

JAVNO KOMUNALNO PREDUZEĆE

**"VISOKO"**  
d.o.o. VISOKO

Broj: 3576-5

Datum: 19-05-2025 20

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

**Financial statements  
For the year ended 31 December 2024  
and  
Independent Auditor's Report**

JAVNO KOMUNALNO PREDUZEĆE "VISOKO" d.o.o. VISOKO	
Vik	
Selekcija otpada	
Čistoća	
Upravljanje	
G. operativna	
Računovodstvo	W
Pravna služba	
Inkaso i IT	
Javne nabavke	
Razvoj	

**REVNIK d.o.o. Sarajevo**  **THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK**

**Member of**

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E-mail: revik@bih.net.ba  
Municipal Court in Sarajevo:  
065-0-Reg-21-005204, MBS: 65-01-1066-09  
Tax number: 01075138

Raiffeisen Bank dd BH Sarajevo  
- 1610000001640087  
UniCredit Bank dd Mostar  
- 3383202250064583  
Identification number: 4200002790002  
Identification VAT number: 200002790002

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

**Financial statements  
For the year ended 31 December 2024  
and  
Independent Auditor's Report**

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## 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 2024 was 116 (2023. 103).

### Bodies of Company

#### Supervisory Board

Kubat Mustafa	President
Džafić Mahir	Member
Jahić Senad	Member

#### Audit Board

Kovačević Mersad	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 the legal framework of financial reporting in Federation of BiH, 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.

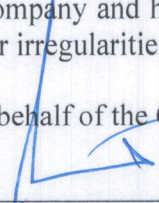
After making enquiries, the management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the management continues to adopt the going concern basis in preparing the financial statements.

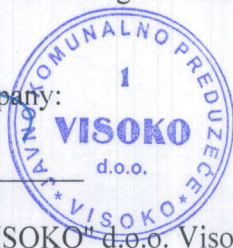
In preparing those financial statements, the responsibilities of the management include ensuring that:

- 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 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, 27 February 2025

**REVIK d.o.o. Sarajevo**  
**Member of**



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Identifikacijski PDV broj: 200002790002

**INDEPENDENT AUDITORS'S REPORT**

**To the owners 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 32, which comprise the statement of financial position as at 31 December 2024 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 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for qualified opinion**

***Fixed assets***

As at 31 December 2024, as shown in Note 11, the Company stated the value of fixed assets in amount of BAM 8,676,443 (2023: BAM 9,459,946). Within fixed assets there are assets in progress in amount of BAM 3,194,998 that have not been put into use for a period longer than 24 months and in 2024 there were no activities on realization of these assets. These funds refer to the constructed water supply system, which is partly in use and it generates economic benefits for the Company, and it is not depreciated. We were not able to determine whether and to what extent additional corrections of fixed assets are necessary as at 31 December 2024 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 2024.

***Trade receivables***

As at 31 December 2024, as shown in Note 13, the Company stated the value of trade receivables in amount of BAM 1,438,697 (2023: BAM 1,064,903). We were not able to determine whether and to what extent additional corrections of trade receivables are necessary as at 31 December 2024 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 2024 since by confirming the customer's balance on 12.31.2024. determined the differences between the balance shown in the financial statements (207,292 KM) and the balance shown by confirmation (98,373 KM). Until the date of the audit report, the stated difference in the amount of 108,919 KM was not explained.

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 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.

In terms of Report in business operations for the year 2024, 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 the performed procedures to the extent that we are able to assess, we report as follows:

1. Information in Report on business operations in 2024 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.

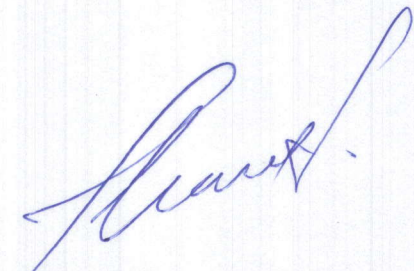
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**REVIK d.o.o. Sarajevo**  
**Member of HLB International**  
Branilaca Sarajeva 20  
71000 Sarajevo  
Bosna i Hercegovina

  
Kenan Kapetanović, director

Sarajevo, 14 May 2025



  
Ilvana Stočanin, licensed auditor

JKP VISOKO d.o.o. VISOKO

(IN BAM)

STATEMENT OF COMPREHENSIVE INCOME  
(OVERALL RESULT)

		<u>2024</u>	<u>2023</u>
<b>OPERATING INCOME</b>			
Income from contracts with customers	4	4,519,860	4,103,867
Other operating income	5	1,149,441	1,026,734
Financial income	6	2,096	761
<b>Total income</b>		<u><b>5,671,397</b></u>	<u><b>5,131,362</b></u>
<b>OPERATING EXPENSES</b>			
Operating expenses	7	4,867,184	4,507,784
Other expenses and losses	8	345,206	269,234
Financial expenses	9	303,142	202,537
<b>Total expenses</b>		<u><b>5,515,532</b></u>	<u><b>4,979,555</b></u>
<b>PROFIT BEFORE TAX</b>		<b>155,865</b>	<b>151,807</b>
<b>INCOME TAX</b>	10	-	(7,431)
<b>NET PROFIT OF THE PERIOD</b>		<u><b>155,865</b></u>	<u><b>144,376</b></u>

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 2024

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>NON- CURRENT ASSETS</b>		
Intangible assets	8,773	3,491
Property, plant and equipment	11 8,676,443	9,459,946
Property with right of use	71,125	82,979
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,756,341</b>	<b>9,546,416</b>
<b>CURRENT ASSETS</b>		
Inventories	12 369,022	294,588
Trade receivables	13 1,438,697	1,064,903
Other receivables	14 131,468	111,788
Accruals	15 51,400	53,815
Cash and cash equivalents	16 203,026	590,097
<b>TOTAL CURRENT ASSETS</b>	<b>2,193,613</b>	<b>2,115,191</b>
<b>TOTAL ASSETS</b>	<b>10,949,954</b>	<b>11,661,607</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Initial capital	2,000	2,000
Reserves	1,263,500	1,263,500
Retained earnings	813,670	657,805
<b>TOTAL EQUITY</b>	<b>2,079,170</b>	<b>1,923,305</b>
<b>LONG-TERM AND SHORT-TERM LIABILITIES</b>		
Long-term accruals	18 1,391,510	1,382,027
Long-term financial liabilities	19 4,698,752	5,482,901
Short-term financial liabilities	20 787,738	787,738
Trade payables	21 923,633	699,598
Liabilities for salaries, compensations and other personnel expenses	22 211,761	186,907
Other liabilities	23 146,003	151,919
Short-term accruals	24 711,387	1,047,212
<b>TOTAL LONG-TERM AND SHORT-TERM LIABILITIES</b>	<b>8,870,784</b>	<b>9,738,302</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,949,954</b>	<b>11,661,607</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>25 505,840</b>	<b>423,348</b>

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

Signed on behalf of the Company:

Hadžialić Almir, director



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

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2024**

	Share capital and equity investments in the LLC	Other reserves	Retained earnings	TOTAL
<b>Balance at 1 January 2020</b>	<b>2,000</b>	<b>1,263,500</b>	<b>62,046</b>	<b>1,327,546</b>
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)
<b>Balance at 31 December 2020</b>	<b>2,000</b>	<b>1,263,500</b>	<b>181,985</b>	<b>1,447,485</b>
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)
<b>Balance at 31 December 2021</b>	<b>2,000</b>	<b>1,263,500</b>	<b>115,397</b>	<b>1,380,897</b>
Net profit in the income statement	-	-	395,750	395,750
<b>Balance at 31 December 2022</b>	<b>2,000</b>	<b>1,263,500</b>	<b>511,147</b>	<b>1,776,647</b>
Net profit in the income statement	-	-	144,376	144,376
Equity adjustments	-	-	2,282	2,282
<b>Balance at 31 December 2023</b>	<b>2,000</b>	<b>1,263,500</b>	<b>657,805</b>	<b>1,923,305</b>
Net profit in the income statement	-	-	155,865	155,865
<b>Balance at 31 December 2024</b>	<b>2,000</b>	<b>1,263,500</b>	<b>813,670</b>	<b>2,079,170</b>

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

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

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2024

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit	155,865	144,376
Amortisation and depreciation	898,306	904,461
Decrease of inventories	(74,434)	13,821
(Increase) in trade receivables	(373,794)	(223,400)
Increase / (Decrease) in other receivables	(19,681)	(35,198)
(Decrease) / Increase in accruals	2,415	415
Decrease / (Increase) in long-term accruals	9,483	(372,315)
Increase in trade payables	224,035	127,187
Increase in other liabilities	18,938	36,120
Increase / (Decrease) in accruals	(335,825)	111,793
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>505,308</b>	<b>707,260</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible fixed assets	(5,280)	(2,783)
Purchase of tangible fixed assets	(102,949)	(256,539)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(108,229)</b>	<b>(259,322)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in long-term liabilities from loans	(772,858)	(807,756)
Decrease in long-term liabilities from lease	(11,292)	(10,958)
Increase/ (Decrease) in short-term liabilities from loans	-	34,898
Increase in short-term liabilities from lease	-	-
Increase of equity (adjustment)	-	2,283
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(784,150)</b>	<b>(781,533)</b>
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>(387,071)</b>	<b>(333,595)</b>
Cash and cash equivalents at the beginning of the period	590,097	923,692
Cash and cash equivalents at the end of the period	203,026	590,097

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. 82/10).

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 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.

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 are prepared with the application of the basic accounting assumption of the occurrence of a business event, according to which the effects of transactions are recognized when they occur and are reported in the financial report for the period to which they relate, and with the application of the basic accounting assumption of 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.

#### *Transactions and Balances*

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 of profit and loss and other comprehensive income, except to the extent that they are disposed of in equity as cash flow hedging instruments and net investment hedging instruments.

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

## **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.

**JKP 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.

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

*(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.

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

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.

  
NOTES TO FINANCIAL STATEMENTS-(continued)**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.

*(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. These 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.

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**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.

JKP VISOKO d.o.o. VISOKO  
**NOTES TO FINANCIAL STATEMENTS**-(continued)

**4. INCOME FROM CONTRACTS WITH CUSTOMERS**

	2024	2023
Revenues form water delivered	1,229,690	1,135,236
Revenues from services-drainage	227,132	216,745
Revenues from services – waste removal	1,666,963	1,370,775
Other income from services	1,396,075	1,381,111
<b>Total</b>	<b>4,519,860</b>	<b>4,103,867</b>

**5. OTHER OPERATING INCOME**

	2024.	2023.
Subsidies and incentives	580,805	478,779
Donations	289,158	397,432
Written-off receivables	207,889	43,889
Other income	71,589	106,634
<b>Total</b>	<b>1,149,441</b>	<b>1,026,734</b>

**6. FINANCIAL INCOME**

	2024	2023
Income from interest	136	761
Other financial income	1,960	-
<b>Ukupno</b>	<b>2,096</b>	<b>761</b>

**7. OPERATING EXPENSES**

	2024	2023
Cost of sales	20,166	-
Material costs (see Note 7.1.)	791,772	704,792
Salaries and other personnel expenses (see Note 7.2.)	2,845,567	2,561,728
Depreciation (see Note 7.3.)	898,306	904,461
Costs of services received (see Note 7.4.)	166,212	143,923
Non-material costs (see Note 7.5.)	145,161	192,880
<b>Total</b>	<b>4,867,184</b>	<b>4,507,784</b>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**7.1. MATERIAL COSTS**

	<u>2024</u>	<u>2023</u>
Raw materials and materials	217,607	186,523
Fuel and energy	493,307	447,913
Spare parts	33,083	26,669
Cost of one-off tools and inventory write-off	47,775	43,687
<b>Total</b>	<b><u>791,772</u></b>	<b><u>704,792</u></b>

**7.2. SALARIES AND OTHER PERSONNEL EXPENSES**

	<u>2024</u>	<u>2023</u>
Salaries and payroll contributions	2,236,438	1,664,343
Compensations	8,000	373,906
Business trips	16,380	9,098
Other benefits, compensations and material rights of employees	499,532	459,895
Temporary job contracts, gross	60,444	29,223
Gross remunerations to the Supervisory Board and Audit Committee	24,773	25,263
<b>Total</b>	<b><u>2,845,567</u></b>	<b><u>2,561,728</u></b>

**7.3. AMORTISATION AND DEPRECIATION**

	<u>2024</u>	<u>2023</u>
Depreciation of intangible assets	-	368
Depreciation of property, plant and equipment	898,306	904,093
<b>Total</b>	<b><u>898,306</u></b>	<b><u>904,461</u></b>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**7.4. COST OF SERVICES RECIVED**

	<b>2024</b>	<b>2023</b>
Transportation cost	-	6,068
Maintanance	69,261	47,039
Rental expenses	900	-
Advertising and marketing fees	264	117
Other services	95,787	90,699
<b>Total</b>	<b>166,212</b>	<b>143,923</b>

**7.5. NON-MATERIAL COSTS**

	<b>2024</b>	<b>2023</b>
Entertainment	3,562	5,205
Insurance premiums	10,490	7,117
Bank charges	12,911	8,889
Postal and telecommunication services	38,958	58,286
Taxes	62,160	89,319
Membership fees	12,871	14,549
Other non-material costs	4,209	9,515
<b>Total</b>	<b>145,161</b>	<b>192,880</b>

**8. OTHER EXPENSES AND LOSSES**

	<b>2024</b>	<b>2023</b>
Provisions for court costs	17,584	35,000
Allowance for receivables and write-offs	326,413	222,327
Subsequently established VAT obligations	-	8,005
Expenditures from previous years	1,209	1,193
Other unmentioned expenses	-	2,709
<b>Total</b>	<b>345,206</b>	<b>269,234</b>

**9. FINANCIAL EXPENSES**

	<b>2024</b>	<b>2023</b>
Interest from loans	302,903	189,777
Other expenses from interests	239	12,760
<b>Total</b>	<b>303,142</b>	<b>202,537</b>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**10. INCOME TAX**

The calculation of profit tax according to the tax balance is shown in the following table:

	2024	202
Profit for the year	155,865	151,807
Expenditures not recognized in tax balance sheet:		
- Penalty interest and forced collection	-	9,907
- Fines charges by relevant authorities	6,763	8,005
- Expenditures not related with principle of due care	-	5,520
- Entertainment	3,562	3,644
- Provisions for risks and liabilities	-	35,000
- Salaries for new employees	(194,638)	(139,568)
<b>Tax loss / Taxable income</b>	<b>(28,448)</b>	<b>74,315</b>
 <b>Calculated tax income by rate of 10%</b>	 -	 <b>7,431</b>

When compiling the financial statements, the Company did not record the liability for income tax in accordance with the tax balance sheet. Reconciliation in accounting books was carried out in 2025 year. The presented reports include the actual income tax liability shown in the tax balance sheet.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Land	Vodovodna mreža	Buildings	Plant and equipment	Furniture	Vehicles	Assets in progress	Total
<b><u>COST</u></b>								
Balance At 31 December 2023	338,570	9,389,800	2,996,317	1,247,473	47,384	1,767,143	3,199,892	18,986,579
Additions	-	-	-				102,949	102,949
Transfer from assets in progress	-	-	-	9,488	411	64,900	(74,799)	-
<b>Balance at 31 December 2024</b>	<b>338,570</b>	<b>9,389,800</b>	<b>2,996,317</b>	<b>1,256,961</b>	<b>47,795</b>	<b>1,832,043</b>	<b>3,228,042</b>	<b>19,089,528</b>
<b><u>DEPRECIATION</u></b>								
Balance at 31 December 2023	-	5,224,065	1,844,341	1,060,726	34,684	1,362,817	-	9,526,633
Depreciation (Note 9)	-	579,687	125,077	68,334	3,430	109,924	-	886,452
<b>Balance at 31 December 2024</b>	<b>-</b>	<b>5,803,752</b>	<b>1,969,417</b>	<b>1,129,060</b>	<b>38,114</b>	<b>1,472,741</b>	<b>-</b>	<b>10,413,085</b>
<b><u>NET BOOK VALUE</u></b>								
31 December 2023	338,570	4,165,735	1,151,976	186,747	12,700	404,326	3,199,892	9,459,946
<b>31 December 2024</b>	<b>338,570</b>	<b>3,586,048</b>	<b>1,026,899</b>	<b>127,901</b>	<b>9,681</b>	<b>359,302</b>	<b>3,228,042</b>	<b>8,676,443</b>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

Structure of construction in progress is as follows

	<b>2024</b>	<b>2023</b>
Construction in progress – waterworks material	63,963	63,748
Construction in progress – canalization material	1,650	1,627
Construction in progress – construction material	35,837	35,822
Construction in progress – construction material	107	84
Construction in progress - Radinovići MZ Mošće	3,500	3,500
Construction in progress - Devetak MZ Kralupi	13,295	13,295
Assets in progress- equipment	667	4,684
Own assets - III phase of Mošće	201,404	178,403
III phase Unioninvest	2,881,907	2,881,907
IV phase Srhinje, Vratnica, Porječani	9,970	4,000
Investments in progress: Ozrakovići	3,315	3,315
Investments in progress: Lješeva	1,465	1,465
Investments in progress: Topuzovo polje, Beške, Dubrave	10,962	7,832
Investments in progress: office furniture	-	210
<b>Investment balance as at 31 December</b>	<b>3,228,042</b>	<b>3,199,892</b>

**12. INVENTORIES**

	<b>2024</b>	<b>2023</b>
Material, spare parts and small tools	502,033	431,039
Merchandise	3,440	-
Non-current assets held for sale	8,900	8,900
Less: allowance for impairment	(145,351)	(145,351)
<b>Total</b>	<b>369,022</b>	<b>294,588</b>

**13. TRADE RECEIVABLES**

	<b>2024</b>	<b>2023</b>
Trade receivables – utility services	722,583	704,440
Trade receivables – other services	760,024	360,463
Doubtful and disputed receivables – utility services	2,797,508	2,782,850
Doubtful and disputed receivables – other services	56,810	57,800
Less: allowance for impairment - utility services	(2,797,508)	(2,782,850)
Less: allowance for impairment - other services	(56,810)	(57,800)
Less: allowance - corrections	(43,910)	-
<b>Total</b>	<b>1,438,697</b>	<b>1,064,903</b>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

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

	<u>2024</u>	<u>2023</u>
<b>Balance at 1 January</b>	2,840,410	2,661,972
Additional charge for the year (Note 8)	326,413	222,327
Write-off of previously provisioned receivables	(60,706)	-
Recovered previously provisioned receivables (Note 5)	(207,889)	(43,889)
<b>Balance at 31 December</b>	<u><u>2,898,228</u></u>	<u><u>2,840,410</u></u>

**14. OTHER RECEIVABLES**

	<u>2024</u>	<u>2023</u>
Receivables from employees	769	3,995
Receivables from governmental bodies and organizations	32,124	32,124
Receivables for paid income tax	37,177	32,522
Receivables for guarantees	61,398	43,147
<b>Total</b>	<u><u>131,468</u></u>	<u><u>111,788</u></u>

**15. ACCRUALS**

	<u>2024</u>	<u>2023</u>
Other accruals	51,400	53,815
<b>Total</b>	<u><u>51,400</u></u>	<u><u>53,815</u></u>

**16. CASH AND CASH EQUIVALENTS**

	<u>2024</u>	<u>2023</u>
Cash in banks	201,923	588,974
Cash in hand	1,103	1,123
<b>Total</b>	<u><u>203,026</u></u>	<u><u>590,097</u></u>

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**17. EQUITY**

	2024	2023
Basic capital	2,000	2,000
Reserves	1,263,500	1,263,500
Retained earnings	813,670	657,805
<b>Total</b>	<b>2,079,170</b>	<b>1,923,305</b>

Basic capital amount 2,000 KM as at 31 December 2024 (31 December 2023: 2,000 KM) and is in the ownership of Municipality of Visoko.

**18. LONG-TERM ACCRUALS**

	2024	2023
Deferred income and grants received	1,391,510	1,382,027
<b>Total</b>	<b>1,391,510</b>	<b>1,382,027</b>

**Prepaid and other deferred income**

	2024	2023
Deferred income from use of public goods - land	254,991	255,668
Deferred income from use of public goods - buildings	6,590	43,731
Deferred income from use of public goods - water	689,459	818,571
Deferred income from use of public goods - equipment	23,900	45,741
Deferred income from use of public goods - vehicles	337,173	198,919
Deferred income - Government of the ZE – DO Canton	60,000	-
Deferred income – Water supply system – II phase	19,397	19,397
<b>Total</b>	<b>1,391,510</b>	<b>1,382,027</b>

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.

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

**19. LONG-TERM FINANCIAL LIABILITIES**

	2024	2023
Long-term foreign borrowings	5,410,008	6,182,866
Long-term liabilities from lease	76,482	87,773
<b>Total long-term liabilities</b>	<b>5,486,490</b>	<b>6,270,639</b>
Current portion of long-term liabilities falling due within one year (Note 20)	(772,858)	(772,858)
Short-term liabilities from lease	(14,880)	(14,880)
<b>Total</b>	<b>4,698,752</b>	<b>5,482,901</b>

	2024	2023
Opening balance at 1 January	6,182,866	6,955,724
Balance of withdrawn loan at 31 December	6,182,866	6,955,724
Loan payments in the period	(772,858)	(772,858)
Balance of loan obligation at 31 December	5,410,008	6,182,866
Transfer to short-term liabilities of a loan portion	(772,858)	(772,858)
<b>Balance of total long-term loan</b>	<b>4,637,150</b>	<b>5,410,008</b>

Liabilities of the Company on the basis of long-term loans as at 31 December 2024 amount to 5,410,008 BAM, 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 24<sup>th</sup> annuity matures on 1 August 2031. 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 2024 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

**JKP VISOKO d.o.o. VISOKO**  
**NOTES TO FINANCIAL STATEMENTS-(continued)**

Maturity of long-term loans and borrowings (calculated based on the principal amount paid in 2024):

	2024	2023
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	772,860	1,545,718
<b>Balance as at 31 December</b>	<b>4,637,150</b>	<b>5,410,008</b>

**20. SHORT-TERM FINANCIAL LIABILITIES**

	2024	2023
Current portion of long-term liabilities falling due within one year (Note 19)	772,858	772,858
Operational lease	14,880	14,880
<b>Total</b>	<b>787,738</b>	<b>787,738</b>

**21. TRADE PAYABLES**

	2024	2023
Received advances and deposits	471,316	454,601
Domestic suppliers	452,317	244,997
<b>Total</b>	<b>923,633</b>	<b>699,598</b>

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

**22. LIABILITIES FOR SALARIES, COMPENSATIONS AND OTHER PERSONNEL EXPENSES**

	2024	2023
Net salaries and compensations	96,302	80,727
Payroll taxes and contributions	8,368	6,749
Payroll contributions	75,017	66,242
Net refundable compensations	-	4,225
Net salaries, cost compensations and material rights	32,074	28,964
<b>Total</b>	<b>211,761</b>	<b>186,907</b>

**JKP VISOKO d.o.o. VISOKO**

**NOTES TO FINANCIAL STATEMENTS-(continued)**

**23. OTHER LIABILITIES**

	<b>2024</b>	<b>2023</b>
Remunerations for board members, commissions members, etc.	1,550	1,700
Taxes and contributions on remunerations for board and commission members	253	619
Contributions on remunerations for board and commission members	238	587
Remunerations to physical persons arising from other contracts	2,800	5,800
Liabilities for taxes and special duties on remunerations to individuals	269	558
Liabilities for contributions related to benefits to individuals	251	521
Other liabilities (attachment of salary)	20,353	18,902
VAT payable	73,902	70,806
Income tax payable	-	7,431
Other liabilities for taxes, contributions and other taxes	46,387	44,995
<b>Total</b>	<b>146,003</b>	<b>151,919</b>

Other obligations in the amount of 46,387 BAM refer to membership fees for chambers, forest fees and obligations towards water fees.

**24. ACCRUALS**

	<b>2024</b>	<b>2023</b>
Deferred income	3,863	3,863
Deferred income until conditions are met	40,927	40,927
Deferred income from received donations	631,927	932,809
Other deferrals	34,670	69,613
<b>Total</b>	<b>711,387</b>	<b>1,047,212</b>

**25. OFF-BALANCE SHEET ITEMS**

	<b>2024</b>	<b>2023</b>
Third-party material	97,311	97,311
Third-party fixed assets	168,290	168,290
Third-part monetary assets - Management	84,394	79,585
Receivables from concurrent estate owners - Management	155,845	78,162
<b>Total</b>	<b>505,840</b>	<b>423,348</b>

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**NOTES TO FINANCIAL STATEMENTS-(continued)**

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.

**26. 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.

**26.1. Financial instruments by category**

Categories of financial intruments, according to the carrying value as of 31 December 2024. and 2023 are presented in the following table:

	<u>2024</u>	<u>2023</u>
<i>Financial assets</i>		
Receivables and loans	1,507,165	1,176,691
Cash and cash equivalents	203,026	590,097
	<u>1,773,191</u>	<u>1,766,788</u>
<i>Financial liabilities</i>		
Long-term and short-term borrowings	5,486,490	6,270,639
Accounts payable	923,633	699,598
Liabilities arising from salaries, compensations and other employee benefits	211,761	186,907
Other liabilities	20,353	18,902
VAT payables	73,902	70,806
Income taxes, other taxes and duties	46,387	62,830
	<u>6,762,526</u>	<u>7,309,682</u>

**26.2. 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.

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*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 2024 and 2023, 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.

**27. 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 2024 and 2023, into the functional currency (BAM) were as follows:

	<u>2024</u>	<u>2023</u>
EUR	1.955830	1.955830

**28. COURT PROCEEDINGS**

As at 31 December 2024 the Company has initiated 6,556 court proceedings in an amount of 2,338,670 BAM against legal and physical entities with a note that the number of active cases for physical entities for the year 2024 is not final because all executive proposals have not yet been entered into the internal lawsuit program (approx. 1,200 cases).

As at 31 December 2024 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 20,566 BAM.

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**NOTES TO FINANCIAL STATEMENTS-(continued)**

**29. CONTINGENT LIABILITIES**

**29.1. Court proceedings**

As explained in Note 28 there are 3 court proceedings conducted against the Company. It is not possible to determine possible effects of proceedings outcome nor interest expenses.

**29.2. 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.

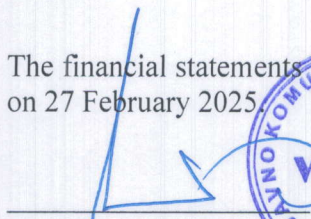
The Company's management deem that tax liabilities included in given financial reports have been presented in a correct manner.

**30. 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 2024.

**31. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved by the Management Board and authorized for issue on 27 February 2025.

  
Hadžialić Almir, director

