

JP KOMUNALAC D.D. GRADACAC  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2024

JAVNO PREDUZECE  
"Komunalac" d.d. Gradacac  
Broj: 02/2-635/25  
Datum: 09-05-2025

22-05-2025

FINANSIJSKO/FINACIJSKO  
INFORMATICKA AGENCIJA  
POSLOVNA JEDINICA TUZLA  
ISPOSTAVA GRADACAC

Broj: 42735/2025

# JP Komunalac d.d. Gradačac

## Audit of Financial Statements at 31 December 2024

JP KOMUNALAC D.D. GRADAČAC

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2024

Company's Management is responsible for the preparation and presentation of the financial statements for the year of 2024 and for providing an accounting system which is in accordance with the applicable accounting standards and which include the necessary accounting records and procedures for the preparation and presentation of the financial statements together with the necessary explanatory guidance and procedures for the preparation and presentation of the financial statements and which are consistent with the accounting and auditing standards and procedures as set forth in the law of the Republic of Croatia and the law of the City of Gradacac.

Management acknowledges that the Management has a reasonable expectation that the Company has sufficient resources to continue in operation and business for the foreseeable future. For that reason, the Management continues to adopt the going concern basis in preparing the financial statements.

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Signed in behalf of the Management

\_\_\_\_\_  
M. P. Jovanović

M. P. Jovanović  
M. P. Jovanović  
M. P. Jovanović  
M. P. Jovanović



2024

**ODGOVORNOST ZA FINANSIJSKE IZVJEŠTAJE**

Company's Management is responsible for ensuring that financial statements for the year of 2023 are prepared in accordance with Accounting and Audit Law of Federation of Bosnia and Herzegovina and accounting standards applicable on the territory of Federation and which include: International Accounting Standards and International Financial Reporting Standards together with instructions, explanations, guidelines and principles that the IFAC and the IASB adopt and which the Commission for Accounting and Auditing of BiH translates and publishes so as to provide a true and fair view of state of affairs and results of the Company,

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 business,

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, The Management must also ensure that the financial statements comply with the Accounting and Audit Law of the Federation of Bosnia and Herzegovina, The Management 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,

Signed on behalf of the Management

Enir Šakić, Direktor

JP Komunalac d.d. Gradačac  
H. K. Gradaševića 62  
76250 Gradačac  
Bosnia and Herzegovina



29 April 2025

**Vlasnicima i Upravi JP Komunalac d.d. Gradačac**

Izveštaj o reviziji finansijskih izvještaja

*Mišljenje s rezervom*

Obavili smo reviziju finansijskih izvještaja društva JP Komunalac d.d. Gradačac (u daljnjem tekstu: "Društvo") prikazanih na stranicama od 5. do 28., koji se sastoje od izvještaja o finansijskom položaju na dan 31. decembra 2024 godine, izvještaja o sveobuhvatnoj dobiti, izvještaja o novčanim tokovima i izvještaja o promjenama na kapitalu za godinu koja je tada završila, te sažetog prikaza značajnih računovodstvenih politika i drugih napomena.

Prema našem mišljenju, osim za učinke pitanja opisanog u paragrafu *Osnova za mišljenje s rezervom*, priloženi finansijski izvještaji fer prezentiraju u svim značajnim odrednicama finansijski položaj Društva na dan 31. decembra 2024 godine, te rezultate njegovog poslovanja i promjene u novčanom toku za godinu koja je tada završila u skladu s Međunarodnim standardima finansijskog izvještavanja.

*Basis for Qualified Opinion*

As at 31 December 2024 the Company stated property, plant and equipment with net book value of BAM 790,506 that were defined as assets in general use as per contract on public water services and are integral part of network.

The Inventory Commission proposed disposal of these assets and transfer into ownership of City of Gradačac, in order to comply with provisions of the Contract on public water services. In accordance with Contract on public water services signed at 30 March 2018 with Gradačac Municipality, the Company was obliged to make decisions on disposal of all assets in general use and derecognize them from its financial statements at the latest by the end of 2018. Up to date of our audit report, activities proposed by Inventory Commission were not undertaken.

We conducted our audit in accordance with International Standards on Auditing (MRevS-ima). 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 qualified opinion.

*Key Audit Matters*

Key audit matters are those issues that, according to our professional judgment, are of the most importance for our audit of the financial statements of the current period. We have dealt with these issues in the context of our audit financial statements as a whole and in forming our opinion on them, we do not give a separate opinion on these issues. Except for issues described in paragraphs *Basis for Qualified Opinion* and *Emphasis of Matter*, we have concluded that there are no other questions to be specifically reported in this report.

*Valuation of tangible and intangible assets*

As at 31 December, 2024 the Company stated tangible and intangible assets with a net book value of BAM 22,035,228, which represents 92% of total assets. In accordance with the adopted accounting policies, these assets are initially valued at acquisition costs, reduced by impairment and accumulated impairment losses.

*How we audited the key audit matters*

For the test of the valuation of tangible and intangible assets, we performed a recalculation of the depreciation calculation, based on the depreciation rates adopted by the Management. We considered the reasonableness of the estimated useful life. We also analyzed whether the Company owns assets that are not being used

The calculation of depreciation begins at the moment when the asset is ready for its intended use.

and/or from which there is no flow of economic benefits. We conducted tests of internal controls.

We focused our attention on this area due to the structure of the total assets, and taking into account the fact that the determination of the useful life is subject to the Management's estimates.

According to the procedures described, we considered that the Management's estimates, which are the basis for the valuation of tangible and intangible assets, are acceptable.

#### *Revenue recognition*

As at 31 December, 2024 the Company stated revenues from operating activities in values of BAM 4,410,906 which represents 80% of total revenue.

#### *How we audited the key audit matters*

For revenue testing, we conducted audit tests to gain an understanding of revenue sources and revenue recognition procedures and policies, and assessed the accuracy and consistency of their implementation.

We focused our attention on this area, considering that revenues represent an area of financial reporting that directly affects the financial result and performance of the business, as well as the assessment and measure of the overall stability of the business, and due to its importance in the structure of total revenues.

On the audit sample, we performed comprehensive procedures for testing the recognition of revenue, including consideration of supporting documentation, confirmation of claims on the balance sheet date, analysis of trends, and accuracy of recognized income.

According to the performed procedures, we consider that the applied procedures and policies of revenue recognition are acceptable.

#### *Emphasis of matter paragraph*

As presented in Note 24.1 to the attached financial statements, the Company has signed an agreement with the European Bank for Reconstruction and Development (EBRD) in which it committed to maintaining certain financial indicators. Based on the submitted data, as of December 31, 2024, it was determined that the Company does not meet certain requirements in accordance with the required covenants.

#### *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 based on these financial statements. As part of an audit in accordance with IFRS, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**Baker Tilly Re Opinion d.o.o.**  
**Bulevar Meše Selimovića 81a, 71000 Sarajevo**

Jasmina Oručević, Director

Sarajevo, 29 April 2025



  
Aldijana Gabela, Certified Auditor

**JP KOMUNALAC D.D. GRADAČAC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 KM	2023 KM
Revenue from sale of goods and merchandise	5	4,410,906	3,804,320
Other income	6	1,043,703	1,013,964
<i>Total operating income</i>		<i>5,454,609</i>	<i>4,818,284</i>
Costs of goods sold	-	(2,889)	(2,406)
Material costs	7	(834,741)	(763,583)
Costs of salaries and other benefits of individuals and employees	8	(2,234,495)	(1,918,276)
Cost of production services	9	(348,336)	(288,914)
Depreciation and amortization	10	(540,164)	(458,195)
Non-material costs	11	(136,299)	(136,820)
Other expenses	12	(198,829)	(165,965)
<i>Total operating expenses</i>		<i>(4,295,753)</i>	<i>(3,734,159)</i>
<b>OPERATING PROFIT</b>		<b>1,158,856</b>	<b>1,084,125</b>
Financial income	13	40,326	31,299
Financial expenses		(371,856)	(305,369)
<b>PROFIT BEFORE TAX</b>		<b>827,325</b>	<b>810,055</b>
Income tax	14	(39,253)	(40,233)
<b>PROFIT AFTER TAX</b>		<b>788,073</b>	<b>769,822</b>
<b>Earnings per share</b>	15	<b>17.80</b>	<b>17.39</b>

Accompanying notes on pages 9 to 28 form an integral part of these financial statements,

Signed on behalf of the Company on 29 April 2025:

Enir Šakić, Director



**JP KOMUNALAC D.D. GRADAČAC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**

	Note	31/12/2024 KM	31/12/2023 KM
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	16	1,051,111	834,298
Intangible assets	17	20,984,117	20,982,586
Long-term receivables for water connections	18	89,930	141,644
<b>Total non-current assets</b>		<b>22,125,158</b>	<b>21,958,528</b>
<i>Current assets</i>			
Inventories	19	263,966	291,454
Trade receivables	20	1,325,452	1,061,055
Other receivables	21	22,291	109,191
Cash and cash equivalents	22	124,629	336,100
<b>Total current assets</b>		<b>1,736,338</b>	<b>1,797,800</b>
<b>TOTAL ASSETS</b>		<b>23,861,496</b>	<b>23,756,328</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity and reserves</i>			
Equity	23	1,396,939	1,396,939
Statutory reserves	-	26,686	26,686
Accumulated profit	-	3,890,208	3,102,136
Previous years' losses	-	(22,503)	(22,503)
<b>Total equity and reserves</b>		<b>5,291,330</b>	<b>4,503,258</b>
<i>Long-term liabilities</i>			
Long-term borrowings	24	5,877,523	6,305,863
Deferred income	25	9,741,019	10,220,953
<b>Total long-term liabilities</b>		<b>15,618,542</b>	<b>16,526,816</b>
<i>Short-term liabilities</i>			
Current portion of long-term borrowings	24	1,025,412	1,248,908
Trade payables	26	315,141	832,542
Other liabilities	27	1,611,071	644,804
<b>Total short-term liabilities</b>		<b>2,951,624</b>	<b>2,726,254</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,861,496</b>	<b>21,803,420</b>

Accompanying notes on pages 9 to 28 form an integral part of these financial statements,

Signed on behalf of the Company on 29 April 2025:

Enir Šakić, Director



**JP KOMUNALAC D.D. GRADAČAC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	Equity BAM	Statutory reserves BAM	Accumulated profit BAM	Previous years' losses BAM	Total BAM
<b>Balance at 31 December 2022</b>	<b>1,396,939</b>	<b>26,686</b>	<b>2,332,314</b>	<b>(22,503)</b>	<b>3,733,436</b>
Result for the year	-	-	769,822	-	769,822
<b>Balance at 31 December 2023</b>	<b>1,396,939</b>	<b>26,686</b>	<b>3,102,136</b>	<b>(22,503)</b>	<b>4,503,258</b>
Result for the year	-	-	788,073	-	788,073
<b>Balance at 31 December 2024</b>	<b>1,396,939</b>	<b>26,686</b>	<b>3,890,208</b>	<b>(22,503)</b>	<b>5,291,330</b>

Accompanying notes on pages 9 to 28 form an integral part of these financial statements,

Signed on behalf of the Company on 29 April 2025:

Enir Šakić, Direktor




**JP KOMUNALAC D.D. GRADAČAC**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024 KM	2023 KM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflow from trade receivables and advances received	5,216,939	4,464,846
Inflow from donations, subsidies, premiums etc,	-	3,013,055
Other inflow from operating activities	60,727	642,452
<i>Subtotal – cash inflows from operating activities</i>	<i>5,277,666</i>	<i>8,120,353</i>
Outflows from payments to trade payables and advances	(1,638,929)	(1,380,984)
Outflows from salaries and other employee benefits	(2,253,459)	(1,953,404)
Outflows from taxes and other charges	(668,759)	(635,270)
Other outflows from operating activities	(30,711)	-
<i>Subtotal – cash outflows from operating activities</i>	<i>(2,525)</i>	<i>(1,607)</i>
<b>Net cash inflow from operating activities</b>	<b>(4,594,383)</b>	<b>(3,971,265)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>683,283</b>	<b>4,149,088</b>
Inflows from short-term financial placements	-	-
Inflows from other long-term financial placements	-	-
<i>Subtotal – cash inflows from investing activities</i>	<i>21,250</i>	<i>-</i>
Outflows from the basis of purchase of fixed assets	21,250	-
Outflows from short-term financial placements	(1,225,558)	(3,051,631)
<i>Subtotal – cash outflows from investing activities</i>	<i>-</i>	<i>-</i>
<b>Net cash outflow from investing activities</b>	<b>(1,225,558)</b>	<b>(3,051,631)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(1,204,308)</b>	<b>(3,051,631)</b>
Inflows from long-term borrowings	-	-
Inflows from short-term borrowings	65,867	66,436
<i>Subtotal - cash inflows from financial activities</i>	<i>961,390</i>	<i>-</i>
Outflows from long-term borrowings	1,027,257	66,436
Outflows from short-term borrowings	(717,703)	(1,254,018)
<i>Subtotal – cash outflows from financial activities</i>	<i>-</i>	<i>-</i>
<b>Net cash inflow from financial activities</b>	<b>(717,703)</b>	<b>(1,254,018)</b>
<b>Net cash outflow</b>	<b>309,554</b>	<b>(1,187,582)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(211,471)</b>	<b>(90,125)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>336,100</b>	<b>426,225</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>124,629</b>	<b>336,100</b>

Accompanying notes on pages 9 to 28 form an integral part of these financial statements,

Signed on behalf of the Company on 29 April 2025:

Enir Šakić, Director




**JP KOMUNALAC D.D. GRADAČAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

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**1. GENERAL**

Javno preduzeće „Komunalac“ d.d. Gradačac („Company“) is a company registered for the activity of collecting, purifying and supplying water, The headquarters of the Company is at Husein Kapetana Gradašćevića 62 street, Gradačac,.

The company was registered with the Tax Administration of FBiH, the Cantonal Tax Office Tuzla under the identification number 4209052390002 on 23 January 2008. The company is registered in the Unified Register of indirect tax payers in Indirect Taxation Authority under identification number 209052390002 on 22 November 2005.

As at 31 December 2024, the Company had 66 employees (31 December 2023: 67 employees).

Governing bodies:

- Assembly of the Company
- Supervisory Board
- Management Board
- Audit Committee

Member of the Management Board:

- Enir Šakić, Director since 6 April 2025
- -Huseljić Mehmed, Acting Director from February 3, 2025 to April 6, 2025
- -Rasima Novalić, Acting Director from July 25, 2023 to February 3, 2025
- -Damir Okanović, Director until July 25, 2023

Members of the Audit Committee:

- Nahid Unkić, chairman
- Ismet Hasić, member
- Abid Šaldić, member

Members of the Supervisory Board:

- Alić Midhat, member from June 12, 2023, chairman from October 27, 2023
- Mehmed Selimović, chairman until October 27, 2023, member from October 28, 2023
- Mehmed Huseljić, member
- Selmir Karić, member until June 12, 2023
- Ermin Fazlić, member
- Razim Imširović, member
- Selma Fazlić, chairman since January 28, 2025
- Alić Midhat, member since January 28, 2025
- Ibrahimović Edin, member since January 28, 2025
- Moćić Vedad, member since January 28, 2025
- Iskrić Ekrem, member since January 28, 2025

These financial statements are presented in the official currency of Bosnia and Herzegovina, the Convertible Mark (“BAM”), which is officially tied to Euro (EUR 1 = BAM 1,95583).

**2. ADOPTION OF NEW AND REVISED STANDARDS**

**2.1 Standards and Interpretations effective in current period**

In the current year, the International Accounting Standards Board has published a larger number of amendments to IAS and IFRS that are in effect for accounting periods beginning on 1 January 2024 or later. The annual improvements include a large number of amendments to IAS and IFRS, which are shown as follows:

FRS 16                      Amendments regarding clarification of how a seller-lessee subsequently measures sale and leaseback transactions (effective as of January 1, 2024)

**JP KOMUNALAC D.D. GRADAČAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

**2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

**2.1 Standards and Interpretations effective in current period (continued)**

IAS 1 Amendments to the classification of liabilities as current or non-current with clarifications regarding the presentation of rights existing in relation to liabilities, where the classification is not affected by expectations regarding the possibility of exercising certain rights as of the reporting date, and that the rights must exist as of the reporting date. The amendments also provide a definition of "settlement," where "settlement" refers to the transfer of cash, equity instruments, or other assets or services. (effective as of January 1, 2024)

IAS 1 Amendments regarding the presentation of contractual terms related to long-term liabilities, prescribing the disclosure of rights to defer the obligation for a period of at least twelve months after the financial statement date only if such rights are to be applied on or before the date of preparation of the financial statements, which affects the classification of liabilities as current or non-current (effective as of January 1, 2024)

IFRS 7 and IAS 7 Amendments requiring the disclosure of information about supplier finance arrangements to enhance the transparency of supplier finance arrangements and their effect on liabilities, cash flows, and exposure to liquidity risk (effective as of January 1, 2024)

**2.2 Standards and Interpretations in issue not yet adopted**

As of the date of issuance of these financial statements, the following standards, amendments to existing standards, and interpretations have been issued but are not yet effective:

IAS 21 Lack of Exchangeability – Effects of Changes in Foreign Currency Exchange Rates (effective as of January 1, 2025)

IFRS 9 Improvements regarding the classification and measurement of financial instruments (effective as of January 1, 2026)

IFRS 9 and IFRS 7 Contracts relating to Natural Resources (effective as of January 1, 2026)

IFRS 18 Amendments regarding presentation and disclosures in financial statements (effective as of January 1, 2027)

IAS 1 Amendments regarding the presentation of subsidiaries without public accountability (effective as of January 1, 2027)

The Company has elected not to early adopt these standards, standard amendments, and interpretations before their effective dates. The Company's management anticipates that the adoption of these standards and interpretations in future periods will not have a significant impact on the Company's financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Going concern***

The financial statements have been prepared under the assumption of going concern, which implies that the Company will be able to realize receivables and settle liabilities in the normal course of business.

***Basis for preparing and presenting financial statements***

The Company's financial statements are prepared according to the historical cost principle and in accordance with International Accounting Standards and International Financial Reporting Standards (IAS / IFRS), together with instructions, explanations, guidelines and principles adopted by IFAC and IASB and translated and published by the Commission for Accounting and Auditing of BiH.

**JP KOMUNALAC D.D. GRADAČAC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Below is a description of the basic accounting policies adopted:

**3.1. Intangible assets**

Intangible assets are defined as an asset that can be identified as non-monetary and without physical characteristics and is stated in the balance sheet only if it is probable that the future economic benefits attributable to the asset will flow to the Company and the cost of the purchase can be reliably measured.

Intangible assets are classified into property after acquisition:

- with an indefinite useful life;
- with certain useful life,

Intangible assets are initially reported and valued in the financial statements at the cost, which includes the costs of the purchase and the cost of the necessary adjustment of long-term intangible assets. Intangible assets with a limited useful life are measured at cost less accumulated amortization and accumulated impairment losses. Amortization begins at the moment when the asset is ready for use.

Intangible assets with unlimited useful lives are not amortized. Such assets are annually tested for impairment.

**3.2 Tangible assets**

All long-term tangible assets are initially recognized at the cost of the acquisition. Purchasing costs consist of the total purchase costs that contain the purchase price, import duties, direct costs attributable to the acquisition of tangible assets and other costs that can be added to the purchase, less discounts, rebates and subsidies.

The Company is obliged to capitalize the borrowing costs as part of the cost of acquiring a material asset that can be directly attributed to the acquisition, construction or production of long-term tangible assets. The Company is obliged to recognize other borrowing costs as an expense in the period in which they were incurred. The capitalization of borrowing costs is terminated at the moment of handing over the qualifying asset to use. After initial recognition, long-term tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment withdrawn from active use and held for sale are stated at the lower of the carrying amount or net realizable value. When the asset is permanently withdrawn from use, and since its disposal, no future economic benefits are expected, the residual value is reimbursed in the period of withdrawal of the asset on cost of the period.

Items of long-term tangible assets are withdrawn from use and disposed when they are no longer expected to be used.

Depreciation is subject to all fixed assets in accordance with the estimated useful life, except for land, works of art and investment in progress. Depreciation of long-term tangible assets, the linear method is applied.

**3.3. Inventories**

Inventories are initially measured at the cost of procurement, and subsequently, the method of procurement cost or net realizable value can be selected to measure the inventory, whichever is lower. Costs include the cost of procurement, conversion costs (material, work and general production costs), and other costs incurred by bringing inventory to their present location and current situation, but not the exchange differences.

Procurement of inventories is recorded at real costs. Cost includes purchase costs (purchase price, custom duty, non-deductible tax, transport costs, etc.) and other costs incurred in bringing the inventories to the current location and current state. The calculation of the inventories is determined using the average weighted prices.

Decrease in value of inventories is performed in case of inadequate quality of production, damage or shortfall in inventories, or when the recoverable value is below the carrying amount. Decrease in inventories value is recognized as the expense of the period.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4. Short-term receivables**

Short-term receivables such as trade receivables, receivables for more paid amounts on the basis of profit, receivables from employees, receivables from the state and other institutions, and other receivables are presented at a nominal value, increased for interest and other fees in accordance with the concluded contracts.

Impairment (value decrease) of receivables is carried out during the period of recognition of the inability to collect part or total receivables on the expense of the period. The write-off of receivables is carried out only if the appropriate body of the company decides on this, and when the debtor is liquidated or in some other way ceased to operate or when the dispute is lost after the final judgment. Evaluation of the possibility of collecting receivables is carried out whenever the claim is not paid within the agreed term, and at the latest on the balance sheet date.

**3.5. Cash and in cash in hand**

Cash consists of cash in banks and cash in hand. Cash equivalents include cash and deposits with a maturity of up to three months in BAM and foreign currencies. Cash in the accounts and in cash in hand is expressed in nominal amounts. Foreign currency accounts at the bank and in hand are recognized by middle exchange rate of Central Bank of BiH on the balance sheet. Any overdrafts on transaction accounts are recorded in the balance sheet as liabilities to financial institutions within current liabilities.

**3.6. Paid costs for the future period and undue collection of revenues**

Paid costs for the future period are recognized as accrued and accounted for in the cost of periods to which they relate.

Revenues are calculated for the benefit of the current period, and which do not have the elements to qualify as a receivable, are recorded as active time accruals. When the conditions for the issuance of documents on the basis of which the receivables arise, time accruals are transferred to receivables accounts.

**3.7. Equity and reserve**

Share capital is stated in a special account in an amount that is entered in the Register during establishment or change of subscribed value of capital. Reserves are stated at nominal value of net profit, especially for statutory reserves, especially for statutory reserves and other reserves. The Company will enter into the legal reserve the tenth part of the profit for the current year, until such legal reserve reaches a quarter of its share capital.

**3.8. Long-term provisions and contingencies**

The Company will recognize liabilities for long-term provisions only if there is a binding event that will create a legal or derivative liability of outflow of assets in future periods and if there is no real alternative other than settlement of the same. The amount of future expenditures required for their settlement is determined by the management based on the assessment, and if necessary, it is possible to hire independent experts. The Company will assess at each balance sheet date whether there are realistic bases for further recording of the provision. Reversal of the provision is made by recording in favour of other income of the period.

**3.9. Long-term liabilities**

Long-term liabilities are initially stated at the nominal value according to the concluded contract. Liabilities for borrowings, loans, deposits, and debt securities liabilities are stated at amortized cost using the effective interest method.

The Company will write off the financial liability by the date of settlement or legal transfer to another debtor, subject to the absence of any guarantees to the new debtor for settlement of the same.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10. Short-term liabilities**

Liabilities to related companies, liabilities based on borrowings, deposits, etc., liabilities to credit institutions, liabilities for advances, trade payables, liabilities towards employees, liabilities for taxes, contributions and other charges, liabilities on the basis of participation in the result, and other short-term liabilities are stated at the value stated in the corresponding bookkeeping document.

Revenues that do not have a basis for recognition in the current accounting period are deferred through accruals for future periods. For the benefit accruals, there are also collected receipts relating to future periods for which no receivables in the books of account have been reported.

**3.12. Revenue**

Revenue from the sale of goods and merchandise is recognized if:

- all significant risks and benefits of ownership of goods or merchandise have been transferred to the buyer,
- the company does not retain continuous participation in management to the degree that can be associated with ownership or effectively control the sale of goods or merchandise,
- the amount of revenue can be reliably determined,
- it is probable that the goods or merchandise sold will be collected,
- the costs incurred or that will incur in connection with the sale can be reliably measured,

Revenue from the sale of services, the outcome of which can be reliably determined, is calculated according to the degree of completion of the transaction on the day of payment. Revenue is recognized if:

- revenue can be reliably determined,
- there is a likelihood of collection,
- the degree of completeness of the transaction can be reliably measured,
- the costs associated with those services and the costs required to complete the services can be reliably determined,

If at the time of occurrence of the event it is estimated that the collection is not certain, the revenues are deferred. For realization from previous accounting periods and for those calculated in the current accounting period in favour of revenue receivables are corrected in favour of costs.

Interest income is recognized under the following conditions:

- probability of collection and
- reliability of revenue determination,

Interest income is calculated every month at the agreed interest rates, and at the latest on the balance sheet date. Interest is calculated using the effective interest method and recognized in income in proportion to the time of use of funds by the borrower, and in accordance with the contract.

State aid, including non-cash grants, is recognized in income when:

- the company meets the given conditions,
- is likely to receive support,

State aid related to assets are recognized in income for the period in which they can be linked to the corresponding expenditure.

**3.13. Expenses**

Recognition of expenditures occurs simultaneously with the recognition of obligations or a decrease in assets. Expenses can also be recognized in direct confrontation with related income, arising from the same transactions and other events. When economic benefits are expected to be realized in several accounting periods, expenditures are recognized on the basis of a systemic schedule (such as depreciation).

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13. Expenses (continued)**

Losses are other items that do not have to be derived from regular activities and are most often a reduction in economic benefits and a decrease in value of assets. Losses are those that came from disasters such as earthquakes, floods, as well as those arising from the sale of long-term assets and the decline in the book value of long-term assets.

Employee benefits are recognized in the period in which the entity received services from its employees. Severance payments are recognized if the entity has adequate evidence of the obligation to terminate employment with one or more employees before their regular date of retirement or payment of severance pay based on the offer to employees to encourage them to voluntarily terminate their employment.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

When applying the accounting policies described in Note 3, the Management makes decisions and gives estimates and assumptions that affect the amounts of assets and liabilities that cannot be derived from other sources. Estimates and assumptions are based on previous and other relevant factors. Actual amounts may differ from those estimated. Estimates and assumptions are constantly reviewed. Changes in accounting estimates are recognized in the change period if they relate only to that period, or in the period of change and future periods if changes affect current and future periods.

**4.1 Key sources of uncertainty assessment**

The following are the key assumptions pertaining to the future and other key sources of uncertainty estimates at the balance sheet date, which have a significant risk of materially adjusting the carrying amount of assets and liabilities in the following financial year.

*Duration of tangible and intangible assets*

The Company reviews the estimated useful lives of the material and non-material at the end of each annual reporting period.

*Impairment of receivables*

The Company's Management recognizes the impairment loss for doubtful receivables on the basis of estimated losses that result from the debtor's inability to settle its obligations. In assessing the adequacy of the value adjustment for doubtful receivables, the Company's Management bases its assessment on the age structure of receivables and write-offs from previous periods.

**5. REVENUE FROM SALE OF GOODS AND SERVICES**

	2024 KM	2023 KM
Revenue from services on domestic market	4,322,907	3,728,802
Revenues from PVN	64,481	57,704
Revenue from sale of merchandise on domestic market	23,518	17,814
<b>TOTAL</b>	<b>4,410,906</b>	<b>3,804,320</b>

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**6. OTHER INCOME**

	2024 KM	2023 KM
Income from premiums, subventions, penalties etc,	230,873	238,755
Collected written-off receivables (Note 20)	146,516	138,035
Surpluses	2,695	1,056
Income from donations (Note 25)	628,571	628,571
Gains from charged costs of court proceedings	3,109	2,137
Gains from sale of materials	7,225	3,400
Income from previous periods	766	228
Gains from sale of tangible assets	21,545	403
Income from write-offs of liabilities	-	651
Other	2,403	728
<b>TOTAL</b>	<b>1,043,703</b>	<b>1,013,964</b>

**7. MATERIAL COSTS**

	2024 KM	2023 KM
Costs of energy and fuel	625,022	545,345
Costs of material	144,120	165,883
Write-off of small inventory, safety equipment and car tires	18,502	20,833
Costs of spare parts	47,097	31,522
<b>TOTAL</b>	<b>834,741</b>	<b>763,583</b>

**8. COST OF SALARIES AND OTHER BENEFITS OF INDIVIDUALS AND EMPLOYEES**

	2024 KM	2023 KM
Salary costs	1,793,010	1,584,348
Costs of other employee benefits	381,151	291,871
Costs of compensation for committee members	39,874	34,862
Costs of other natural persons benefits	17,118	5,221
Staff travel expenses	3,342	1,974
<b>TOTAL</b>	<b>2,234,495</b>	<b>1,918,276</b>

**9. COST OF PRODUCTION SERVICES**

	2024 KM	2023 KM
Maintenance costs	137,438	113,760
Landfill services	145,381	111,088
Troškovi usluga analiza	6,900	4,960
Other services	18,048	11,944
Costs of landfill remediation service	2,940	10,380
Rental costs	37,629	36,782
<b>TOTAL</b>	<b>348,336</b>	<b>288,914</b>

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10. DEPRECIATION AND AMORTIZATION	2024 KM	2023 KM
Depreciation of intangible assets (Note 18)	403,733	5,176
Depreciation of tangible assets (Note 17)	136,431	453,019
<b>TOTAL</b>	<b>540,164</b>	<b>458,195</b>
11. NON-MATERIAL COSTS	2024 KM	2023 KM
Cost of taxes, fees and etc,	59,637	65,057
Costs of non-productive services	18,350	18,554
Telecommunication services	17,959	18,288
Insurance premiums	10,730	10,554
The cost of the payment system services	10,689	8,203
Other non-material costs	9,935	8,226
Entertainment	6,695	5,720
Membership fees	2,304	2,218
<b>TOTAL</b>	<b>136,299</b>	<b>136,820</b>
12. OTHER EXPENSES	2024 KM	2023 KM
Expenses based on receivables impairment (Note 21)	181,371	149,576
Shortages	2,233	566
Losses from disposal of fixed assets	3,813	2,798
Cost of raw materials sold	692	1,040
Expenses from previous periods	4,825	2,864
Other	5,895	9,121
<b>TOTAL</b>	<b>198,829</b>	<b>165,965</b>
13. FINANCIAL INCOME	2024 KM	2023 KM
Income from penalty interest	40,326	31,299
Interest income on deposits	-	-
<b>TOTAL</b>	<b>40,326</b>	<b>31,299</b>

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**14. INCOME TAX**

Income tax is calculated at a rate of 10% which is applied to the estimated taxable profit for the year ended 31 December 2024 and 31 December 2023. The reconciliation of profit tax for the period from profit stated in the income statement can be shown as follows:

	2024 KM	2023 KM
<b>Profit before tax</b>		
Tax effect of unrecognized expenses	827,325	810,055
<b>Total taxable profit</b>	8,103	9,191
Tax incentives - expenses on behalf of new employees	835,428	819,246
<b>Total tax base</b>	(442,898)	(351,382)
Income tax (10%)	392,530	402,238
	39,253	40,233
<b>Cost of income tax</b>		
<b>Effective tax rate</b>	39,253	40,233
	4.74%	4.97%

**15. PROFIT PER SHARE**

	2024 KM	2023 KM
<b>Net profit</b>		
Weighted average of ordinary shares	788,073	769,822
	44,277	44,277
<b>Profit per share (in BAM)</b>	17.80	17.39

**16. PROPERTY, PLANT AND EQUIPMENT**

	Land BAM	Buildings BAM	Machinery and vehicles BAM	Investment in progress BAM	Total BAM
<b>COST</b>					
<b>As at 1 January 2023</b>	34,513	609,301	2,225,016	55	2,868,885
Additions	-	-	-	156,858	156,858
Transfer from/to	-	-	-	-	-
Disposals	-	-	151,154	(151,154)	-
<b>As at 31 December 2023</b>	34,513	609,301	2,345,030	-	(31,140)
Additions	-	-	-	5,759	2,994,603
Transfer from/to	-	-	-	354,080	354,080
Disposals	-	-	354,080	(354,080)	-
<b>As at 31 December 2024</b>	34,513	607,341	2,453,399	5,759	3,101,012
<b>ACCUMULATED AMORTIZATION</b>					
<b>As at 1 January 2023</b>	-	212,749	1,865,949	-	2,078,698
Depreciation for the year (Note 10)	-	3,855	105,170	-	109,025
Disposals	-	-	(27,418)	-	(27,418)
<b>As at 31 December 2023</b>	-	216,604	1,943,701	-	2,160,305
Depreciation for the year (Note 10)	-	3,856	132,170	-	136,026
Disposals	-	(1,960)	(244,470)	-	(246,430)
<b>As at 31 December 2024</b>	-	218,500	1,831,401	-	2,049,901
<b>CARRYING AMOUNT</b>					
<b>As at 31 December 2024</b>	34,513	388,841	621,998	5,759	1,051,111
<b>As at 31 December 2023</b>	34,513	392,697	401,329	5,759	834,298

According to information from the Management, the Company does not have any pledged assets.

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**17. INTANGIBLE ASSETS**

	Concession, patents and licenses BAM	Investments in others' fixed assets BAM	Other intangible assets BAM	Investments in progress BAM	Total BAM
<b>COST</b>					
As at 1 January 2023	33,000	70,528	11,390	19,201,855	19,316,773
Additions	-	-	-	2,059,811	2,059,811
Transfer from/to	-	15,053,791	-	(15,053,791)	-
<b>As at 31 December 2023</b>	<b>33,000</b>	<b>15,124,319</b>	<b>11,390</b>	<b>6,207,875</b>	<b>21,376,584</b>
Additions	-	-	-	408,435	408,435
Transfer from/to	-	3,059,650	-	(3,059,650)	-
<b>As at 31 December 2024</b>	<b>-</b>	<b>(4,000)</b>	<b>(4,200)</b>	<b>-</b>	<b>-</b>
<b>ACCUMULATED AMORTIZATION</b>					
As at 1 January 2023	33,000	18,179,969	7,190	3,556,660	21,776,819
Amortization for the year (Note 10)	11,180	22,789	10,856	-	44,825
As at 31 December 2023	1,098	347,754	320	-	349,172
Amortization for the year (Note 10)	12,279	370,543	11,176	-	393,998
As at 31 December 2024	1,098	402,825	213	-	404,136
<b>CARRYING AMOUNT</b>	<b>-</b>	<b>(1,233)</b>	<b>(4,200)</b>	<b>-</b>	<b>(5,433)</b>
As at 31 December 2024	13,377	772,135	7,190	-	792,702
As at 31 December 2023	19,623	17,457,834	-	3,556,660	20,984,117
<b>COST</b>	<b>20,721</b>	<b>14,753,776</b>	<b>214</b>	<b>6,207,875</b>	<b>20,982,586</b>

On January 4, 2023, after the completion of the works, an investment of BAM 15,053,791 related to the implementation of the Water Network Project - EBRD 45810 - Gradačac Water Supply Project was put into use. Investments are recorded in Favor of intangible assets, considering that the investment refers to investments in goods in general use.

Investments in progress relate to:

Investments for the Gradačac Water Supply Project (EBRD 45810) in the amount of 410,876 KM; Investments in the reconstruction of the water supply network (northern part of the city) from own funds amounting to 344,995 KM, from Government funds amounting to 244,333 KM, and from Ministry of Environment funds amounting to 179,164 KM; Investments in the reconstruction of the water supply network (eastern part of the city) from grant funds in the amount of 1,190,150 KM and from own funds in the amount of 1,182,041 KM, as well as investments in the network in the amount of 5,100 KM, making the total value of investments in the ongoing reconstruction of the water supply network amount to 3,556,660 KM.

**18. LONG TERM RECEIVABLES FOR CONNECTORS**

	31/12/2024 KM	31/12/2023 KM
Receivables from individuals for connections	89,930	141,644
<b>TOTAL</b>	<b>89,930</b>	<b>141,644</b>

The amount of BAM 89,930 (2023: BAM 141,644) refers to receivables for connection fee according to the signed contracts for the construction of connections to the water supply network with individuals. This fee can be paid in instalments without interest in a period of up to 72 instalments. When the monthly connection fee is due, in future periods, from the deferred revenue account (Note 25), the amount of the fee will be transferred to revenue.

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**19. INVENTORY**

	31/12/2024 KM	31/12/2023 KM
Raw materials and other materials	259,387	258,289
Spare parts, small inventory, safety equipment	4,579	33,032
Services in progress	-	79
Merchandise	-	54
<b>TOTAL</b>	<b>263,966</b>	<b>291,454</b>

**20. TRADE RECEIVABLES**

	31/12/2024 KM	31/12/2023 KM
Trade receivables – domestic	1,333,210	1,309,021
Trade receivables – related parties	497,045	231,736
Less: impairment for trade receivables	(504,803)	(479,702)
<b>TOTAL</b>	<b>1,325,452</b>	<b>1,061,055</b>

As of December 31, 2024, the most significant amount of receivables is from the City of Gradačac, in the amount of 497,045 KM. The periods of these receivables by type of service are:

- Receivables for water PL in the amount of .....12,422 KM
- Receivables for connections in the amount of .....4,662 KM
- Receivables for waste PL in the amount of .....3,730 KM
- Receivables for water FL in the amount of .....317 KM
- Receivables for other services in the amount of 475,914 KM

Changes in the fair value of bad and doubtful trade receivables can be shown as follows:

	2024 KM	2023 KM
<b>Balance at January 1</b>	<b>479,702</b>	<b>544,684</b>
Increase of impairment (Note 12)	181,371	149,576
Collected written-off trade receivables (Note 6)	(146,516)	(138,035)
Write-off	(9,754)	(76,523)
<b>Balance on December 31</b>	<b>504,803</b>	<b>479,702</b>

**21. OTHER RECEIVABLES**

	31/12/2024 KM	31/12/2023 KM
VAT in received invoices	7,838	81,886
Receivables from state authorities and institutions	4,727	17,771
Receivables for paid in advance income tax	-	-
Prepaid costs	2,706	2,514
Receivables for advances	7,020	7,020
Other	-	-
<b>TOTAL</b>	<b>22,291</b>	<b>109,191</b>

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**22. CASH AND CASH EQUIVALENTS**

	31/12/2024 KM	31/12/2023 KM
Transaction bank accounts	124,215	335,844
Cash in hand	414	256
<b>TOTAL</b>	<b>124,629</b>	<b>336,100</b>

**23. SHARE CAPITAL**

The Company's share capital presented in the financial statements amounts to BAM 1.396.939 (31/12/2023: 1,396,939 BAM) and complies of 44,277 shares with nominal value of BAM 31.55 (31.12.2022: 31.55 BAM). The ownership structure, according to the data from the List of securities owners of the Registry of Securities of the FBiH, can be shown as follows:

	31/12/2024		31/12/2023	
	% učešća	Vrijednost	% učešća	Vrijednost
Opština Gradačac	67.7011	945,743	67.7011	945,743
Huseljić Mehmed	16.9230	236,404	16.9230	236,404
Iskrić Ekrem	10.8183	151,125	10.8183	151,125
Hašimbegović Selma	1.9807	27,669	1.9807	27,669
Mulahalilović Nadir	1.2557	17,541	1.2557	17,541
Hanić Ahmed	0.4653	6,500	0.4653	6,500
Mujkanović Osman	0.3343	4,670	0.3343	4,670
Mušeta Mensud	0.3184	4,448	0.3184	4,448
Lonić Dženeta	0.1987	2,776	0.1987	2,776
Alibabić - Šabanović Afrodita	0.0045	63	0.0045	63
<b>UKUPNO</b>	<b>100.00</b>	<b>1,396,939</b>	<b>100.00</b>	<b>1,396,939</b>

According to data from the List of securities owners of the Registry of Securities of the FBiH, the total number of shares is 44,277 and the nominal value of the share is BAM 31.55 (2023: 31.55 BAM). Accordingly, the Company's share capital amounts to BAM 1.396.939 (2023: 1,396,939 BAM).

The latest Decision on the changes of data by the Municipal Court in Tuzla is Decision number 032-0-Reg-25-000195 dated February 10, 2025, based on which a change of the authorized representative was made. In accordance with the said Decision, the Company's share capital amounts to 1,396,939 KM. On 10 June 2022, the Company made a decision on the reduction of the Company's share capital number 01-54-4/22, in order to execute the final Judgment of the Cantonal Court in Tuzla number 03 0 U 012442 14 U dated 18 February 2014, confirmed by the Supreme Court of the Federation of BiH by Judgment 03 0 U 012442 15 Uvp as of 8 October 2015, which partially annulled the Decision of the Cantonal Privatization Agency of Tuzla Canton (number: 19/01-021-5490/2001 of 19 November 2001) in the part in which assets in general use entered the initial balance and total capital. The share capital of the Company is reduced from BAM 3,630,714, for the assets in general use that were written off (and previously shown in the balance sheets) which entered the total capital of the Company in the amount of BAM 2,233,471, so that the share capital of the Company amounts to BAM 1,396,939. The reduction of the share capital was carried out in such a way that the nominal value of the shares was reduced from BAM 82 to BAM 31.55. By decision in the register of the Securities Commission of the Federation of Bosnia and Herzegovina, the reduction of the share capital in the amount of BAM 2,233,775 (the difference of 304 KM refers to the reduction of the nominal value of shares by rounding to two decimal places) was registered on 28 July 2022, under registration number 03/1-19-175/22.

A request was submitted to the Municipal Court in Tuzla for the registration of the reduction of the share capital in accordance with the Decision and Decision of the Securities Commission of the Federation of Bosnia and Herzegovina, and the change was registered with the decision on data changes number 032-0-Reg-23-001192 dated 1 August 2023.

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**24. LONG-TERM BORROWINGS**

	31/12/2024 KM	31/12/2023 KM
European Bank for Reconstruction and Development	6,902,935	7,554,771
<i>Subtotal</i>	<i>6,902,935</i>	<i>7,554,771</i>
Long term borrowings are repayable as follows:		
On demand or within one year	1,025,412	1,248,908
In the second year	961,738	1,248,908
From the third to fifth year inclusive	2,885,213	3,746,724
After fifth year	2,030,572	1,310,231
Less: Current portion of long-term borrowings	(1,025,412)	(1,248,908)
<b>Amount due after 12 months</b>	<b>5,877,523</b>	<b>6,305,863</b>

On 24 December 2014, a Loan Agreement between Bosnia and Herzegovina and the European Bank for Reconstruction and Development was signed for an amount of EUR 6,000,000. In accordance with the said Agreement, the loan is repaid in 24 equal semi-annual instalments on 20 April and 20 October each year, with the first repayment date of the loan on 20 April 2018 and the last on 20 October 2029.

On 24 April 2018, the Subsidiary Agreement between Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina was signed, according to which a loan amounting to EUR 6 million will be withdrawn from time to time in order to pay the costs incurred during the implementation of the project, make payments directly to the contractors engaged by JP Komunalac dd,

On 26 April 2018 a sub-loan was signed between FBiH and JP Komunalac d.d. Gradačac and Subcontract on the loan between FBiH and Gradačac municipality, with the intention of realizing the project "Water supply Gradačac". The Federation of Bosnia and Herzegovina will make available funds for the Municipality of Gradačac in the amount of EUR 4 million and JP Komunalac d.d. Gradačac in the amount of EUR 2 million. The loan repayment period is 15 years, with a grace period of 3 years. The interest rate is 6m Euribor + 1%.

On 27 April 2018 a sub-loan was signed between the Municipality of Gradačac and the Company, according to which the Municipality agrees to make available to the Company loan funds in the total amount of EUR 4 million and that the Company will pay the contracted interest and the rest in accordance with the Contract. These funds will be used to expand the existing water supply network in the municipality to cover settlements located in the southern part of the municipality and to improve the existing water supply system. In case the Company fails to meet its obligation within 30 days, the Municipality shall pay the agreed interest at a rate of 5% to the final payment.

On June 16, 2024, an annex to the agreement was signed with the Federal Ministry of Finance of Bosnia and Herzegovina, under which the rescheduling of the Company's obligations under the EBRD 45810 loan was agreed, extending the final repayment term from the previous October 2029 to a new repayment term until October 2035.

**24.1. COMPLIANCE WITH LOAN COVENANTS**

Article 3 of the Project Agreement stipulates certain provisions concerning financial records and statements relating to:

- Compliance by the Company with its obligations set out in Section 3,03 of this Agreement during fiscal year and which may be presented as follows:
  - a) The Company should open and maintain a Debt servicing account and ensure that, 30 days prior to each date of payment of interest, there are funds on bank account in amount not less than the amount of debt servicing under the Loan agreement on such date of interest payment (including principal, interest and fees), no funds can be withdrawn from the Debt servicing account without the Bank's written approval except for payment to the Borrower for repayments/payments under the Loan agreement;

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**LONG-TERM BORROWINGS (CONTINUED)**

**24.1. COMPLIANCE WITH LOAN COVENANTS (CONTINUED)**

*On September 18, 2018, the company signed the Agreement on opening an account for internal payment transactions with Raiffeisen bank d.d., with the aim of opening a reserve account for debt servicing. Balance on bank statement number 12 Raiffeisen bank d.d. on June 30, 2024 was BAM 492,182.37. Balance on bank statement number 23 Raiffeisen bank d.d. on October 9, 2024 was BAM 314,878.70.*

- a) By 1 January 2016 at the latest (i) completely separate the activities of water supply and sewage from the activities of solid waste collection and disposal as well as the maintenance of public areas in affiliated companies; and (ii) end up subsidizing newly established companies;

*As stated in Note 1, the Company is registered for the activity of collecting, purifying and supplying water, The separation of water supply and sewage activities from the activities of solid waste collection and disposal, as well as the maintenance of public areas in affiliated companies has not been done, The same was not done due to problems in the functioning of the Securities Commission (mandate expired, the president was suspended), but within the Company, separate recording and monitoring of activities by place of cost was provided internally,*

- b) By 1 January 2016 at the latest, adopt the Program for the Improvement of Financial and Operational Results, in a form and content that is satisfactory to the Bank;

*The Program for the Improvement of Financial and Operational results was prepared by KPMG B-H d.o.o. Sarajevo in May 2016.*

- c) By 1 January 2016 at the latest, to conclude a Service Contract with Municipality of Gradačac in form and content that the Bank considers to be satisfactory, including, inter alia, the formula for automatic tariff adjustment based on full cost coverage for all customer groups;

*Contract on public water services was signed between the Company and Municipality of Gradačac as at 30 March 2018, An integral part of the said Contract is Appendix 1 – Tarif Calculation Methodology for Public Water Services,*

- d) Meet the following performance indicators:

	Required	Ostvareno	Ispunjen zahtjev DA/NE
Bill Collection Ratio	At least 95%	Water supply and sewage – 99.21% Waste –99.55% Other services –36.60% Total –94.45%	No
Debt Service Coverage Ratio	At least 1.2:1.0	1.43:1	Yes
Current liquidity ratio	At least 1.0:1.0	0.58 :1	No
Bad Debt	5% for all due receivables	33.82%	No
Ratio of the water invoiced to the water pumped	At least 0.6:1.0	0.53:1	No

- f) Providing an overview of all financial transactions between the Company and its affiliated legal entities during the fiscal year.

*The Company does not have any Subsidiaries and Affiliates, and therefore there were no such financial transactions during fiscal year.*

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**25. DEFERRED INCOME**

	31/12/2024 KM	31/12/2023 KM
Deferred income from investment grant SIDA - EBRD	3,013,916	3,163,657
Deferred income from investment grant WBIF – EBRD	3,931,218	4,401,163
Deferred income – City of Gradačac funds for loan repayments	1,142,857	1,371,429
Deferred income from donations and assistance	306,703	163,840
Deferred revenues for co-financing works on the reconstruction of the water supply network (Gradačac City)	875,921	719,064
Deferred revenues for reconstruction (Gradačac City)	293,400	161,250
Deferred income for connection fees (Note 19)	177,004	240,550
<b>TOTAL</b>	<b>9,741,019</b>	<b>10,220,953</b>

The following events preceded signing of the Subgrant Agreement for the "Water Supply Gradačac" project:

- The conclusion of a loan agreement in the amount of EUR 6 million on 24 December 2014 between Bosnia and Herzegovina and the European Bank for Reconstruction and Development;
- Conclusion of the Grant Contract for project financing on 15 December 2015 between Bosnia and Herzegovina, JP Komunalac d.d. Gradačac and European Bank for Reconstruction and Development;
- Adoption of the Decision on the Grant of the Swedish Development Agency (SIDA) for the construction of a sewerage network in the northern part of the Municipality by the Municipal Council of Gradačac on 4 August 2017;
- The signing of the Side Letter between the European Bank for Reconstruction and Development and Bosnia and Herzegovina on 7 September 2017;
- Signing a Subsidiary Contract between Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina on 24 April 2018;
- Adoption of a decision on approval of the European Bank for Reconstruction and Development grant (Investment grant from the SIDA-EBRD Environmental and Climate Fund Program) for the project "Water Supply of Gradačac" by the Government of FBiH at the 122<sup>nd</sup> session held on 10 October 2017;
- Signing of the Agreement between the Federation of Bosnia and Herzegovina and the Municipality of Gradačac on 26 April 2018, according to which the FBiH is obliged to make available to the Municipality a grant in the total amount of EUR 1,400,000.

On 27 April 2018, the Agreement on Subgrant between the Municipality of Gradačac and JP Komunalac d.d. Gradačac (number 02-510/18) was signed. By the above-mentioned Agreement, the Municipality makes available grants in the total amount of EUR 1,400,000 to the Company. The funds will be used to finance the improvement of the wastewater collection system in the municipality by preserving the environment and respecting the elementary living conditions of the population.

Based on the Agreement between the City of Gradačac and the Ministry of agriculture, forestry and water management of Tuzla Canton, the City was awarded a grant of BAM 400,000. Since the Company is the implementer of the water supply project, the funds were transferred to the Company's account for the purpose of loan repayment. On 26 November 2020, the Agreement on the transfer of funds between the City of Gradačac and the Company was signed for an additional BAM 400,000 for the loan instalment. On 1 June 2021, the Agreement on the transfer of funds between the City of Gradačac and the Company was signed for an additional BAM 330,407 for the loan instalment. On May 9, 2022, a decision was made to transfer funds in the amount of 400,000 KM from the account of the City of Gradačac to the account of the Company in order to repay the loan installment, based on the agreement on the transfer of funds for co-financing. That is refund of part of the costs incurred during the implementation of the Gradačac water supply project number 02-14-2791/19 dated 15 November 2019.

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**25. DEFERRED INCOME (CONTINUED)**

On March 23, 2022, a decision was made to transfer funds in the amount of BAM 220,000 from the account of the City of Gradačac to the account of the Company for the co-financing of works on the reconstruction of the existing water supply asbestos-cement pipes, insufficient profile height and dilapidated network in Gradačac.

On February 8, 2023, a decision was made to transfer funds in the amount of BAM 161,250 from the account of the City of Gradačac to the account of the Company for the co-financing of works on the reconstruction of the existing asbestos pipes, insufficient profile height and dilapidated network in urban part in City of Gradačac.

Movements in deferred income can be shown as follows:

	2024 KM	2023 KM
<b>Balance at 1 January</b>	<b>8,011,288</b>	<b>8,011,288</b>
New donations during the year	2,613,055	2,613,055
Transfer to revenues based on EBRD loan instalment refinancing	(228,571)	(228,571)
Transfer to revenues based on accrued income for connections	(48,552)	(48,552)
Transfer to other liabilities based on assignment (Note 27)	(390,386)	-
Depreciation of deferred income (Note 6)	(180,760)	(126,267)
<b>Balance at 31 December</b>	<b>9,741,019</b>	<b>10,220,953</b>

**26. TRADE PAYABLES**

	31/12/2024 KM	31/12/2023 KM
Trade payables - domestic	299,123	794,895
Trade payables - foreign	16,018	37,647
<b>TOTAL</b>	<b>315,141</b>	<b>832,542</b>

**27. OTHER LIABILITIES**

	31/12/2024 KM	31/12/2023 KM
Liabilities based on the assignation agreement (City of Gradačac)**	949,505	-
Liabilities from joint operations (City of Gradačac)*	426,505	426,505
Liabilities to employees	96,302	82,299
Accrued income	24,869	27,153
Liabilities to the state based on taxes and contributions	66,428	76,109
Liabilities for VAT	27,073	-
Accrued costs	-	-
Liabilities for other taxes, contributions, fees, etc.	2,166	2,094
Liabilities for income tax	-	30,225
Liabilities for received advances	-	419
Other	18,223	-
<b>TOTAL</b>	<b>1,611,071</b>	<b>644,804</b>

\* Liabilities from joint operations relate to the unpaid loan instalment to the City of Gradačac, based on the notifications issued by the City of Gradačac dated April 25 and October 24, 2024, regarding the due installment of the EBRD-45810 loan for the period from April 20, 2024 to October 20, 2024

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**27. OTHER LIABILITIES (CONTINUED)**

\*\* Liabilities based on the assignation agreement as of December 31, 2024, amount to 949,505 KM and relate to several assignment agreements signed during 2024 with the City of Gradačac, under which the City of Gradačac was instructed to make payments of due obligations to the contractors working on the Water Supply Project, as well as the agreement on the temporary financing of the Water Supply Project between the City of Gradačac and the Company dated July 25, 2023

**28. RELATED PARTY TRANSACTIONS**

During the year, the following revenues and expenses were realized with related parties, while on 31 December the Company had the following balances of receivables and liabilities with related parties:

	Income		Expenses	
	2024	2023	2024	2024
City of Gradačac	243,900	313,943	-	-
<b>TOTAL</b>	<b>243,900</b>	<b>313,943</b>	<b>-</b>	<b>-</b>

	Receivables		Liabilities	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
	KM	KM	KM	KM
City of Gradačac	497,045	231,735	1,376,010	426,505
	497,045	231,735	1,376,010	426,505

**Management fees and members of the Board**

	2024	2023
	KM	KM
Gross salaries and other benefits of the management	78,079	57,644
Compensation to Board members	29,101	25,440
<b>TOTAL</b>	<b>107,180</b>	<b>83,084</b>

**29. COMMITMENTS AND CONTINGENCIES**

For the financing of the project "Water Supply Gradačac", a Grant Agreement was concluded on 26 October 2020, which refers to the Investment Grant from the European Joint Fund Program for the Western Balkans - WBIF, in the amount of BAM 3,896,991 (EUR 1,992,500).

The difference between the approved grant funds and the value of the contracted works will be financed by the City of Gradačac.

As of December 31, 2024, according to the Management's information, three lawsuits of non-material value were being conducted against the Company. Furthermore, as of December 31, 2024, the Company had one bank guarantee in use, valued at 37,674 KM.

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**30. FINANCIAL INSTRUMENTS**

**30.1 Capital Risk Management**

The Company manages the capital in a way to enable the business to continue and maximize returns to the owners by finding the optimal ratio of debt and capital. The general strategy of the Company has not changed in relation to 2022. The financial structure consists of cash and cash equivalents, liabilities for loans and total capital of the Company.

The management monitors the structure of the funding source on a monthly basis. As part of this monitoring, the Management takes into account the cost of financing and the risks associated with each of the funding source classes.

The gearing/solvency ratio at the end of the year can be shown as follows:

	<b>31/12/2024</b>	<b>31/12/2023</b>
	<b>KM</b>	<b>KM</b>
Borrowings	6,902,935	7,554,771
Cash and cash equivalents	(124,629)	(336,100)
<b>Net debt</b>	<b>6,778,306</b>	<b>7,218,671</b>
Equity	5,291,330	4,503,259
<b>Net debt to equity ratio</b>	<b>1,28</b>	<b>1,60</b>

(i) Equity includes all capital and reserves of the Company.

**30.2 Categories of financial instruments**

	<b>31/12/2024</b>	<b>31/12/2023</b>
	<b>KM</b>	<b>KM</b>
<b>Financial assets at amortized cost:</b>		
Cash and cash equivalents	124,629	336,100
Trade receivables and other receivables	1,347,743	1,309,376
<b>Total</b>	<b>1,472,372</b>	<b>1,645,476</b>
<b>Financial liabilities at amortized cost:</b>		
Liabilities for loans	6,902,935	7,554,771
Trade payables and other liabilities	1,926,211	1,450,193
<b>Total</b>	<b>8,829,146</b>	<b>9,004,964</b>

**30.3 Financial risk management objectives**

The Company's management monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**30.4 Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

**30.5 Foreign currency risk management**

In management's opinion, Company is not exposed to currency risk considering that all transactions are conducted in EUR. Sensitivity analysis is unrepresentative of the inherent foreign exchange risk since in accordance with the Law on Central Bank of Bosnia and Herzegovina the

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Convertible Mark ("BAM") is officially tied to the EUR. Change in the exchange rate would require the amendments of the law and approval by Parliamentary Assembly of Bosnia and Herzegovina.

**30. FINANCIAL INSTRUMENTS (CONTINUED)**

**30.6 Interest rate risk management**

The Company is exposed to interest rate risk because it lends funds at variable interest rates from financial institutions. An analysis of the effects of the change in the interest rate was made for financial instruments for which the Company is exposed to interest rate risk on the balance sheet date. For variable interest rates, the analysis was done on the assumption that the outstanding balance of liabilities at the balance sheet date was unchanged throughout the year.

The change in the rate of 50 base units (0,5%) is used for internal reporting to the Risk Management Authority and represents the Management's assessment of reasonably possible changes in interest rates. In case of an increase or decrease in interest rates for 50 base units (0,5%), and all other variables remained unchanged profit for the year ended 31 December 2024 would decrease / increase by BAM 3,451 basis of exposure to interest rate risk.

**30.7 Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where it proves necessary, as a means of mitigating the risk and financial losses.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management annually. The carrying amounts of financial assets presented in the financial statements less impairment losses represent the maximum exposure of the Company to credit risk without taking into account the value of collateral collected.

**30.8 Liquidity risk management**

The Company manages liquidity risk by maintaining adequate reserves by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**30.8.1 Interest rate risk and liquidity risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets, including interest on those assets, which will be earned except for the assets that the Company expects to see cash flow in another period.

**Maturity for non-derivative financial assets**

	Weighted average effective interest rate %	Less than 1 month KM	1 to 6 months KM	6 to 12 months KM	Over 1 year KM	Total KM
<b>31 December 2024</b>						
No interest	-	1,472,372	-	-	-	1,472,372
<b>TOTAL</b>		<b>1,472,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,472,372</b>
<b>31 December 2023</b>						
No interest	-	1,503,832	-	-	141,644	1,645,476
<b>TOTAL</b>		<b>1,503,832</b>	<b>-</b>	<b>-</b>	<b>141,644</b>	<b>1,645,476</b>

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

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**30. FINANCIAL INSTRUMENTS (CONTINUED)**

**30.8 Liquidity risk management (continued)**

***Maturity for non-derivative financial liabilities***

	Weighted average effective interest rate  %	Less than 1 month  KM	1 to 6 months  KM	6 to 12 months  KM	Over 1 year  KM	Total  KM
<b>31 December 2024</b>						
Variable interest rate	6M EUR+1%	-	780,152	765,352	5,557,856	7,103,361
No interest	-	550,202	-	-	1,376,010	1,926,212
<b>TOTAL</b>		<b>550,202</b>	<b>780,152</b>	<b>765,352</b>	<b>6,933,866</b>	<b>9,029,573</b>
<b>31 December 2023</b>						
Variable interest rate	6M EUR+1%	-	812,318	796,663	7,103,361	8,712,342
No interest	-	1,450,193	-	-	-	1,450,193
<b>TOTAL</b>		<b>1,450,193</b>	<b>812,318</b>	<b>796,663</b>	<b>7,103,361</b>	<b>10,162,535</b>

**30.9 Fair value of financial instruments**

Management believes that the carrying amount of financial assets and financial liabilities recognized in the financial statements at amortized cost approximates their fair value,

**31. EVENTS AFTER THE DATE OF BALANCE SHEET**

On April 9, 2025, a change of the authorized representative of the Company was made, whereby Mr. Enir Šakić was appointed as the person authorized to represent the entity, serving as Director without limitations of authority, based on the decision of the Supervisory Board dated April 6, 2025, and the decision of the City of Gradačac dated April 3, 2025.

As of the date of our audit, according to the Management Board, there were no events or transactions that would significantly affect the Company's financial statements as of 31 December 2023

**32. APPROVAL OF FINANCIAL STATEMENTS**

Signed on behalf of the Company's Management as at 29 April 2025:

Enir Šakić, Direktor

