

**Toplana a.d. Prijedor**  
Audit of Financial Statements at  
31 December 2021

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## **RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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The Management is responsible for ensuring that financial statements of Toplana a.d. Prijedor (the "Company"), are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the state of affairs and results of the Company for the year ended on 31 December 2021.

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 Auditing Law of Republic of Srpska. 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 Company

Duško Miletić, Acting Director

Toplana a.d. Prijedor  
Rudnička 66  
79101 Prijedor

6 April 2022

**To the Shareholders of Toplana a.d. Prijedor**

## Independent auditor's report

*Opinion*

We have audited the accompanying financial statements of Toplana a.d. Prijedor (the "Company"), set out on pages 5 to 32, which comprise of the statement of financial position as at 31 December 2021, and the statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to ethical responsibilities for the audit of financial statements and we have met our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Significant uncertainty regarding going concern*

We draw attention to Note 1.1 to the financial statements stating that the Company continues to adopt the principle of going concern when preparing the financial statements. The Company recognized the circumstances that cast doubt on the Company's ability to continue as going concern, but it is considered that the business in the foreseeable future is not compromised, since the Company's capability of business continuity depends exclusively on the financial support of city and state authorities.

As of 31 December 2021 and 2020 the Company reported a loss above the amount of capital in the amount of BAM 12,578,104 and BAM 12,792,696 while short-term liabilities of the Company significantly exceeded its short-term assets (BAM 2,545,351 of current assets comparing to BAM 14,074,589 of short-term liabilities). This situation reflects the increased liquidity risk.

If the financial support of city and state authorities is lacking, the ability of the Company to continue to operate in the foreseeable future will become uncertain. In that case, the annual financial statements should be prepared under the assumption of discontinued operations, which will affect the valuation of assets, and the classification of assets and liabilities in amounts that cannot currently be determined.

*Emphasis of Matter*

We draw attention to Note 17 to the financial statements in which is stated that property, plant and equipment of net book value in amount of BAM 12,950,476, which makes 69.35% of total property, plant and equipment, is pledged as an instrument for securing the repayment of funds based on bonds and for settlement of obligations towards the state based on reprogramming. Our opinion has not been modified regarding this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to publish in our report.

### *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 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.

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- 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.**  
**Grbavička 4, 71000 Sarajevo**

Nihad Fejzić, direktor i ovlašteni revizor



Elma Mešinović, ovlašteni revizor

Sarajevo, 6 April 2022

**TOPLANA A.D. PRIJEDOR**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 BAM	2020 BAM
<b>Operating income</b>			
Sales	5	4,804,339	4,900,393
<b>Total operating income</b>		<b>4,804,339</b>	<b>4,900,393</b>
<b>Operating expenses</b>			
Costs of material, fuel and energy	6	(3,687,916)	(2,948,135)
Staff costs and other personnel costs	7	(1,400,816)	(1,248,456)
Production services costs	8	(182,408)	(205,504)
Depreciation and amortization	9	(990,830)	(1,014,363)
Non-material costs	10	(99,307)	(123,795)
<b>Total operating expenses</b>		<b>(6,361,277)</b>	<b>(5,540,253)</b>
<b>OPERATING LOSS</b>		<b>(1,556,938)</b>	<b>(639,860)</b>
<b>Other income and expenses</b>			
Other income	11	2,941,882	2,043,376
Other expenses	12	(866,800)	(940,631)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>518,144</b>	<b>462,885</b>
<b>Finance income and expenses</b>			
Financial income	13	313,960	282,097
Financial expenses	14	(617,512)	(717,439)
<b>PROFIT BEFORE TAXATION</b>		<b>214,592</b>	<b>27,543</b>
Income tax	15	-	-
<b>PROFIT AFTER TAXATION</b>		<b>214,592</b>	<b>27,543</b>

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

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**TOPLANA A.D. PRIJEDOR**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Note	31/12/2021 BAM	31/12/2020 BAM
<b>Non-current assets</b>			
Intangible assets	16	1,055,826	1,201,939
Property, plant and equipment	17	18,674,194	19,498,604
<b>Total non-current assets</b>		<b>19,730,020</b>	<b>20,700,543</b>
<b>Current assets</b>			
Inventories	18	712,120	1,399,458
Trade receivables	19	1,533,070	1,648,856
Other receivables	20	101,542	43,477
Cash and cash equivalents	21	198,619	122,700
<b>Total current assets</b>		<b>2,545,351</b>	<b>3,214,491</b>
<b>TOTAL ASSETS</b>		<b>22,275,371</b>	<b>23,915,034</b>
<b>Equity and reserves</b>			
Share capital	22	2,040,000	2,040,000
Accumulated loss	-	(14,618,104)	(14,832,696)
<b>Total equity and reserves</b>		<b>(12,578,104)</b>	<b>(12,792,696)</b>
<b>Long-term liabilities</b>			
Long-term provisions	23	27,476	27,327
Deferred income	24	3,891,258	4,222,442
Long-term borrowings and bonds	25	16,860,152	18,514,534
<b>Total long-term liabilities</b>		<b>20,778,886</b>	<b>22,764,303</b>
<b>Short-term liabilities</b>			
Trade payables	26	1,685,122	1,829,178
Short-term borrowings	27	11,875,866	11,577,608
Other short-term liabilities	28	513,601	536,641
<b>Total short-term liabilities</b>		<b>14,074,589</b>	<b>13,943,427</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,275,371</b>	<b>23,915,034</b>

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

Signed on behalf of the Company on 6 April 2022:

Duško Miletić, Acting Director

**TOPLANA A.D. PRIJEDOR**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital BAM	Accumulated loss BAM	Total BAM
<b>Balance at 31 December 2019</b>	<b>2,040,000</b>	<b>(14,860,239)</b>	<b>(12,820,239)</b>
Profit for the year	-	27,543	27,543
<b>Balance at 31 December 2020</b>	<b>2,040,000</b>	<b>(14,832,696)</b>	<b>(12,792,696)</b>
Profit for the year	-	214,592	214,592
<b>Balance at 31 December 2021</b>	<b>2,040,000</b>	<b>(14,618,104)</b>	<b>(12,578,104)</b>

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

**TOPLANA A.D. PRIJEDOR**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>Operating activities</b>		
Cash receipts from customers and received advances	5,815,367	6,047,532
Cash receipts from premiums, subventions, grants etc.	2,016,497	10,524
Other cash receipts	56,724	-
Cash paid to trade payables and given advances	(4,003,111)	(3,384,921)
Cash paid to and on behalf of employees	(1,335,488)	(1,221,985)
Interest paid	(637,258)	(591,100)
Outflows from other duties	-	(428,477)
<b>Net cash from operating activities</b>	<b>1,912,731</b>	<b>431,573</b>
<b>Investing activities</b>		
Interest inflows	91,451	-
Outflows from procurement of fixed assets	(20,307)	-
Proceeds from other non-current financial investments	-	43,142
<b>Net cash from investing activities</b>	<b>71,144</b>	<b>43,142</b>
<b>Financing activities</b>		
Proceeds from other long-term and short-term liabilities	-	971,372
Outflows from borrowings	(1,356,124)	(1,386,273)
Outflows from other long-term and short-term liabilities	(551,832)	-
<b>Net cash used in financing activities</b>	<b>(1,907,956)</b>	<b>(414,901)</b>
<b>Net increase in cash and cash equivalents</b>	<b>75,919</b>	<b>59,814</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>122,700</b>	<b>62,886</b>
<b>Cash and cash equivalents at end of year</b>	<b>198,619</b>	<b>122,700</b>

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

**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. GENERAL**

“Toplana” a.d. Prijedor (“the Company”) has been operating under this name as of 14 March 2005. On 15 December 2011 harmonization of activities to the Law on Activities Classification and the Register of Business Entities by activities in the Republic of Srpska, transfer of founding capital in accordance to the Law on transfer of share capital title rights of the Republic of Srpska in companies that provide utility services to local government has been made.

Increase in share capital has been made with the Decision number 057-0-Reg-12-002256 at District commercial court in Banja Luka as of 20 March 2013, so the share capital amounted to BAM 5,300,948.

On 4 November 2013 share capital owner’s assembly adopted Decision number 020-4476-7/13 on decrease in share capital to cover part of the accumulated losses reported on 31 December 2012 which amounted to BAM 9,631,946. Part of the accumulated losses in the amount of BAM 2,805,602 was covered in charge of the net profit for the year 2012. Part of the accumulated losses in the amount of BAM 1,027,539 was covered in charge of the reserves, while the remaining accumulated losses in the amount of BAM 5,260,948 was covered in charge of the Company’s share capital. Part of the accumulated losses in the amount of BAM 537,857 remains uncovered. All the above changes are registered in the third issue of shares by the Central Registry of Securities. After making changes, the Company’s share capital has been decreased to amount of BAM 40,000.

Also, on the same assembly meeting Decision number 020-4476-9/13 on fourth issue of shares to the qualified investor without publishing prospectus obligation was adopted. This Decision regulates the procedure to increase the Company’s share capital in the amount of BAM 2,000,000. Issued shares were purchased by the City of Prijedor and thereby made recapitalization, after which the value of the Company’s share capital amounts to BAM 2,040,000, and share capital ownership of the City of Prijedor is 99.68%.

By decision of the District commercial court in Prijedor No. 067-0-Reg-19-000088 from 3 April 2019, the change of function of the person authorized to represent is entered in the court register. Zoran Knežević is dismissed from duty and is named for director without restrictions.

By the decision of the District commercial court in Prijedor No. 067-0-Reg-21-000088 from 22 March 2021, the change of the function of the person authorized to represent was entered in the court register. Duško Miletić has been named as acting director, and the current director Zoran Knežević has been relieved of his duties.

As of 31 December 2021, the Company has 67 employees (31 December 2020: 61 employees).

***Company’s Bodies***

***Supervisory Board***

Dragojla Aleksić	Chairman from 10 March 2021
Miroslav Bijelić	Member
Aleksandar Škorić	Member from 10 March 2021
Velimir Smiljanić	Chairman until 10 March 2021
Dragoslav Novaković	Member until 10 March 2021

***Management***

Duško Miletić	Acting Director from 12 March 2021
Zoran Knežević	Director until 12 March 2021
Biljana Dobrijević	Executive Director of the Legal department from 10 December 2019
Vinka Pekija	Executive Director of the Economic department
Zoran Dragojević	Executive Director of the Technical department from 15 September 2019

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**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. GENERAL (CONTINUED)**

*Audit committee*

Brankica Madžar	Chairman from 29 June 2021
Maja Kobas	Member from 29 June 2021
Mladenko Vujičić	Member from 29 June 2021
Milanka Ivaniš	Chairman until 29 June 2021
Mirjana Dejanović	Member until 29 June 2021
Radmila Vukadinović	Member until 29 June 2021

*Internal audit*

Milorad Nedimović	Director of the Internal audit department
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**1.1 Going concern**

The Company prepares its financial statements in accordance with the principle of going concern. This principle implies the assumption that the Company will operate in the foreseeable future. Regardless of the fact that the business in the foreseeable future (the next business year) is not threatened, we note that for the period ended 31 December 2021, the Company had total short-term assets in amount that is significantly less than short-term liabilities. The ability of the Company to operate in accordance with the going concern principle depends exclusively on the financial support of city and state authorities.

**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 period beginning on 1 January 2021 or later. The annual improvements include a large number of amendments to IAS and IFRS, which are shown as follows:

IFRS 4, IFRS 7, IFRS 9, IFRS 16	
IAS 8	Interest rate benchmark reform – phase 2 (applicable from 1 January 2021)
IFRS 16	COVID-19 related rent concessions (applicable from 1 June 2021)

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

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	Amendments to the classification of liabilities (applicable from 1 January 2023)
IAS 1	Amendments require the entity to disclose its material accounting policies instead of its significant accounting policies (applicable from 1 January 2023)
IAS 8	Amendments replace the definition of changes in accounting estimates with the definition of accounting estimates (applicable from 1 January 2023)
IAS 12	Amendments clarify that the exemption from initial recognition does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition (applicable from 1 January 2023)
IAS 16	Amendments prohibiting the company deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company is preparing the asset for its intended use (applicable from 1 January 2022)

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**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**2.2 Standards and Interpretations in issue not yet adopted (continued)**

IAS 37	Amendments regarding costs that are included in assessing whether a contract is harmful (applicable from 1 January 2022)
IFRS 3	Amendments to update references to the Conceptual Framework (applicable from 1 January 2022)
IFRS 4	Extension of the temporary exemption from application of IFRS 9 (applicable from 1 January 2023)
IFRS 10, IAS 28	Sale or contribution of assets between the investor and its associate or joint venture and further amendments (date of entry into force postponed indefinitely until the completion of the capital project research project)
IAS 17	Insurance contracts including amendments to IFRS 17: method of measuring insurance and a more uniform approach to measurement and presentation for all insurance contracts (applicable from 1 January 2023)
IAS 17	Amendments regarding the presentation of comparative information in the simultaneous first-time adoption of IFRS 17 and IFRS 9 (effective when IFRS 17 was first applied)

Amendments to various standards due to "Improvements to IFRSs (2018-2020 cycle)" arising from the annual project to improve IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with the aim of eliminating inconsistencies and clarifying of formulations (amendments of IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022).

The Company will not adopt these standards, amendments and interpretations in advance, before the date they enter into force. The Management anticipates that the adoption of these standards and interpretations in future periods will not significantly affect the Company's financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation and Presentation of the Financial Statements**

The accompanied Financial Statements of the Company are presented in accordance with the International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) and accounting regulations of the Republic of Srpska that are based on them.

Namely, according to the Law on Accounting and Auditing of the Republic of Srpska ("Official Gazette of RS", number 36/09 and 52/11), all legal entities headquartered in the Republic of Srpska are obligated to full application of IAS and IFRS, as well as ISA, the Code of ethics for professional accountants, as well as the accompanying instructions, explanations and guidelines issued by the International Accounting Standards Board (IASB), as well as the accompanying instructions, explanations and guidelines issued by the International Federation of Accountants (IFAC), to the financial statements for the period beginning on 1 January 2010 or later.

The Financial Statements of the Company are presented in format prescribed within Chart of accounts Book of regulations for companies, cooperative and other legal entities ("Official Gazette of Republic of Srpska", number 79/09), Book of regulations about content and form of financial statements templates for companies, cooperative and other legal entities ("Official Gazette of Republic of Srpska", number 84/09), and Book of regulations about contents and form of changes in equity templates ("Official Gazette of Republic of Srpska", number 84/09).

The balances in the accompanying financial statements have been stated in convertible marks (BAM). The convertible mark is the official reporting currency in the Republic of Srpska and Bosnia and Herzegovina, which is officially tied to Euro (EUR 1 = BAM 1.95583).

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**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**Basis of Preparation and Presentation of the Financial Statements (continued)**

In the preparation of these financial statements, the Company has adhered to the accounting policies described in Note 3 to the financial statements and are based on accounting and tax legislation of the Republic of Srpska.

**3.1 Revenue recognition**

Income is measured at fair value of consideration received or receivable, net of rebates. Revenue arising from operating activities based on production and sale of heating energy and other services is recognized at invoiced value, net of discounts, refunds and value added tax. Revenue arising on the sale of services rendered is also recognized at invoiced value, net of discounts, refunds and value added tax.

**3.2 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

**3.3 Foreign currencies**

Transactions denominated in foreign currencies are translated into convertible marks at the official exchange rates in effect at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into convertible marks by applying the official exchange rates prevailing at the date of statement of financial position. Gains and losses arising from translation are reported in the statement of comprehensive income for the period in which they were incurred.

**3.4 Employee benefits**

*a) Taxes and Contributions Made to the Employee Social Security*

In accordance with the local regulatory requirements and the adopted accounting policy, the Company is obligated to pay contributions to various state social security funds that guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, in an amount computed by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the respective government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

*b) Obligations for Employee Retirement Benefits*

In accordance with the Labour Law and Collective Bargaining Agreement for municipal and service industry of the Republic of Srpska ("Official Gazette number 95/06), the Company is obligated to pay retirement benefits in an amount equalling three average monthly salaries earned by an employee and calculated in accordance with Collective Bargaining Agreement. IAS 19 "Employee Benefits" requires that the present value of accumulated employee entitlements to retirement benefits be calculated.

*c) Short-term paid absence*

Accumulated paid leave can be transferred and used in next periods, unless in current period have not been used fully. Expected paid leave expenses are recognized in an amount that is equal to expected payments as result of unused accumulated rights on the day of financial position statement. In a case of non-accumulated paid leave, liability and cost are not recognized till the moment when absence is used.

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**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**3.5 Taxation**

*Current income tax*

Current income tax relates to the amount payable in accordance with the Income Tax Law ("Official Gazette of Republic of Srpska" number 91/06), in effect from January 1, 2007. Current income tax is payable at the statutory rate of 10% applied to the tax base reported in the annual corporate income tax return, being the amount of profit before taxation net of as reduced by any effects of income and expense adjustments allowed by the tax regulations of the Republic of Srpska.

The tax regulations in the Republic of Srpska do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for the duration of no longer than five ensuing years.

*Deferred income taxes*

Deferred income taxes are provided using the statement of financial position liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently-enacted tax rates or the substantively-enacted rates at the statement of financial position date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized. The depreciation included in the calculation of taxable income may differ from the one used in determining the accounting profit.

The temporary difference results in deferred tax liability if the capital cost allowance (depreciation calculated for tax purposes) is ahead of accounting depreciation, i.e., in deferred tax assets, in case the capital cost allowance is behind the depreciation calculated for accounting purposes. As for the treatment of depreciation, the Law on the Corporate Income Tax envisages such possibility, but it does not impose the obligation, so the Company used the depreciation calculated for accounting purposes, for tax purposes alike, and did not determine deferred taxes.

*Taxes and contributions that do not depend on results*

Taxes and contributions that do not depend on results represent payments according to the applicable republic and municipal regulations in order to finance various utility and republic needs. These taxes and contributions are included in other operating expenses. Pursuant to the Value Added Tax Law ("Official Gazette BiH" number 9/05,35/05 and 100/08), system for the payment of value added tax (VAT) was introduced on the territory of Bosnia and Herzegovina, commencing on 1 January 2006, by which previously-applied taxation system for payment of sales tax on products and services was changed.

**3.6 Inventories**

The value of inventories of materials, spare parts, tools and inventories is recorded at cost. Purchase value includes value per supplier's invoice, transport and dependent costs. When the material is an effect of its own production and when it is further used in the next stage of the production process, its estimation is made in the amount of production costs of these stocks, and most of all up to the net sales value of these inventories. As a fixed asset, built-in spare parts are recognized, whose useful life is longer than one year and the individual purchase price at the time of procurement of funds is higher than the average gross salary per employee in the Republic of Srpska, according to the latest published data of the republic authority in charge of statistical affairs. Such spare parts, after installation, increase the carrying amount of the asset in which they are installed. Spare parts that do not meet the above conditions are stated as operating expenses. As a fixed asset, they are recognized and subject to the depreciation of the asset and small inventory, whose useful life is longer than one year, and the individual purchase price at the time of acquisition of funds is higher than the average gross salary per employee in the Republic of Srpska, according to the latest published data of the republic authority responsible for jobs statistics.

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**TOPLANA A.D. PRIJEDOR**  
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**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**3.6 Inventories (continued)**

The tools of the tool and the small inventory, which are not prescribed by the Rules of Depreciation, are recorded as equipment on a separate analytical account. If their individual purchase value is less than BAM 1,500 it is written off at an annual rate of 100%. Tools and inventories that do not meet these conditions are disclosed as working capital (inventories). Material consumption is calculated using the weighted average method. Subsequent valuation of inventories is carried at cost or net sales value, if lower.

**3.7 Property, plant and equipment**

Under the property, plant and equipment are considered those assets whose expected useful life is longer than one year, and the individual purchase price at the time of procurement of funds is higher than the average gross salary per employee in the Republic of Srpska, according to the latest published data of the republic authority responsible for statistics. The initial measurement of property, plant and equipment that meets the requirements for recognition of assets is carried at cost. Subsequent measurement after initial recognition of property, plant and equipment is carried out using the cost model of IAS 16 - Property, plant and equipment, or at cost less any allowance for accumulated depreciation and impairment, except for property subsequently valued at the revalued value.

Subsequent expenditure, which relates to property, plant or equipment after its acquisition or completion, increases the value of the asset if it meets the requirements to be recognized as a fixed asset, i.e. if the lifetime is longer than one year and if the value of the subsequent expenditure is higher than the average gross salary in the Republic of Srpska, according to the latest published data of the republic authority in charge of statistical affairs. All other subsequently incurred expenditures on property, plant and equipment are recognized as expenses in the period in which they were incurred. Also, if the subsequent expenditure is mainly due to work, consumables and small spare parts, this expense is recorded as a current maintenance cost. For the subsequent expense that increases the value of the property, plant and equipment, the purchase value of such property, plant and equipment is adjusted. If the lifetime of an embedded part, recognized as a subsequent expense, is different from the lifetime of the asset in which it is incorporated, then that portion is held as a separate asset and amortized over the useful life of the asset.

The disposed part is disposed of at an estimated value, if it is not possible to determine it carrying amount.

Depreciation of property, plant and equipment is carried out using the proportional and functional method. Useful depreciation and amortization rates are reviewed every year. The basis for calculating the depreciation of property, plant and equipment is the purchase or revalued value.

The estimated useful lives of individual groups of property, plant and equipment, which served as the basis for calculating depreciation, are the following:

	<b>Estimated useful life</b>	<b>Depreciation rate</b>
Buildings	22 to 55 years	1.80%-4.5%
Old boilers	50 years	2%
Other equipment	5 to 31 years	3.2-16.6%

For the new electricity generation equipment, a functional depreciation calculation method is applied. By setting the ratio of working time over a year to the total estimated working time, based on the declaration of the equipment manufacturer, the depreciation rate for the current year is calculated.

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

**3.8 Intangible assets**

Intangible asset is asset that can be identified as non-monetary and without physical substance. Investment is recognized as intangible asset when its useful life is longer than a year and their cost when the asset is purchased is higher than average gross salary per employee in Republic of Srpska according to the last published data issued by authorized statistic institution. If an asset does not meet such requirements, it is recognized in charge of expenses of the period in which it occurs. Intangible asset is initially recognized at cost. Subsequent measurement, after initial recognition of an intangible asset, is made according to the cost model as required in IAS 38 – Intangible assets, i.e. at cost net of value impairments based on accumulated amortization and impairment. Amortization of intangible asset subject do amortization is carried out using the proportional method within 5 years, except for investments whose useful life is determined in the contract, in which case amortization is calculated due to the contract timeline.

The amortization of an intangible asset starts from the next month when an intangible asset was put in use. Basis for amortization of an intangible asset is cost value. Subsequent expenditure, related to an intangible asset after its purchase or completion, increase its value if its useful life is longer than a year and their cost when the asset is purchased is higher than average gross salary per employee in Republic of Srpska according to the last published data issued by authorized statistic institution. Subsequent expenditure that does not meet previous requirements is recognized as costs in period when occurred. For subsequent expenditure that increase intangible asset value cost value is adjusted. Intangible assets presented in financial statements are amortised on a straight-line basis over their estimated useful lives, on the following basis:

	<b>Estimated useful life</b>	<b>Depreciation rate</b>
Investments in development	6 to 11 years	9%-18%
The building right	56 years	1.8%

**3.9 Cash and cash equivalents**

Cash and cash equivalents include demand deposits and fixed deposits with an original maturity of three months.

**3.10 Impairment of asset value**

On each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets in order to determine whether there are indications that there has been a loss due to the impairment of the said asset. If there are such indications, the recoverable amount of the asset is estimated in order to determine the eventual impairment loss. If it is not possible to estimate the recoverable amount of a particular asset, the Company assesses the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the net selling price or value in use, whichever is higher. For the purposes of estimating value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to that asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, then the carrying amount of that asset (or cash-generating unit) is impaired up to a recoverable amount. Impairment losses are recognized immediately as an expense, unless the asset is not a land or a building that is not used as an investment property that is stated at the revalued amount, in which case the impairment loss is recognized as a decrease in the value generated by the revaluation of the asset.

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**TOPLANA A.D. PRIJEDOR**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of asset value (continued)**

In case of a subsequent cancellation of the impairment loss, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of that asset, where the higher carrying amount does not exceed the carrying amount that would have been established that in previous years there were no recognized losses on that asset (cash-generating unit) due to impairment. The reversal of impairment losses is recognized immediately as income, unless the asset is stated at the estimated value, in which case the reversal of impairment loss is recognized as an increase due to revaluation.

**3.11 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**3.12 Short-term receivables and loans**

Short-term receivables include receivables from trade receivables - dependent and related legal entities and other customers in the country and abroad based on the sale of products, goods and services. Short-term placements include loans, securities and other short-term placements with a maturity date or sale up to one year from the balance sheet date. Short-term receivables from customers are measured by value from the original invoice. If the value in the invoice is denominated in a foreign currency, conversion into the reporting currency at the current exchange rate of the Central Bank of BH on the day of the transaction. Receivables denominated in foreign currencies at the balance sheet date are translated at the current exchange rate of the Central Bank of BH and exchange differences are recognized as income or expense of the period.

Indirect write-off, or a correction of the value of receivables from customers through the impairment account, is carried out in the case of receivables from customers where at least 60 days have passed since the deadline for their payment. The decision on indirect write-offs, i.e. the correction of the value of receivables from customers through the impairment account on the Commission's proposal for the list of receivables and short-term placements, is made by the Management Board of the Company. Direct write-off of customer receivables at the expense of the expense of the period is done if the collectability is certain and documented - the Company did not manage to settle its payment by court and the claim was previously included in the Company's income. The decision on direct write-off of trade receivables on the proposal of the Commission for the list of claims and short-term placements is made by the Management Board of the Company.

Short-term financial investments that are not held for trading are measured at fair value, without taking into account the intention of the Company to hold them until the maturity date.

**3.13 Financial liabilities**

Financial liabilities include long-term liabilities, short-term financial liabilities, short-term operating liabilities and other short-term liabilities. In initial recognition, the Company measures a financial liability at its cost which represents the fair value of the consideration received for it. Transaction costs are included in the initial measurement of all financial liabilities.

After initial recognition, the Company measures all financial liabilities at amortized cost, other than the obligation held for trading and derivatives that are liabilities measured at fair value. Reduction of obligations under the law, outright settlement, or the like is done by direct write-off.

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

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

**4.1 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The lifetime of tangible and intangible assets

The company reviews the estimated life of tangible and intangible assets 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 impairment for doubtful receivables, the Company's Management Board bases its assessment on the age structure of receivables and write-offs from previous periods.

**5. SALES**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Revenue from heating– individuals	2,927,014	2,951,185
Revenue from heating – legal entities	966,238	901,744
Revenue from heating – budget users	735,992	711,384
Revenue from electricity production	113,650	311,888
Revenue from services – legal entities and budget users	59,892	23,705
Revenue from services – individuals	1,553	487
<b>Total:</b>	<b>4,804,339</b>	<b>4,900,393</b>

**6. COSTS OF MATERIAL, FUEL AND ENERGY**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Wood costs	2,974,679	2,328,660
Cost of other material	339,853	203,154
Energy costs	289,383	323,955
Fuel cost	76,348	67,919
Small inventory write-off	7,653	24,447
<b>Total:</b>	<b>3,687,916</b>	<b>2,948,135</b>

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**7. STAFF COSTS AND OTHER PERSONNEL COSTS**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Gross salaries	1,081,149	980,083
Holiday allowance	133,102	124,083
Other employee expenses	62,099	24,199
Meal allowance	48,855	47,383
Reimbursement to the Supervisory Board, Audit Committee and Internal Audit	42,784	41,789
Transportation fees	32,697	30,649
Travel expenses	130	270
<b>Total:</b>	<b>1,400,816</b>	<b>1,248,456</b>

**8. PRODUCTION SERVICES COSTS**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Maintenance	91,220	106,280
Temporary services	40,055	50,988
Telecommunication cost	26,912	25,256
Other production services	9,788	11,061
Transport	8,130	590
Utilities	6,123	5,495
Marketing and advertising	180	5,834
<b>Total:</b>	<b>182,408</b>	<b>205,504</b>

**9. DEPRECIATION AND AMORTIZATION**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Depreciation of tangible assets (Note 17)	844,717	856,898
Amortization of intangible assets (Note 16)	146,113	157,465
<b>Total:</b>	<b>990,830</b>	<b>1,014,363</b>

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**10. NON-MATERIAL COSTS**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Intellectual services	23,604	28,772
Insurance costs	29,291	25,747
Memberships, contribution, taxes and fees	16,573	21,507
Severance payments (Note 23)	2,649	16,198
Banking services	6,726	8,413
Costs of other provisions	8,386	7,979
Cost of advertising in print	4,305	2,830
Entertainment expenses	1,409	421
Other non-material expenses	6,364	11,928
<b>Total:</b>	<b>99,307</b>	<b>123,795</b>

**11. OTHER INCOME**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Income from subsidies from the city of Prijedor*	1,991,497	971,378
Collected written-off receivables (Note 19)	607,530	444,441
Income from reversal of long-term provisions (Note 24)	331,184	370,683
Income from invoicing connection fee	10,470	-
Income from collected written-off other receivables	-	1,065
Income from reconciliation of impairment (Note 19)	-	208,318
Income from other donations	-	43,142
Income from insurance premiums	-	3,200
Other operating income	1,201	1,149
<b>Total:</b>	<b>2,941,882</b>	<b>2,043,376</b>

\* On 25 February 2021, the City of Prijedor approved funds to the Company in the total amount of BAM 625,000 in the name of a subsidy for settling the first half of the annual obligation based on due annuities on the EBRD loan in 2021. On 19 March 2021, the Company was approved funds by the City of Prijedor in the amount of BAM 100,000 in the name of subsidizing the smooth running of the Company. On 29 April 2021, the City of Prijedor approved funds to the Company in the amount of EUR 319,837 in the name of a subsidy for settling liabilities based on EBRD loans. On 26 August 2021, the City of Prijedor approved funds to the Company in the amount of BAM 130,000 in the name of subsidizing the smooth running of the Company's work process. Also, on 27 October 2021, the City of Prijedor approved funds to the Company in the amount of EUR 316,734 in the name of a subsidy for settling liabilities based on EBRD loans.

**12. OTHER EXPENSES**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Impairment of receivables (Notes 19 and 20)	866,369	937,947
Expenses from previous periods	61	118
Other expenses	370	2,566
<b>Total:</b>	<b>866,800</b>	<b>940,631</b>

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**13. FINANCIAL INCOME**

	2021 BAM	2020 BAM
Revenue from invoiced interest	313,960	282,097
<b>Total:</b>	<b>313,960</b>	<b>282,097</b>

**14. FINANCIAL EXPENSES**

	2021 BAM	2020 BAM
Interest on borrowings	562,752	609,994
Subsequently determined interest for late payment	54,760	107,445
<b>Total:</b>	<b>617,512</b>	<b>717,439</b>

**15. INCOME TAX**

Domestic income tax is calculated at 10% of the estimated assessable profit for the year. The charge for the year may be reconciled to the profit per the income statement as follows:

	2021 BAM	2020 BAM
<b>Profit before tax</b>	<b>214,592</b>	<b>27,543</b>
Tax effect of non - deductible expenses	73,550	163,424
Tax effect of non - deductible income	(451,192)	(519,912)
<b>Total taxable loss</b>	<b>(163,050)</b>	<b>(328,945)</b>
Income tax at the rate of 10%	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>

**16. INTANGIBLE ASSETS**

	Investment in development BAM	Right to build BAM	Total BAM
<i>Cost</i>			
<b>As at 31 December 2020</b>	<b>1,227,964</b>	<b>526,744</b>	<b>1,754,708</b>
Additions	-	-	-
<b>As at 31 December 2021</b>	<b>1,227,964</b>	<b>526,744</b>	<b>1,754,708</b>
<i>Accumulated amortization</i>			
<b>As at 31 December 2020</b>	<b>508,142</b>	<b>44,627</b>	<b>552,769</b>
Amortization for the year (Note 9)	136,632	9,481	146,113
<b>As at 31 December 2021</b>	<b>644,774</b>	<b>54,108</b>	<b>698,882</b>
<i>Net carrying amount</i>			
<b>As at 31 December 2021</b>	<b>583,190</b>	<b>472,636</b>	<b>1,055,826</b>
<b>As at 31 December 2020</b>	<b>719,822</b>	<b>482,117</b>	<b>1,201,939</b>

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**16. INTANGIBLE ASSETS (CONTINUED)**

	Investment in development BAM	Right to build BAM	Total BAM
<i>Cost</i>			
<b>As at 31 December 2019</b>	1,227,964	526,744	1,754,708
Additions	-	-	-
<b>As at 31 December 2020</b>	1,227,964	526,744	1,754,708
<i>Accumulated amortization</i>			
<b>As at 31 December 2019</b>	360,158	35,146	395,304
Amortization for the year (Note 9)	147,984	9,481	157,465
<b>As at 31 December 2020</b>	508,142	44,627	552,769
<i>Net carrying amount</i>			
<b>As at 31 December 2020</b>	719,822	482,117	1,201,939
<b>As at 31 December 2019</b>	867,806	491,598	1,359,404

**17. PROPERTY, PLANT AND EQUIPMENT**

	Land BAM	Buildings BAM	Equipment BAM	Investment in progress BAM	Total BAM
<i>Cost</i>					
<b>As at 31 December 2020</b>	818,890	8,948,639	24,394,169	-	34,161,698
Additions	-	-	-	20,307	20,307
Transfer (from)/to	-	2,452	17,855	(20,307)	-
<b>As at 31 December 2021</b>	818,890	8,951,091	24,412,024	-	34,182,005
<i>Accumulated depreciation</i>					
<b>As at 31 December 2020</b>	-	3,727,393	10,935,701	-	14,663,094
Depreciation (Note 9)	-	130,868	713,849	-	844,717
<b>As at 31 December 2021</b>	-	3,858,261	11,649,550	-	15,507,811
<i>Net carrying amount</i>					
<b>As at 31 December 2021</b>	818,890	5,092,830	12,762,474	-	18,674,194
<b>As at 31 December 2020</b>	818,890	5,221,246	13,458,468	-	19,498,604

The Company pledged land and real estate with a net book value of BAM 919,809 and equipment with a net book value of BAM 12,030,667 as an instrument for securing a return on bonds and for repayment of liabilities to the state.

	Land BAM	Buildings BAM	Equipment BAM	Investment in progress BAM	Total BAM
<i>Cost</i>					
<b>As at 31 December 2019</b>	818,890	8,946,839	24,386,404	-	34,152,133
Additions	-	-	-	9,565	9,565
Transfer from/to	-	1,800	7,765	(9,565)	-
<b>As at 31 December 2020</b>	818,890	8,948,639	24,394,169	-	34,161,698
<i>Accumulated depreciation</i>					
<b>As at 31 December 2019</b>	-	3,596,884	10,209,312	-	13,806,196
Depreciation (Note 9)	-	130,509	726,389	-	856,898
<b>As at 31 December 2020</b>	-	3,727,393	10,935,701	-	14,663,094
<i>Net carrying amount</i>					
<b>As at 31 December 2020</b>	818,890	5,221,246	13,458,468	-	19,498,604
<b>As at 31 December 2019</b>	818,890	5,349,955	14,177,092	-	20,345,937

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**18. INVENTORIES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Firewood	353,353	1,055,491
Maintenance material	276,204	275,318
Fuel oil	45,361	45,361
Tools and small inventory, net	30,648	17,898
Other	6,554	5,390
<b>Total:</b>	<b>712,120</b>	<b>1,399,458</b>

**19. TRADE RECEIVABLES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Trade receivables - individuals – services and interest	9,579,393	9,597,713
Trade receivables - legal entities – services and interest	1,089,801	1,210,711
Trade receivables - budget users– services and interest	364,038	413,269
Impairment for bad and doubtful trade receivables	(9,500,162)	(9,572,837)
<b>Total:</b>	<b>1,533,070</b>	<b>1,648,856</b>

Changes in impairment for trade receivables may be presented as follows:

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>Balance as at 1 January</b>	<b>9,572,837</b>	<b>9,645,131</b>
Increase in impairment (Note 12)	865,774	937,947
Collected written-off receivables (Note 11)	(607,530)	(444,441)
Income from reconciliation of impairment (Note 11)	-	(208,318)
Write-off/derecognition	(330,919)	(357,482)
<b>Balance as at 31 December</b>	<b>9,500,162</b>	<b>9,572,837</b>

**20. OTHER RECEIVABLES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Receivables for court fees	71,253	15,014
Heating connection fee receivables	45,945	45,945
Advance receivables	13,954	12,387
Receivables for reimbursement of sick leave	4,072	1,089
Other receivables	2,138	1,151
Receivables for overpaid taxes	-	3,116
Prepaid and accrued expenses	-	595
Impairment for bad and doubtful other receivables	(35,820)	(35,820)
<b>Total:</b>	<b>101,542</b>	<b>43,477</b>

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**20. OTHER RECEIVABLES (CONTINUED)**

Changes in impairment for other receivables may be presented as follows:

	2021 BAM	2020 BAM
<b>Balance as at 1 January</b>	<b>35,820</b>	<b>35,820</b>
Increase in impairment (Note 12)	595	-
Write-off	(595)	-
<b>Balance as at 31 December</b>	<b>35,820</b>	<b>35,820</b>

**21. CASH AND CASH EQUIVALENTS**

	31/12/2021 BAM	31/12/2020 BAM
Cash at bank accounts	127,728	35,855
Extracted funds for settlement of liabilities upon borrowings from EBRD	65,870	76,728
Cash in hand	3,891	4,347
Cash at bank accounts in foreign currency	1,130	5,770
<b>Total:</b>	<b>198,619</b>	<b>122,700</b>

**22. SHARE CAPITAL**

	31/12/2021 BAM	31/12/2020 BAM
2,040,000 ordinary shares with a nominal value of BAM 1	2,040,000	2,040,000
<b>Total:</b>	<b>2,040,000</b>	<b>2,040,000</b>

Share capital structure as at 31 December 2021 and 31 December 2020 may be presented as follows:

	% ownership	31/12/2021 BAM	% ownership	31/12/2020 BAM
City of Prijedor	99.68	2,033,512	99.68	2,033,512
Other shareholders (less than 1% of ownership)	0.32	6,488	0.32	6,488
<b>Total:</b>	<b>100.00</b>	<b>2,040,000</b>	<b>100.00</b>	<b>2,040,000</b>

**23. LONG-TERM PROVISIONS**

	31/12/2021 BAM	31/12/2020 BAM
Severance pays provision	22,103	21,964
Jubilee awards provision	5,373	5,363
<b>Total:</b>	<b>27,476</b>	<b>27,327</b>

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**23. LONG-TERM PROVISIONS (CONTINUED)**

When calculating the present value of accumulated rights of employees on severance payments, the Company used the following assumptions: the interest rate of 6.70%, the year of service for retirement (the insured who has not reached 65 years of age has the right to an old-age pension when he reaches 60 years of age and 40 years of retirement, the insured woman who has not reached 65 years of age has the right to an old-age pension when she attains 58 years of age and 35 years of service), the projected fluctuation of employees on the basis of data on the movement of employees in the previous period of 1%, as well as other conditions necessary for exercising the right to severance pay and jubilee award.

Movements in long-term provisions in 2021 and 2020 may be presented as follows:

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>Balance as at 1 January</b>	<b>27,327</b>	<b>25,959</b>
Provisions during the year on account of expenses (Note 10)	2,649	16,198
Reversal of provision for paid severance	(2,500)	(14,830)
<b>Balance as at 31 December</b>	<b>27,476</b>	<b>27,327</b>

**24. DEFERRED INCOME**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
SIDA Sweden	3,374,530	3,696,232
The Government of Republic of Srpska	363,667	369,095
City of Prijedor	153,061	157,115
<b>Total:</b>	<b>3,891,258</b>	<b>4,222,442</b>

Grant funds by SIDA have been approved for financing consulting services for the project of construction of a biomass heating plant. Total funds approved amount to EUR 2,618,700.

Grant funds from the Government of Republic of Srpska are approved based on Government Decision No. 04/1-012-2-2356/15 from 22 October 2015 in total amount of BAM 900,000. Funds have been approved for support to project of central heating on wood biomass in Prijedor.

Grant funds from the City of Prijedor relate to the assignment of the right of construction on the land owned by the city for the construction of a biomass heating plant free of charge for a period of 100 years.

Movements in deferred income during 2021 and 2020 can be shown as follows:

	<b>2020</b>	<b>2019</b>
	<b>BAM</b>	<b>BAM</b>
<b>Balance as at 1 January</b>	<b>4,222,442</b>	<b>4,593,125</b>
Income from reversal of long-term provisions (Note 11)	(331,184)	(370,683)
<b>Balance as at 31 December</b>	<b>3,891,258</b>	<b>4,222,442</b>

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**25. LONG-TERM BORROWINGS AND BONDS**

	Interest rate in %	Maturity	31/12/2021 BAM	31/12/2020 BAM
The European Bank for Reconstruction and Development (EBRD)	6m Euribor+margin	31/10/2029	9,127,207	10,268,107
Tax Administration, Ministry of Finance of RS	Legislative	August 2022	-	45,215
<b>Subtotal borrowings</b>			<b>9,127,207</b>	<b>10,313,322</b>
<b>Bonds</b>	-	-	<b>9,766,540</b>	<b>9,936,549</b>
<b>Subtotal bonds</b>			<b>9,766,540</b>	<b>9,936,549</b>
<b>Total borrowings and bonds</b>			<b>18,893,747</b>	<b>20,249,871</b>
<i>Less: current portion presented within short-term liabilities (Note 28)</i>			(2.033.595)	(1.735.337)
<b>Total:</b>			<b>16,860,152</b>	<b>18,514,534</b>
Long-term borrowings are repayable as follows:				
On demand or within one year			2,033,595	1,735,337
In the second year			1,744,747	1,722,120
From the third to fifth year inclusive			5,334,086	5,092,763
After five years			9,781,319	11,699,651

On 24 December 2014, the Company signed a loan agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of EUR 7 million for the construction of a biomass heating plant that will improve energy efficiency and sustainability of the heating network in the City of Prijedor. The funds are granted with a grace period of 36 months, and repayment begins from 30 April 2018 and will be carried out in 24 equal semi-annual instalments. Also, the Agreement provides that the bank will seek to secure additional grant in the amount of EUR 2 million from the fund that the Bank keeps with organization SIDA. Pursuant to the Agreement, until 1 January 2016, the Company should have taken all necessary actions for the adoption of the program of improving financial and operational activities, and to work on the signing of the contract with the City of Prijedor for public services. Due to the aforementioned, a consulting company was hired and was financed from grant funds.

Based on the Decision of the Central Registry of Securities No. 01-26556/13 dated 27 December 2013, the Company made an entry of issued bonds purchased by IRB funds (Share Fund RS ad Banja Luka and Restitution Fund RS ad Banja Luka) in the amount of BAM 4,500,000. The balance of liabilities under the aforementioned bonds on 31 December 2021 amounts to BAM 1,766,540.

On 5 August 2020, the Company signed an Annex to the Agreement (Settlement of Due Unpaid Annuities on the Basis of Issued Bonds from the First Bond Issue) with Share Fund of Republika Srpska. According to the Annex, the obligations in the total amount of BAM 261,244 related to the installments from March to July 2020, the Company is obliged to settle in five installments, starting from January 2024.

On 30 August 2021, the Share Fund of the Republika Srpska a.d. Banja Luka and the Company signed an Agreement on settlement of due unpaid annuities on the basis of issued bonds from the first issue of bonds, according to which the Company is obliged to settle liabilities in the total amount of BAM 286,661 in eight installments, starting from January 2024.

Based on the Decision of the Central Registry of Securities No. 03-580/18 dated 19 December 2018, the Company made an entry of issued bonds purchased by IBR funds (Development and Employment Fund of RS Banja Luka, RS Restitution Fund ad Banja Luka and Share Fund RS ad Banja Luka) in the amount of BAM 8,000,000, as well as the balance of liabilities as at 31 December 2021. The Grace period is until November 2024.

On 6 August 2007, the Company signed an agreement No. 06/1.01/0105-413-111/07 with the Tax Administration, Ministry of Finance of RS, on how to settle matured tax liabilities in total amount of BAM 1,096,780, of which the principal debt is BAM 998,293, while the remaining amount relates to interest. On 31 December 2021, the obligations were settled.

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**25. LONG-TERM BORROWINGS AND BONDS (CONTINUED)**

Based on the notification of the Tax Administration, Prijedor Regional Center, No. 06/1.03/0701-413-111/07 of 27 December 2019, the Company has made an adjustment to the opening balance as of 1 January 2019, of its liabilities to the Tax Administration, refers to the reconciliation of the balance of liabilities from earlier periods in the amount of BAM 95,612. On 31 December 2021, the obligations were settled.

**25.1. COMPLIANCE WITH THE REQUIREMENTS OF THE CONTRACT**

The status of financial covenants in accordance with Section 4.03 of Loan Agreement is as follows:

- (1) The Borrower shall by 31 December 2015 write off all trade receivables from its customers older than one calendar year;

*As noted in Note 19, the Company during the period written off a total of BAM 865,774 from trade receivables (principal debt and interest). Nevertheless, in the balance of total trade receivables, there were trade receivables older than one year for which no impairment was recorded, however the Management considers that the mentioned receivables are recoverable because of signed reprograms.*

- (2) The Borrower shall by 31 December 2017 achieve, and at all times thereafter maintain, a Bill Collection Ratio of not less than 0.95:1;

	31 December 2021
<i>The aggregate amount of cash received by the borrower from its customers for services rendered during the 12 months preceding the date of calculation</i>	5,813,163
<i>The aggregate number of invoices issued by the Borrower to its customers during such period</i>	5,560,784
<b>Bill Collection Ratio</b>	<b>1.045</b>

- (3) The Borrower shall by 31 December 2018 achieve, and at all times thereafter maintain, a Debt Service Coverage Ratio of not less than 1.2:1;

	31 December 2021
<i>Cash Available for Debt Service for the 12 months preceding the date of calculation</i>	7,141,177
<i>Sum of the principal repayments and interest payments on all Financial Debt due or accrued during such period</i>	1,993,382
<b>Debt Service Coverage Ratio</b>	<b>3.582</b>

- (4) The Borrower shall by 31 December 2018 pay all amounts then due to its suppliers in connection with the supply to the Borrower of heavy fuel oil;

*Trade payables balance as at 31 December 2021 is closed. Liabilities were settled in full during February 2019.*

- (5) The Borrower shall by 31 December 2020 achieve, and at all times thereafter maintain, a Staff Costs Ratio of not more than 0.2:1;

	31 December 2021
<i>The aggregate amount of the Borrower's Staff Costs during the 12 months preceding the date of calculation</i>	1,400,816
<i>The Borrower's Total Operating Costs during such period</i>	6,361,276
<b>Staff Costs Ratio</b>	<b>0.220</b>

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**26. TRADE PAYABLES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Trade payables – domestic	1,684,196	1,828,854
Trade payables – foreign	926	324
<b>Total:</b>	<b>1,685,122</b>	<b>1,829,178</b>

**27. SHORT-TERM BORROWINGS**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
The city of Prijedor	5,900,000	5,900,000
The Government of Republic of Srpska	3,942,271	3,942,271
Current portion of long-term borrowings (Note 25)	2,033,595	1,735,337
<b>Total:</b>	<b>11,875,866</b>	<b>11,577,608</b>

During 2017 and previous periods, loans were approved from the budget of the City of Prijedor towards the Company for financing working capital for periods up to 12 months. The last loan was granted on 10 January 2017 in the amount of BAM 1 million. The extension of the period for settling these liabilities was not performed to the day of our audit.

On 21 June 2017, the Company signed the Agreement no. 010-1634/17 with the Government of Republika Srpska regarding the takeover of debt towards Rafinerija nafte Brod in the amount of BAM 1,826,339 and Optima Group d.o.o. Modriča in the amount of BAM 2,115,932.

**28. OTHER SHORT-TERM LIABILITIES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Liabilities for accrued interest	204,489	229,766
Liabilities for net earnings	77,976	56,847
Prepaid income from invoices	76,458	67,784
Advances	60,200	59,196
Taxes and contributions on salaries	44,812	34,006
Liabilities for VAT	39,987	79,405
Liabilities for the Supervisory Board and Audit Board	2,100	1,800
Other	7,579	7,837
<b>Total:</b>	<b>513,601</b>	<b>536,641</b>

**29. COMMITMENTS**

As mentioned in Note 25, grant funds have been granted to the Company from SIDA to finance consulting services for the project of biomass heating plant construction. Total funds approved amounted to EUR 2,618,700. Until the day of 31 December 2021, consulting companies invoiced total amount of EUR 2,561,767. The remaining amount of EUR 56,933 will be invoiced in the future.

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**30. CONTINGENT LIABILITIES**

According to Management, as at 31 December 2021 there were court proceedings initiated against the Company in amount of BAM 22,041. The Company did not make provision on this basis, because according to the responsible person, lawsuits are generally related to the determination of true state of consumer debt towards Toplana a.d. Prijedor.

**31. POST BALANCE-SHEET DATE EVENTS**

The Covid-19 virus pandemic is a significant event after the balance sheet date that has resulted in significant business disruption and poses an existential threat to many firms. In accordance with the requirements of the Standard, we are obliged to assess the ability of Company to continue to operate under the assumption of indefinite operation. We analysed the implications of assessing business continuity and sustainability in the financial statements, and whether these circumstances will result in business interruptions. Although the new situation has affected the Company's operations, the Management Board has no plans to liquidate the entity or suspend operations, and continues to adopt the going concern basis in preparing the financial statements. Until the date of our audit, according to the statement of the Management, there were no other events even transactions that significantly affected the Company's financial statements as at 31 December 2021.

**32. TRANSACTIONS WITH RELATED PARTIES**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>ASSETS</b>		
City of Prijedor – trade receivables	22,204	23,910
Prijedor Theatre	7,306	3,653
Kozarski vjesnik – trade receivables	3,159	7,817
Mladost Sports Hall – trade receivables	2,644	1,246
National library "Ćirilo i Metodije" – trade receivables	1,079	1,079
Gradska Tržnica – trade receivables	578	190
Vodovod a.d. Prijedor – trade receivables	35	35
Gallery "96" gallery business establishment – trade receivables	-	390
<b>Total:</b>	<b>37,005</b>	<b>38,320</b>
<b>LIABILITIES</b>		
City of Prijedor – short-term borrowings	5,900,000	5,900,000
City of Prijedor – trade payables	528	-
Vodovod a.d. Prijedor – trade payables	163	-
Komunalne usluge a.d. Prijedor – trade payables	-	213
<b>Total:</b>	<b>5,900,691</b>	<b>5,900,213</b>

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>REVENUE</b>		
City Prijedor – subvention	1,991,497	917,378
City Prijedor – operating income	197,559	129,942
Prijedor Theatre	37,468	37,468
Mladost Sports Hall	14,765	13,399
National library "Ćirilo i Metodije"	11,068	11,068
Kozarski vjesnik	6,479	113,837
Gallery "96" gallery business establishment	1,998	1,998
Gradska Tržnica	1,949	1,949
<b>Total:</b>	<b>2,262,783</b>	<b>1,227,039</b>

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**32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>EXPENSES</b>		
Vodovod a.d. Prijedor	2,863	1,792
Komunalne usluge a.d. Prijedor	2,530	2,771
City of Prijedor - territorial fire brigade	467	-
Kozarski vjesnik	300	3,149
Mladost Sports Hall	-	1,528
<b>Total:</b>	<b>6,160</b>	<b>9,240</b>

Payments to the Management members, members of Supervisory board and Audit board during the year were as follows:

	<b>2021</b>	<b>2020</b>
	<b>BAM</b>	<b>BAM</b>
Gross salaries for Management members	149,130	145,327
Supervisory board and Audit board fees, gross	36,816	35,821
<b>Total:</b>	<b>185,946</b>	<b>181,148</b>

**33. FINANCIAL INSTRUMENTS**

***Capital risk management***

The Company manages its capital to ensure that Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The general strategy of Company is directed towards increase in operating income, improvement of collection of receivables and rationalisation of costs. Capital structure of the Company consists of approved and received loans, cash and cash equivalents and total equity of Company.

***Gearing (solvency) ratio***

The Management reviews the capital structure on a monthly basis. As part of this review, the Management considers the cost of financing and the risks associated with each class of financing.

The gearing ratio at the year-end was as follows:

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
Debt (i)	28,736,018	30,092,142
Cash and cash equivalents	(198,619)	(122,700)
<b>Net debt</b>	<b>28,537,399</b>	<b>29,969,442</b>
Equity (ii)	-	-
<b>Net debt to equity ratio</b>	<b>100.00</b>	<b>100.00</b>

(i) Debt includes borrowings, as presented in Notes 25 and 27.

(ii) Equity includes total equity of the Company.

***Significant accounting policies***

Details of significant accounting policies and adopted methods, as well as criteria for recognition, based on performed measures and based on which income and expenses were recognized, with respect to each category of assets, financial liabilities and equity instruments are presented in Note 3 of these financial statements.

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**33. FINANCIAL INSTRUMENTS (CONTINUED)**

***Categories of financial instruments***

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>BAM</b>	<b>BAM</b>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	1,819,278	1,798,935
	1,819,278	1,798,935
<b>Financial liabilities</b>		
At amortized cost	30,798,083	32,330,981

***Financial risk management objectives***

The Company's management monitors and manages the financial risks relating to the operations of the Company through analysis of 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.

***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 analysed 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.

***Foreign currency risk management***

The Company undertakes certain transactions denominated in foreign currencies, exclusively in EUR. In Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since in accordance with the Law on Central Bank of Bosnia and Herzegovina the Convertible Mark ("BAM") is officially tied to the Euro.

***Interest rate risk management***

The Company is exposed to interest rate risk as the Company borrows funds at floating interest rates. The Company's exposures to interest rates on financial assets and financial liabilities are detailed below.

***Interest rate sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50-basis point increase or decrease (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change on interest rates. In case of increase/decrease in interest rates for 50 basis points (0.5%) and all other variables were held constant:

- Profit for the year ended 31 December 2021 would decrease/increase for amount of BAM 45,636 (2020: BAM 51,340) based on interest rate risk exposure. This can be attributed to Company's exposure to interest rates on loans approved with variable interest rates.

***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 appropriate, as a means of mitigating the risk of financial loss from defaults.

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**33. FINANCIAL INSTRUMENTS (CONTINUED)**

***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

***Maturity for non-derivative financial assets***

	Weighted average effective interest rate	Less than 1 month BAM	1 to 6 months BAM	6 to 12 months BAM	1-5 years BAM	Over 5 years BAM	Total BAM
<b>31 December 2021</b>							
Non-interest bearing	-	1,819,278	-	-	-	-	1,819,278
<b>TOTAL</b>		<b>1,819,278</b>	-	-	-	-	<b>1,819,278</b>
<b>31 December 2020</b>							
Non-interest bearing	-	1,798,935	-	-	-	-	1,798,935
<b>TOTAL</b>		<b>1,798,935</b>	-	-	-	-	<b>1,798,935</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.

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

	Weighted average effective interest rate	Less than 1 month BAM	1 to 6 months BAM	6 to 12 months BAM	1-5 years BAM	Over 5 years BAM	Total BAM
<b>31 December 2021</b>							
Non-interest bearing		10,474,947	1,429,389	-	-	-	11,904,336
Variable interest rate instruments	1.00	-	616,340	614,185	4,806,615	3,483,424	9,520,564
Fixed interest rate instruments	4.95	474,823	411,244	493,493	3,919,385	7,398,101	12,697,046
<b>TOTAL</b>		<b>10,949,770</b>	<b>2,456,973</b>	<b>1,107,678</b>	<b>8,726,000</b>	<b>10,881,525</b>	<b>34,121,946</b>
<b>31 December 2020</b>							
Non-interest bearing		12,081,110	-	-	-	-	12,081,110
Variable interest rate instruments	1.00	-	622,076	620,016	4,852,885	4,667,679	10,762,656
Fixed interest rate instruments	4.98	136,842	422,964	507,557	3,817,053	8,480,750	13,365,166
<b>TOTAL</b>		<b>12,217,952</b>	<b>1,045,040</b>	<b>1,127,573</b>	<b>8,669,938</b>	<b>13,148,429</b>	<b>36,208,932</b>

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

**TOPLANA A.D. PRIJEDOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**33. FINANCIAL INSTRUMENTS (CONTINUED)**

***Fair value of financial instruments***

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.