

JAVNO KOMUNALNO PREDUZEĆE
"VISOKO"
d.o.o. VISOKO

Broj: 3230

Datum: 16-05-2023 20

JAVNO KOMUNALNO PREDUZEĆE "VISOKO" d.o.o. VISOKO	
ViK	
Selekcija otpada	
Čistoća	
Upraviteljstvo	
G. operativna	
Računovodstvo	n
Pravna služba	
Inkaso i IT	
Javne nabavke	
Razvoj	

JKP „Visoko“ d.o.o. Visoko

**Financial statements for the year
ended 31 December 2022 and
Independent auditor's report**

REVIK d.o.o. Sarajevo

Member of



**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

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
UniCredit Bank d.d. Mostar

3383202250064583

Identification number: 4200002790002
VAT identification number:
200002790002

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

**Financial statements
For the year ended 31 December 2022
and
Independent Auditor's Report**

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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 2022 was 92 (2021. 95).

Bodies of the Company:

Supervisory Board

Kubat Mustafa	President
Džafić Mahir	Member
Jahić Senad	Member

Audit Board:

Altumbabić Vildana	President
Lemeš Faris	Member
Smajić Adna	Member

Management Board

Hadžialić Almir	Director
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RESPONSIBILITY FOR FINANCIAL STATEMENTS

Pursuant to the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina (Official Gazette of FBiH, No. 15/21), 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.

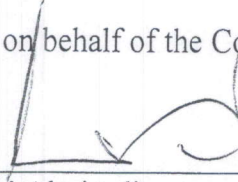
After making enquiries, the management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the management continues to adopt the going concern basis in preparing the financial statements.

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
Naselje Luke II 16
71300 Visoko
Bosnia and Herzegovina



Visoko, 20.04.2023. godine

REVIK d.o.o. Sarajevo

Member of



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INDEPENDENT AUDITOR'S REPORT

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

Qualified opinion

We have audited the financial statements of JKP "Visoko" d.o.o. Visoko (the Company), set out on pages 9 to 34, which comprise the statement of financial position as at 31 December 2022 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.

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 2022, 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).

Basis for qualified opinion

Fixed assets

As at 31 December 2022, as shown in Note 12, the Company stated the value of fixed assets in amount of BAM 7,979,487 (2021: BAM 8,462,282). Within fixed assets there are assets in progress in amount of BAM 2,996,840 that have not been put into use for a period longer than 12 months and in 2022 there were no activities on realization of these assets. The Company did not perform an assessment of recoverable value of fixed assets according to the prescriptions of IAS 36 – Impairment of assets and Law on accounting and auditing of FBiH. We were not able to determine whether and to what extent additional corrections of fixed assets are necessary as at 31 December 2022 and effects of possible correction of fixed assets 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 2022.

Trade receivables

As at 31 December 2022, as shown in Note 14, the Company stated the value of trade receivables in amount of BAM 841,503 (2021: BAM 648,043). According to our assessment, based on available documentation, this amount comprises minimum of BAM 225,000 trade receivables due but not collected in the period greater than 365 days. The Company did not perform measurement of impairment of financial assets in compliance with IFRS 9. We were not able to determine whether and to what extent additional corrections of trade receivables are necessary as at 31 December 2022 and effects of possible correction of trade receivables 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 2022.

Inventories

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

Due to the above stated, we were not able to confirm balance of inventories as at 31 December 2022 in an amount of 308,409 KM are expressed fairly. We were not able to determine whether and to what extent additional corrections of inventory are necessary as at 31 December 2022 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 2022.

Long-term deferred income

Within Note 19 Long-term accruals deferred revenues based on right of use of a public good – land in total amount of 233,443 KM are comprised. During 2022 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, these shall be 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 2022.

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.

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 2022, our obligation is, according to the article 68 of the Law on accounting and auditig 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 2022 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 detected 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.

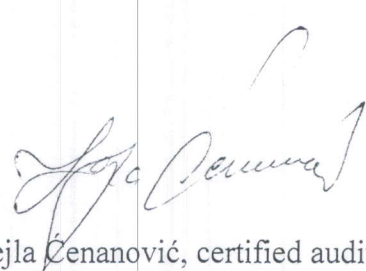
* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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


Kenan Kapetanović, director




Lejla Čenanović, certified auditor

Sarajevo, 20.04.2023.

(IN BAM)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022.	2021.
REVENUES			
Operating revenues	4	4,114,827	3,835,112
Other income	5	550,002	673,912
Finance income	6	1,504	3,174
TOTAL REVENUES		4,666,333	4,512,198
EXPENDITURES			
Operating expenditures	7	4,069,072	3,963,495
Other costs	8	71,964	327,487
Finance costs	9	78,920	90,994
TOTAL EXPENDITURES		4,219,956	4,381,976
PROFIT BEFORE TAX		446,377	130,222
INCOME TAX	10	(50,627)	(14,825)
NET PROFIT FOR THE YEAR		395,750	115,397

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

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		<u>31.12.2022.</u>	<u>31.12.2021.</u>
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	2,117,237	2,370,761
Property, plant and equipment	12	7,979,487	8,462,282
		94,833	-
TOTAL NON-CURRENT ASSETS		10,191,557	10,833,043
CURRENT ASSETS			
Inventories	13	308,409	314,790
Trade receivables	14	841,503	648,043
Other receivables	15	76,590	86,104
Accruals	16	54,229	24,410
Cash and cash equivalents	17	923,692	707,365
TOTAL CURRENT ASSETS		2,204,423	1,780,712
TOTAL ASSETS		12,395,980	12,613,755
EQUITY AND LIABILITIES			
EQUITY			
Initial capital		2,000	2,000
Reserves		1,263,500	1,263,500
Retained earnings		511,147	115,397
TOTAL EQUITY	18	1,776,647	1,380,897
LONG-TERM AND SHORT-TERM LIABILITIES			
Long-term accruals	19	1,754,342	1,576,326
Long-term financial liabilities	20	6,301,614	7,050,217
Short-term financial liabilities	21	752,841	786,586
Trade payables	22	572,411	344,250
Liabilities for salaries, compensations and other personnel expenses	23	156,574	129,019
Other liabilities	24	146,132	171,728
Short-term accruals	25	935,419	1,174,732
TOTAL LONG-TERM AND SHORT-TERM LIABILITIES		10,619,333	11,232,858
TOTAL EQUITY AND LIABILITIES		12,395,980	12,613,755
OFF-BALANCE SHEET ITEMS	26	472,939	468,212

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

Signed on behalf of the Company:

Hadžialić Almir, director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital and equity investments in the LLC	Other reserves	Retained earnings	TOTAL
Balance at 1 January 2020	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
Net profit in the income statement	-	-	395,750	395,750
Balance at 31 December 2022	2,000	1,263,500	511,147	1,776,647

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

(IN BAM)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	395,750	115,397
Amortisation and depreciation	873,180	878,742
Decrease of inventories	6,381	37,135
(Increase) / Decrease in trade receivables	(193,460)	300,310
Decrease in other receivables	9,514	197,415
Increase in accruals	(29,819)	(24,410)
Increase / (Decrease) in long-term accruals	178,016	(132,583)
Increase / (Decrease) in trade payables	228,161	(1,399,481)
Increase / (Decrease) in other liabilities	1,959	(1,795)
(Decrease) / Increase in accruals	(239,313)	629,616
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,230,369	600,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	(709)	(27,673)
Purchase of tangible fixed assets	(230,985)	(1,955,822)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(231,694)	(1,983,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	-	(181,985)
(Decrease) / Increase in long-term liabilities from loans	(737,968)	1,562,509
(Decrease) / Increase in long-term liabilities from lease	(10,635)	94,485
(Decrease) / Increase in short-term liabilities from loans	(34,890)	222,850
Increase in short-term liabilities from lease	1,145	13,736
NET CASH FLOWS FROM FINANCING ACTIVITIES	(782,348)	1,711,595
Increase in cash and cash equivalents	216,327	328,446
Cash and cash equivalents at the beginning of the period	707,365	378,919
Cash and cash equivalents at the end of the period	923,692	707,365

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

JKP VISOKO d.o.o. VISOKO
NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

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.

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. 3/21).

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. 3/21 - hereinafter: Rulebook on Chart of Accounts).

The principal accounting policies applied in the preparation of these financial statements are set out in Note 2. These policies have been applied consistently to all presented years, unless otherwise stated.

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.

1.1. Basis of Measurement

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

1.2. Foreign Currency Translation

Functional and Presentation Currency

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. 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.

2.2. 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.

J&P VISOKO d.o.o. VISOKO
NOTES TO FINANCIAL STATEMENTS – (continued)

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:

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

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.

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.

2.3. Financial instruments

Financial assets

Financial assets are recognised 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 recognised 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 recognised 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 recognised 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 recognised when the Company fulfils the obligations, or when the contractual repayment obligation has either been cancelled or has expired. In case the existing 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.

2.4. 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.

Inventory price reductions 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.

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.

2.5. 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.

2.6. 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 abovementioned 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.

2.7. 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.

(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.

2.8. 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.

3. 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 judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Impairment of trade receivables and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS – (continued)
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4. OPERATING INCOME

	2022	2021
Sales of delivered water	1,269,992	1,295,657
Sales of services – sewerage system	236,432	218,703
Sales of services – waste removal	1,614,848	1,618,980
Other operating income	993,555	701,772
Total	4,114,827	3,835,112

5. OTHER INCOME

	2022	2021
Revenue from donations	404,388	398,313
Collected receivables previously written-off	116,838	221,344
Derecognition of provisions	-	16,178
Other income	28,776	38,077
Total	550,002	673,912

6. FINANCIAL INCOME

	2022	2021
Interest income	1,504	3,174
Total	1,504	3,174

7. OPERATING EXPENDITURES

	2022	2021
Cost of sales	-	461
Material costs (see Note 7.1.)	726,950	559,352
Salaries and other benefits (see Note 7.2.)	2,090,129	2,129,466
Depreciation and amortization (see Note 7.3.)	873,180	878,742
Production services (see Note 7.4.)	186,130	217,672
Non-material costs (see Note 7.5.)	192,683	177,802
Total	4,069,072	3,963,495

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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7.1. MATERIAL COSTS

	2022	2021
Raw materials and materials	195,875	92,668
Fuel and energy	460,313	411,554
Spare parts	31,040	19,266
Cost of one-off tools and inventory write-off	39,722	35,864
Total	726,950	559,352

7.2. SALARIES AND OTHER PERSONNEL EXPENSES

	2022	2021
Salaries and payroll contributions	1,270,989	1,432,622
Compensations	319,439	253,224
Business trips	2,793	24,295
Other benefits, compensations and material rights of employees	389,375	323,425
Temporary job contracts, gross	80,763	71,449
Gross remunerations to the Supervisory Board and Audit Committee	26,770	24,451
Total	2,090,129	2,129,466

7.3. COST OF AMORTISATION AND DEPRECIATION

	2022	2021
Amortisation of intangible assets	254,233	264,569
Depreciation of property, plant and equipment	618,947	614,173
Total	873,180	878,742

7.4. COST OF SERVICES RECEIVED

	2022	2021
Transportation cost	28,107	24,010
Maintenance	67,725	108,259
Rental expenses	7,500	10,930
Advertising and marketing fees	7,717	7,037
Other services	75,081	67,436
Total	186,130	217,672

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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7.5 NON-MATERIAL COSTS

	2022	2021
Entertainment	8,808	16,597
Insurance premiums	8,967	9,900
Bank charges	12,313	7,239
Postal and telecommunication services	76,671	44,508
Taxes	68,861	82,885
Membership fees	12,084	11,168
Other non-material costs	4,979	5,505
Total	192,683	177,802

8. OTHER EXPENSES

	2022	2021
Allowance for receivables and write-offs	-	290,182
Additional VAT payable	52,688	-
Expenditures from previous years	16,442	31,974
Other expenses	2,834	5,331
Total	71,964	295,513

9. FINANCIAL EXPENSES

	2022	2021
Interest expense on loans	74,699	63,407
Other interest expenses	4,221	27,587
Total	78,920	90,994

10. INCOME TAX

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

	2022	2021
Profit for the year	446,377	130,222
Expenditures not recognized in tax balance sheet:		
- Penalty interest and forced collection	1,039	10,147
- Fines charges by relevant authorities	52,688	2,623
- Expenditures not related with principle of due care	-	9,819
- Entertainment	6,166	11,617
- Other provisions	(22,823)	-
- Derecognition of provisions	-	(16,178)
Taxable income	483,447	148,250
Calculated tax income by rate of 10%	48,345	14,825

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The Company stated in tax balance sheet as of 28 March 2023 lower amount of tax liability in comparison to the amount stated in statement of comprehensive income. Difference amounts to BAM 2,282 and represents the effects of tax reliefs from salary costs of newly employed staff.

11. INTANGIBLE ASSETS

	Third-party land	Concessions, public goods	Software	Assets in progress	Total
<u>COST</u>					
At 31 December 2021	254,991	6,222,108	15,020	-	6,492,119
Additions	-	-	-	709	709
At 31 December 2022	254,991	6,222,108	15,020	709	6,492,828
<u>AMORTISATION</u>					
At 31 December 2021		4,108,139	13,219	-	4,121,358
Amortisation (Note 7)	-	252,801	1,432	-	254,233
At 31 December 2022	-	4,360,940	14,651	-	4,375,591
<u>NET BOOK VALUE</u>					
31 December 2021	254,991	2,113,969	1,801		2,370,761
31 December 2022	254,991	1,861,168	369	709	2,117,237

Concessions, patents, licenses and similar rights include funds that are assigned to the Company for use free of charge.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture	Vehicles	Assets in progress	Total
<u>COST</u>							
Balance at 31 December 2021	83,579	6,282,551	1,567,689	84,341	975,948	3,146,389	12,140,497
Additions	-	-	-	-	-	230,985	230,985
Transfer to right-to-use assets	-	(118,542)	-	-	-	-	(118,542)
Transfer from assets in progress	-	-	13,628	9,544	194,200	(217,372)	-
Balance at 31 December 2022	83,579	6,164,009	1,581,317	93,885	1,170,148	3,160,002	12,252,940

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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DEPRECIATION

Balance at 31 December 2021	-	1,557,634	1,208,822	64,756	847,003	-	3,678,215
Depreciation (Note 9)	-	454,702	93,819	9,445	49,126	-	607,092
Transfer to right-to-use assets	-	(11,854)	-	-	-	-	(11,854)
Balance at 31 December 2022	-	2,000,482	1,302,641	74,201	896,129	-	4,273,453

NET BOOK VALUE

31 December 2021	83,579	4,724,917	358,867	19,585	128,945	3,146,389	8,462,282
31 December 2022	83,579	4,163,527	278,676	19,684	274,019	3,160,002	7,979,487

Structure of construction in progress is as follows:

	<u>2022</u>	<u>2021</u>
Construction in progress – waterworks material	60,786	60,786
Construction in progress – canalization material	735	735
Construction in progress – construction material	32,597	32,597
Construction in progress – other material	20	-
Construction in progress - Radinovići MZ Mošte	3,500	3,500
Construction in progress - Devetak MZ Kralupi	13,295	13,295
Own assets - III phase of Moštre	150,550	149,570
III phase Unioninvest	2,881,907	2,881,907
IV phase Srhinje, Vratnica, Porječani	4,000	4,000
Investments in progress: Ozrakovići	3,315	-
Investments in progress: Lješeva	1,465	-
Investments in progress: Topuzovo polje, Bešike, Dubrave	7,832	-
Investment balance as at 31 December	3,160,002	3,146,390

13. INVENTORIES

	<u>2022</u>	<u>2021</u>
Material, spare parts and small tools	402,936	373,432
Non-current assets held for sale	8,900	8,900
Less: allowance for impairment	(103,427)	(67,542)
Total	308,409	314,790

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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14. TRADE RECEIVABLES

	2022	2021
Domestic trade receivables – legal entities	391,292	372,591
Domestic trade receivables – natural persons	50,354	35,182
Domestic trade receivables - incaso	426,373	240,270
Doubtful and disputed receivables – legal entities	539,597	596,550
Doubtful and disputed receivables – natural persons	427,574	427,985
Doubtful and disputed receivables – legal incaso	852,917	938,907
Doubtful and disputed receivables – undisputed incaso	815,568	815,568
Less: allowance for impairment	(993,687)	(1,024,535)
Less: allowance for impairment incaso	(1,668,485)	(1,754,475)
Total	841,503	648,043

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

	2022	2021
Balance at 1 January 2022	2,779,010	2,712,814
Additional charge for the year (Note 8)	-	290,182
Write-off of previously provisioned receivables	-	(2,642)
Recovered previously provisioned receivables (Note 5)	(116,838)	(221,344)
Balance at 31 December	2,662,172	2,779,010

15. OTHER RECEIVABLES

	2022	2021
Receivables from employees	1,822	2,864
Receivables from governmental bodies and organizations	32,124	81,271
VAT receivables	-	1,969
Receivables for guarantees	42,644	-
Total	76,590	86,104

16. ACCRUALS

	2022	2021
Other accruals	54,229	24,410
Total	54,229	24,410

NOTES TO THE FINANCIAL STATEMENTS – (continued)
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17. CASH AND CASH EQUIVALENTS

	2022	2021
Cash in banks	922,543	706,274
Cash in hand	1,149	1,091
Total	923,692	707,365

18. EQUITY

	2022	2021
Basic capital	2,000	2,000
Reserves	1,263,500	1,263,500
Retained earnings	511,147	115,397
Total	1,776,647	1,380,897

Basic capital amount 2,000 KM as at 31 December 2022 (31 December 2021: 2,000 KM) and is in the ownership of City of Visoko.

19. LONG-TERM ACCRUALS

	2022	2021
Deferred income and grants received	1,754,342	1,576,326
Total	1,754,342	1,576,326

Prepaid and other deferred income

	31.12.2022.	31.12.2021.
Deferred income from use of public goods - land	233,443	233,443
Deferred income from use of public goods - buildings	80,871	70,536
Deferred income from use of public goods - water	185,344	185,220
Deferred income from use of public goods - Vijer	146,197	146,197
Deferred income from use of public goods - Vijer	21,548	21,548
Deferred income from use of public goods - Smršnica	172,175	172,728

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Deferred income from use of public goods - Kučetine	182,335	182,335
Deferred income I PHASE – GRANT IPSA	157,221	157,221
Deferred income II PHASE – GRANT IPSA	106,341	106,341
Deferred income – Water supply system – II phase	122,938	122,955
Construction in progress - donations	2,335	1,668
Deferred income – set for fault detection	18,960	18,961
Deferred income - vehicles	160,329	-
Other deferred income for which matching with the calculated depreciation is performed	164,305	157,173
Total	1,754,342	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.

20. LONG-TERM FINANCIAL LIABILITIES

	2022	2021
Long-term foreign borrowings	6,955,724	7,728,582
Long-term liabilities from lease	98,730	108,221
Total long-term liabilities	7,054,454	7,836,803
Current portion of long-term liabilities falling due within one year (Note 28)	(737,960)	(772,850)
Short-term liabilities from lease	(14,880)	(13,736)
Total	6,301,614	7,050,217

	2022	2021
Opening balance at 1 January	7,728,582	5,943,223
UNIONINVEST HOLDING payment of temporary situations	-	1,245,016
UNIONINVEST HOLDING payment of temporary situations	-	374,773
UNIONINVEST HOLDING payment of temporary situations	-	278,094
UNIONINVEST HOLDING payment of temporary situations	-	336,065
UNIONINVEST HOLDING payment of temporary situations	-	48,697
UNIONINVEST HOLDING payment of temporary situations	-	120,139
Withdrawn loan balance as at 31 December	7,728,582	8,346,008

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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Repayment of loan in the period	(772,858)	(617,426)
Withdrawn loan balance as at 31 December	6,955,724	7,728,582
Transfer to short-term liabilities of a loan portion	(737,960)	(772,850)
Balance of total long-term loan	6,217,764	6,955,732

Liabilities of the Company on the basis of long-term loans as at 31 December 2022 amount to BAM 6,955,724 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. Annuities 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 BAM 772,858 was paid during the year 2022 for repayment of the principal. The repayment is made to the City of Visoko from its own funds. City of Visoko is a guarantor for the loan and makes payments based on transferred funds from the Company. Funds for repayment are provided from Company's own funds.

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 2023):

	2022	2021
Between 1 and 2 years	1,545,716	1,545,716
Between 2 and 5 years	2,318,574	2,318,574
Over 5 years	2,353,473	3,091,442
Balance as at 31 December	6,217,764	6,955,732

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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21. SHORT-TERM FINANCIAL LIABILITIES

	2022	2021
Current portion of long-term liabilities falling due within one year (Note 20)	737,960	772,850
Operational lease	14,881	13,736
Total	752,841	786,586

22. TRADE PAYABLES

	2022	2021
Received advances and deposits	367,586	167,999
Domestic suppliers	204,825	176,251
Total	572,411	344,250

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

23. LIABILITIES FOR SALARIES, COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	2022	2021
Net salaries and compensations	67,187	55,752
Payroll taxes and contributions	5,184	4,386
Payroll contributions	56,096	46,779
Net refundable compensations	1,432	460
Net salaries, cost compensations and material rights	26,675	21,642
Total	156,574	129,019

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24. OTHER LIABILITIES

	<u>2022</u>	<u>2021</u>
Remunerations for board members, commissions members, etc.	1,730	1,730
Taxes and contributions on remunerations for board and commission members	210	232
Contributions on remunerations for board and commission members	200	201
Remunerations to physical persons arising from other contracts	2,753	8,470
Liabilities for taxes and special duties on remunerations to individuals	265	815
Liabilities for contributions related to benefits to individuals	247	761
Other liabilities (suspensions on salary)	21,138	20,489
VAT payable	37,879	51,604
Income tax payable	37,096	14,825
Other liabilities for taxes, contributions and other taxes	44,614	72,601
Total	<u>146,132</u>	<u>171,728</u>

Other liabilities in the amount of 44,614 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 are settled as at 31 December 2022.

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.

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 fess for use of surface water and groundwater for public water supply.

As at 12 November 2021 the Indirect Taxation Authority of BiH brought a Decree based on which additional liabilities was determined regarding VAT in amount of BAM 44,090, arising from disputable right on deduction of VAT and regarding the special water fess for use of surface water and groundwater for public water supply.

NOTES TO THE FINANCIAL STATEMENTS – (continued)
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25. ACCRUALS

	<u>2022</u>	<u>2021</u>
Deferred income	4,972	4,972
Deferred income until conditions are met	296,800	80,000
Deferred income from received donations	599,068	1,055,295
Other deferrals	34,579	34,465
Total	<u>935,419</u>	<u>1,174,732</u>

26. OFF-BALANCE SHEET ITEMS

	<u>2022</u>	<u>2021</u>
Third-party material	97,311	97,311
Third-party fixed assets	168,290	168,290
Third-part monetary assets - Management	112,699	122,869
Receivables from concurrent estate owners - Administration	94,639	79,742
Ukupno	<u>472,939</u>	<u>468,212</u>

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 estate owners - Administration.

27. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

27.1. Financial instruments by category

Categories of financial intruments, according to the carrying value as of 31 December 2022 and 2021 are presented in the following table:

	<u>2022</u>	<u>2021</u>
Financial assets		
Receivables and loans	918,093	732,178
Cash and cash equivalents	923,692	707,365
VAT receivables	-	1,969
	<u>1,841,785</u>	<u>1,441,512</u>

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Financial liabilities

Long-term and short-term borrowings	7,054,455	7,836,803
Accounts payable	572,411	344,250
Liabilities arising from salaries, compensations and other employee benefits	156,574	129,019
Other liabilities	21,138	32,698
VAT payables	37,879	51,604
Income taxes, other taxes and duties	87,324	87,426
	7,929,781	8,481,800

27.2. Financial risk factors

(a) Market risk

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

Foreign exchange risk

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.

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

(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.

28. 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 2022 and 2021, into the functional currency (BAM) were as follows:

	<u>31.12.2022.</u>	<u>31.12.2021.</u>
EUR	1.955830	1.955830

29. COURT PROCEEDINGS

As at 31 December 2022, the Company has initiated 6,068 court proceedings in an amount of 1,997,878 KM against legal and physical entities.

As at 31 December 2022, there has been initiated 1 court proceeding against the Company from physical entities in order to collect compensation for damages or receivables in an amount of 10,700 KM.

In 2022, the Company did not record any provisions regarding court proceedings.

30. CONTINGENT LIABILITIES

30.1. Court proceedings

As explained in Note 29, there is 1 court proceedings conducted against the Company. It is not possible to determine possible effects of proceedings outcome nor interest expenses.

30.2. 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.

(IN BAM)

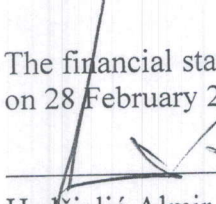
The Company's management deem that tax liabilities included in given financial reports have been presented in a correct manner.

31. 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 2022.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Management Board and authorized for issue on 28 February 2023.


Hadžialić Almir, director

