TRANSPARENCY REPORT

FOR THE YEAR ENDED ON DECEMBER 31st, 2024

MERFI
Društvo za finansijsku reviziju d.o.o. Sarajevo

Porodice Ribar 37
71000 Sarajevo
Bosna i Hercegovina
+387(0)33 521 195
www.merfi.ba

Few words from the managing partner

Dear Sir/Madam,

It is our pleasure to present the Transparency Report for the year ended on December 31st, 2024 prepared by MERFI d.o.o. Sarajevo, an audit and tax advisory firm operating in Bosnia and Herzegovina.

Specializing in audit, advisory, tax, and financial consulting services, MERFI is a significant player in the audit market of the Federation of Bosnia and Herzegovina, with an international presence through its corresponding status within the Russell Bedford International network.

We take pride in actively collaborating with over 70 local and international clients in Bosnia and Herzegovina, providing assurance, tax, and financial advisory services, thereby achieving consistent growth in both market presence and service quality.

We hope this report offers deeper insight into the credibility of our firm as a provider of assurance services, assurance related services, and advisory solutions.

Sarajevo, April, 23rd 2025

Azra Krajšek, licenced auditor
Managing partner

Content

	Strana
1. Legal and Ownership Structure	4
2. Memberships	4
3. Governance Structure	4
4. Internal Quality Control System	5
5. External Quality Control	8
6. List of the audited Public Interest Entities	8
7. Independence procedures	8
8. Human Resource Management	8
9. Financial Information	9
10.Insurance policy	9
11. Remuneration of Licensed Auditors	9
Anex 1	10
Anex 2	11
Anex 3	12

1. LEGAL AND OWNERSHIP STRUCTURE

MERFI Financial Audit d.o.o. Sarajevo (the "Company") is a limited liability company registered at the Municipal Court in Sarajevo on June 30, 2004, under registration number 65-01-0749-12 (previous registration number 1-24717). The Company's unique identification number is 4200967130005, and its VAT number is 200967130005. The headquarters are located at Porodice Ribar 37, Sarajevo.

The Company's core activities, as registered, include accounting, bookkeeping, auditing, and tax advisory services. The share capital amounts to 2,000.00 BAM, fully paid up.

The management comprises Mr. Adnan Mataradžija, Director, and Ms. Azra Krajšek, Procurator. The Company is registered with the Audit Chamber of the Federation of Bosnia and Herzegovina. The sole owner is Ms. Azra Krajšek, holding 100% of shares.

2. MEMBERSHIPS

MERFI is the correspondent firm for Bosnia and Herzegovina within Russell Bedford International, a global network of independent audit, accounting, and consulting firms headquartered in London.

Russell Bedford International operates in over 100 countries with 10,000 professionals, 700 partners, and 350 member firms. It is a member of the Forum of Firms, the leading global association of audit networks, and the European Group of International Accounting Networks and Associations (EGIAN).

Through this affiliation, MERFI gains international credibility and delivers services aligned with global standards. Member firms operate independently without shared governance. Support and ongoing cooperation with a reputable international network such as Russell Bedford International provides our valued clients with credibility in the eyes of all users of financial statements, assuring them of the clients' diligent and responsible business conduct.

The individual firms within the network do not share a common management structure and are OPERATED AS SEPARATE AND INDEPENDENT ENTITIES.

3. GOVERNANCE STRUCTURE

The management consists of licensed auditor, Mr. Adnan Mataradžija (Director) and licenced auditor Ms. Azra Krajšek (Procurator). Mr. Damir Kasapović is authorized to sign audit reports as a licensed auditor.

4. INTERNAL QUALITY CONTROL SYSTEM

Quality Control Policy

Our quality control policy is based on professional standards issued by the International Ethics Standards Board for Accountants (IESBA), including the International Standard on Quality Control 1 (ISQC 1), which governs quality control for firms performing audits, reviews, and other assurance and related services engagements.
The quality of our audit engagements encompasses not only the issuance of an appropriate and independent opinion but also the entire audit process. This includes collaboration with reputable clients, the use of a clear and high-quality audit methodology, the employment of competent and qualified personnel, effective and efficient audit execution, and a commitment to continuous development.

Internal Quality Control Procedures

The quality control policy includes procedures for:

- Responsibility of the firm's leadership for quality
- Ethical requirements
- Client acceptance and continuance
- Human resources management
- Engagement performance
- Monitoring of engagements

Responsibility for Audit Quality

The company's managing director assumes ultimate responsibility for the quality control system. Operational responsibility for the quality control system, risk management, and compliance is delegated to the audit director, who is responsible for the implementation and monitoring of the firm's risk management framework and quality control policies, supported by other professional staff.
The firm has clear policies and procedures for accepting and continuing engagements, which are crucial for providing high-quality professional services and for safeguarding the firm's reputation.

Engagement Quality Monitoring

The firm maintains an active policy of quality control throughout the engagement lifecycle. An authorized auditor not involved in the audit engagement is responsible for applying quality procedures during the engagement and reviewing documentation before the report is issued and within 60 days after final procedures are completed, to ensure full documentation and compliance with professional standards.

Assurance Services in Accordance with ISAs

The firm has adopted internal quality control policies based on standards issued by the International Federation of Accountants (IFAC), including ISQC 1. Our internal quality control system is fully aligned with the International Standards on Auditing (ISAs), ISQC 1, and the IESBA Code of Ethics, as adopted and published by the Audit Chamber of the Federation of Bosnia and Herzegovina. Our policies reflect all elements of a quality control system to ensure that partners and staff act with integrity and objectivity, perform their work diligently, and comply with applicable laws, regulations, and professional standards.

Key elements include:

- Leadership responsibilities for quality
- Ethical requirements
- Client acceptance and continuance
- Human resources management
- Engagement performance

- Monitoring

These quality control systems are applied to statutory audits and all other assurance engagements. The management assesses client relationships annually to determine whether the firm is in a position to maintain the expected level of quality.

Client Evaluation and Risk Assessment

Before accepting a client, an assessment is conducted involving a review of business information, client principles, key management personnel, and ultimate beneficial owners. Special attention is given to the integrity of the client's management.
The managing director approves all client acceptance decisions and oversees the risk assessment process in coordination with the engagement manager. For first-time audits, additional procedures are performed, including a review of non-audit services and any related affiliations.
If significant risks are identified, the firm implements safeguards. If independence or conflict-of-interest issues cannot be resolved appropriately, the firm will decline the engagement.

Review and Oversight Structure

1. Senior management oversees team performance and discusses sensitive or complex matters with team leaders.

2. Team leaders supervise the staff engaged in the assignment.

3. Before finalizing the report, the engagement quality reviewer (signing auditor) reviews documentation to confirm compliance with standards and the sufficiency of audit evidence and judgments.

4. All certified auditors are required to act in accordance with the IFAC Code of Ethics.

5. The firm’s director signs a declaration of independence annually for each client.

6. Auditor rotation is conducted in line with the Law on Accounting and Auditing.

7. The audit process is executed according to an internally developed methodology, with documentation stored both digitally and in print.

Confidentiality and Documentation

All documentation is handled in accordance with ISA requirements and stored for at least five years. Staff are required to maintain confidentiality and must not disclose information or documents without authorization.

Audit Methodology Focus

Our audit approach emphasizes:

- Understanding the client’s business

- Identifying material misstatement risks and evaluating controls

- Tailoring audit procedures to achieve defined audit objectives

- Ensuring partner involvement and building experienced audit teams

We use the **Tickmark audit software** to ensure compliance with professional, legal, and regulatory requirements.

Non-Audit Services

In addition to audit services, the firm provides non-audit services in strict compliance with legal and professional frameworks to preserve independence. Our non-audit services require approval from the lead audit partner, including an assessment of associated risks and safeguards.

Ethics and Independence

The firm has adopted policies and procedures on independence based on the IESBA Code of Ethics and relevant regulatory standards. These are communicated through annual training programs. Staff must not hold financial interests in audit clients or maintain prohibited relationships.
Employees complete annual independence questionnaires and sign an annual declaration of compliance with the firm's ethics and independence policies.

5. EXTERNAL QUALITY CONTROL

In accordance with the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina (FBiH), quality control over the audit department is carried out by the Audit Chamber of the FBiH. In accordance with the Law on Accounting and Auditing of the Republika Srpska (RS), quality oversight is conducted by the Ministry of Finance of the RS.

Since the establishment of the Audit Chamber of the FBiH in 2011, a direct quality inspection of the Firm was conducted on 31 May 2016.

The Audit Chamber of the FBiH has carried out indirect annual quality monitoring since 1 January 2013.
A limited quality control inspection was performed by the Ministry of Finance of the RS in 2012.

6. LIST OF THE AUDITED PUBLIC INTEREST ENTITIES

In 2024, the Firm conducted the following audits of public interest entities and issued independent audit opinions on financial statements prepared for the year ended 31 December 2023:

1. AlJazeera Balkans d.o.o. Sarajevo
2. AlJazeera Network d.o.o. Sarajevo
3. TVTX d.o.o. Tuzla
4. Magros Veletrgovina d.d. Sarajevo
5. Energoinvest d.d. Sarajevo
6. JU Dom Zdravlja Isak Samokovlija Goražde
7. Zavod za transfuzijsku medicinu FBiH Sarajevo
8. Sparkasse Leasing d.o.o.
9. J.U. Centar za kulturu Lukavac
10. Zeos Eko sistemi d.o.o. Sarajevo

7. INDEPENDENCE PROCEDURES

The Firm places significant emphasis on maintaining independence in all engagements and avoiding conflicts of interest, in full compliance with the Code of Ethics for Professional Accountants, International Standards on Auditing, and other relevant regulations applicable to specific engagements.

Independence and conflict of interest avoidance are ensured through several key measures:

- Mandatory rotation of engagement partners every 7 years;
- Mandatory rotation of senior management every 5 years;
- Annual signing of independence declarations for all engagements; and
- Additional verification procedures to ensure the accuracy of these declarations.

8. HUMAN RESOURCE MANAGEMENT

An internal policy mandates training requirements for various job roles. In addition to intensive in-house training, which also includes programs offered through the Russell Bedford International network, employees may also attend external training courses. These external programs include certification courses, training organized by the Audit Chamber of the Federation of BiH, the Association of Accountants and Auditors of the Federation of BiH, or various domestic and international consulting firms. Topics typically cover auditing, accounting, taxation, or postgraduate studies, among others. The Management Board is responsible for human resources planning and, together with partners and senior staff, oversees employee training. Partners and senior management are also responsible for monitoring employee development and performance, which serves as the basis for performance-based rewards, in accordance with the Firm's capabilities. A key principle of the Firm is to ensure a sufficient number of highly qualified, trained, and motivated professionals capable of delivering high-quality services in all engagements undertaken.

9. FINANCIAL INFORMATION

For the year ended 31 December 2024, the Firm reports the following revenue structure:

Type of revenue	**All amounts in thousands of KM**
Statutory audits provided to the PIE	104
Statutory audits provided to the other entities	357
Other assurance services	155
Advisory fees	200
Accounting fee's	2
TOTAL	**818**

The Firm did not provide advisory services to audit clients. Advisory services refer to permissible non-audit services provided to other entities.

10. INSURANCE POLICIES

The Firm's liability insurance is contracted with Adriatic Osiguranje d.d. Sarajevo under insurance policy number: 530057400. The coverage period is from 18 November 2024 to 18 November 2025. The subject of the insurance is the statutory liability of audit firms for damages that may be caused by certified auditors to legal entities during the performance of financial audits. The insurance covers the Firm's liability for damages caused to legal entities headquartered in Bosnia and Herzegovina. The insured sum per claim and in aggregate amounts to BAM 500,000.00.

11. Remuneration of Licensed Auditors

The basis for the compensation of certified auditors who sign audit reports for audits of public interest entities is regulated by individual employment contracts. The agreed compensation basis is subject to an agreement between the employer and the certified auditor.

Sarajevo, 23rd, April 2025

Director

Adnan Mataradžija, licenced auditor

MERFI d.o.o. Sarajevo
Porodice Ribar 37
71000 Sarajevo
Bosna i Hercegovina

ANEX 1

Statement on the Firm's Policy Regarding the Continuous Professional Development of Licensed Certified Auditors

MERFI d.o.o. Sarajevo implements continuous professional development for auditors in the following ways:

- Through programs approved by the Association of Accountants, Auditors, and Financial Professionals of FBiH;
- Through programs of the Association of Accounting and Auditing of the Republic of Srpska;
- Through seminars organized by the Auditors' Chamber of FBiH;
- Through webinars organized by Russell Bedford International; and
- Through internal workshops and seminars organized independently or in collaboration with other similar firms.

The professional development programs cover areas related to the application of International Auditing Standards, International Financial Reporting Standards, tax regulations, laws in the field of financial operations, and the prevention of money laundering and financing of terrorism.

Employee training for audit-related tasks begins on the first day of employment and continues throughout the entire working engagement.

Director:
Adnan Mataradžija
MERFI d.o.o. Sarajevo

Sarajevo, 23rd, April 2025

ANEX 2

Statement Regarding Procedures and Independence of the Audit Firm, confirming that an Internal Review of Independence Requirements Has Been Conducted

MERFI d.o.o. Sarajevo operates in accordance with policies and regulations designed to ensure quality services and compliance with applicable rules and ethical standards.

The firm has established procedures relating to the independence of work and the independence of employees in relation to clients and the overall audit engagement.

The systems of internal quality control are defined by the Rules on Internal Procedures for Ensuring Quality Control in the Provision of Financial Statement Audit Services and the Firm's Methodology.

MERFI d.o.o. conducts an annual review of compliance with independence requirements. Supervision of adherence to the independence policy is continuously carried out in accordance with professional standards.

.**Director:**

Adnan Mataradžija
MERFI d.o.o. Sarajevo

DRUŠTVO ZA FINANSIJSKU REVIZIJU "MERFI" d.o.o. SARAJEVO 1

Sarajevo, 23rd, April 2025

MERFI d.o.o.
Porodice Ribar 37
71000 Sarajevo, Bosna i Hercegovina
+387 (0)33 521 195
info@merfi.ba • www.merfi.ba

ID br: 4200967130005
RZB: 1610000045970057

ANEX 3

ISQM 1 External Summary Report

Title : MERFI d.o.o. Sarajevo
Adress: Porodice Ribar 37, 71000 Sarajevo

Reporting Year: 2023
Date: 20 January 2025

Prepared by: Quality coordinator
Responsibility for implementation: Director
Approval of review: Azra Krajšek, partner

1. Purpose of the Report

This report is intended to inform our clients about the internal quality management practices of **MERFI d.o.o. Sarajevo** and our compliance with the **International Standard on Quality Management 1 (ISQM 1)**. It also summarizes key findings from the firm's most recent internal **Quality Control Review** and the **ISQM 1 self-assessment checklist**. This report is for external use and has been prepared based on the Monitoring Report conducted in accordance with ISQM 1 dated January 20, 2025.

2. Overview of Quality Management System

MERFI has adopted a **System of Quality Management (SoQM)** that aligns with ISQM 1 and ISQM 2, fully implemented by 15 December 2022. This system is tailored to the nature and complexity of our audit practice and is designed to:

- Provide reasonable assurance that audit and assurance engagements comply with professional standards and applicable legal and regulatory requirements.
- Ensure that issued reports are appropriate in the circumstances.
- Identify, assess, and respond to risks to audit quality in a proactive manner.

We use the **Tickmark** digital audit tool and have updated our manuals and methodology accordingly.

3. Key Roles and Responsibilities

- **Azra Krajšek**, Partner – Holds ultimate responsibility for oversight of the quality management system.
- **Quality Coordinator** – Oversees system design, implementation, monitoring, and remediation activities.

These roles are aligned with ISQM 1 requirements regarding leadership responsibility for quality and operational oversight.

4. Internal Review (QQR) – Summary of 2023 Findings

In January 2025, a quality review was conducted covering **11 audit engagements** (10 in the private sector and 1 in the financial sector). The review assessed compliance with audit methodology, ethical and independence procedures, use of the Tickmark tool, and documentation practices.

Key strengths identified:

- No material deficiencies noted.
- Clear documentation and communication of engagement terms.
- Well-defined procedures for monitoring and ethical compliance.

Recommendations (6 total):

- Improve documentation of review and approvals in Tickmark.
- Enhance audit sampling rationale and documentation.
- Increase consistency in use of analytical procedures.
- Streamline confirmation procedures to improve efficiency.
- Reinforce use of electronic signatures and formal approvals.
- Maintain strong quality documentation even for lower-risk engagements.

All findings were addressed in a **dynamic action plan** adopted by management for implementation in 2025.

5. ISQM 1 Self-Assessment Checklist Summary

The firm completed a comprehensive self-assessment aligned with the ISQM 1 framework. Key conclusions by component:

ISQM 1 Element	Summary of Implementation
1. Governance and Leadership	Responsibilities assigned; quality culture promoted.
2. Ethical Requirements	Annual independence confirmations and ongoing monitoring in place.
3. Client Acceptance and Continuance	Documented procedures and tools used consistently.
4. Human Resources	Competence, training, and allocation are actively managed.
5. Engagement Performance	Reviews conducted; more formal documentation encouraged.
6. Monitoring and Remediation	Internal monitoring cycle in place with clear feedback loop.

---

6. Conclusion

Based on our internal quality control review and ISQM 1 self-assessment:

✅ The **System of Quality Management** at MERFI is fully implemented and operating effectively.
✅ The system is appropriately scaled to the firm's size and engagement profile.
✅ We are committed to continuous improvement through monitoring, training, and refinement of internal policies.

MERFI remains committed to providing **high-quality audit services** and ensuring full transparency with client boards regarding quality assurance practices.

Azra Krajšek, Partner
Sarajevo, March 31st, 2025

MERFI d.o.o.
Porodice Ribar 37
71000 Sarajevo
Bosna i Hercegovina
+387(0)33 521 195
www.merfi.ba