	550,000.00	
Transfer of the current portion of the long-term loan – payment for 2021	67,426.00	
Current portion of long-term loan for 2021	772,850.00	
Payments in 2021	(617,426.00)	
Current portion of long-term loan for 2021	772,850.00	

In 2021 the Company made payments of two instalments of the loan in total amount of 617,426 BAM. The payments were made to the City of Visoko from own funds. The City of Visoko is a guarantee of the loan and the same makes payments from funds transferred by the Company. Funds for loan repayment are provided from the own funds of the Company.

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29. TRADE PAYABLES

	2021	2020
Received advances and deposits	167,999	-
Domestic suppliers	176,251	1,734,043
Other liabilities	-	9,688
Total	344,250	1,743,731

The Company's management believes that the carrying amount of operating liabilities reflects their fair value at the statement of financial position date.

Liabilities to domestic suppliers as at 31 December 2021 are as follows:

HIFA doo Tešanj	60,779
JP Elektroprivreda dd BIH	10,885
ALI & VIS doo	9,785
Syetlostcomerc dd Sarajevo	7,024
Grad Visoko	6,553
Ostali dobavljači u zemlji	81,225
Total domestic suppliers	176,251

30. LIABILITIES FOR SALARIES, COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	2021	2020
Net salaries and compensations	55,752	63,924
Payroll taxes and contributions	4,386	4,995
Payroll contributions	46,779	54,081
Net refundable compensations	460	69
Net salaries, cost compensations and material rights	21,642	24,086
Total	129,019	147,155

The Company's management believes that the stated value of liabilities based on salaries, benefits and other employee benefits corresponds to their fair value at the date of the statement of financial position. Indicated liabilities refer to the salaries for December 2021.

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31. OTHER LIABILITIES

	2021	2020
Remunerations for board members, commissions members, etc.	1,730	1,530
Taxes and contributions on remunerations for board and commission members	232	173
Contributions on remunerations for board and commission members	201	166
Remunerations to physical persons arising from other contracts	8,470	3,675
Liabilities for taxes and special duties on remunerations to individuals	815	354
Liabilities for contributions related to benefits to individuals	761	331
Other liabilities (attachment of salary)	20,489	22,376
VAT payable	51,604	35,342
Income tax payable	14,825	29,154
Other liabilities for taxes, contributions and other taxes	72,601	62,286
Total	171,728	155,387

32. ACCRUALS

	2021	2020
Deferred income until conditions are met	4,972	5,340
Deferred income from received donations	80,000	50,000
Other deferrals	1,055,295	373,607
Total	1,174,732	545,116

Other liabilities in the amount of 72,601 KM are related to membership fees to various chambers, forest fees and water fees. Liabilities arising from water utility and water supply fees and water protection fees amount to 43,411 KM as at 31 December 2021.

An obligor that pays special water fees (SWF) for using surface waters and groundwater for public water supply is a natural or legal person that provides public water supply to consumers i.e. a natural or legal person that abstracts water for water supply purposes in the amount that exceeds the general use volume. The Company charges special water fees from natural and legal persons, and pays them to the Water Management Agency.

The Indirect Taxation Authority of BiH has during the year 2019, when controlling other public utility enterprises, adopted an opinion that if special water fees are paid from the ultimate user represent taxable part of the fee. This matter is a subject of court proceeding, opinions of the association of utility enterprises, and this opinion of the Indirect Taxation Authority has been disputed.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
(IN BAM)

As at 18 August 2021, the Indirect Taxation Authority of Bosnia and Herzegovina brought a Decree by which it was established an additional liability of VAT to the Company in an amount of 29,381.00 KM, and regarding the special water fee for use of surface water and groundwater for public water supply.

33. OFF-BALANCE SHEET ITEMS

	2021	2020
Third-party material	97,311	87,623
Third-party fixed assets	168,290	168,290
Third-part monetary assets - Management	122,869	87,808
Receivables from concurrent estate owners - Management	79,742	66,531
Ukupno	468,212	410,252

Within off-balance sheet items the Company record Third-party fixed assets, i.e. financial records of the Management. Audit has confirmed cash balance on the current account of the Management.

34. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the ordinary course of business, the Company is exposed to a different extent to a variety of financial risks: market risk and liquidity risk. The Company's overall risk management, in the current situation of the unpredictable of financial markets, is focused on the minimisation of the potential adverse effects on the Company's financial performance. Risk management is performed by the Company's Financial Department.

34.1. Financial instruments by category

Categories of financial instruments, according to the carrying value as of 31 December 2021 and 2020 are presented in the following table:

	2021	2020
<i>Financial assets</i>		
Receivables and loans	732,178	1,008,651
Cash and cash equivalents	707,365	378,919
VAT receivables	1,969	223,221
	1,441,512	1,610,791

34.2. Financial risk factors

<i>Financial liabilities</i>	
Long-term and short-term borrowings	7,836,803
Accounts payable	344,250
Liabilities arising from salaries, compensations and other employee benefits	129,019
Other liabilities	32,698
VAT payables	51,604
Income taxes, other taxes and duties	87,426
	91,440
	28,605
	35,342
	147,155
	1,743,731
	5,943,223
	8,481,800
	7,989,496

(a) *Market risk*

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

Foreign exchange risk

Due to the fixed exchange rate of EUR in relation to BAM, the Company is not exposed to foreign exchange risk. A change in the exchange rate would require a change in the law and adoption by the Parliamentary Assembly of Bosnia and Herzegovina, so that the Management Board considers and assesses the exchange rate risk for EUR as minimal.

Interest rate risk

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

During 2021 and 2020, the majority of the Company's borrowings were granted at variable interest rates, which are tied to 6m EURIBOR. The Company's borrowings at variable rate were mainly denominated in the foreign currency (EUR), or index-linked to EUR.

(b) *Credit risk*

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

The Company's credit risk exposure arising from trade receivables mostly depends on specific characteristics of each customer. The Company has a credit risk concentration based on receivables from legal entities, whereby the largest receivable is from the City of Visoko.

(c) *Liquidity risk*

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

35. EXCHANGE RATES

The official exchange rates of the Central Bank of Bosnia and Herzegovina, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2021 and 2020, into the functional currency (BAM) were as follows:

	31.12.2021.	31.12.2020.
EUR	1.955830	1.955830

36. COURT PROCEEDINGS

As at 31 December 2021, the Company has initiated 5,911 court proceedings in an amount of 1,849,342 KM against legal and physical entities.

As at 31 December 2021, there have been initiated 3 court proceedings against the Company from physical entities in order to collect compensation for damages or receivables in an amount of 11,700 KM.

In 2021, the Company did not record any provisions regarding court proceedings.

37. CONTINGENT LIABILITIES

37.1. Court proceedings

As explained in Note 39, there are 3 court proceedings conducted against the Company. It is not possible to determine possible effects of proceedings outcome nor interest expenses.

37.2. Taxes

Taxation system in Bosnia and Herzegovina is in the process of continuous review and modifications. However, interpretations of taxation bylaws differ. In different circumstances taxation authorities may have different approach to specific issues and may charge additional tax liabilities along with penalty interest rates. In Bosnia and Herzegovina taxation period remains open for the period of five years. The obsolescence of the right to reimburse tax, interest, expenses of forced collection and fines is ceased with every official action of the tax authority conducted with the purpose of reimbursing tax. After each break, the expiry starts from the beginning, and the time passed before the break is not included within obsolescence term prescribed by law.

The Company's management deem that tax liabilities included in given financial reports have been presented in a correct manner.

38. EVENTS AFTER THE REPORTING PERIOD DATE

Until the date of our audit, according to the statement of the Management, there were no events or transactions that could significantly impact on financial statements of the Company as at 31 December 2021.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Management Board and authorized for issue on 12 April 2022.



Hadzialic Almir, director