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STATE ELECTRICITY REGULATORY COMMISSION
(SERC)

AUDITOR'S REPORT
As at 31 December 2010

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INDEPENDENT AUDITOR'S REPORT

State Electricity Regulatory Commission (SERC) Tuzla

1. We have audited the accompanying financial statements of State Electricity Regulatory Commission (SERC), Tuzla ("hereinafter SERC"), set out on pages 3 to 17, which comprise the balance sheet as at December 31, 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

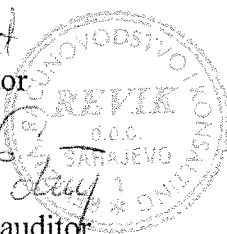
Opinion

3. In our opinion, the financial statements present fairly, in all material respects, the financial position of the SERC as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

REVIK d.o.o. Sarajevo


Milan Novokmet, director


Edin Udovčić, certified auditor



Sarajevo, 22 March 2011

State Electricity Regulatory Commission (SERC) Tuzla

INCOME STATEMENT

For the period ended 31 December 2010

| <i>(All amounts expressed in KM)</i> | Notes | 31 December 2010 | 31 December 2009 |
|--|--------------|-----------------------------|-----------------------------|
| Revenues | | | |
| Humanitarian income | 3 | 50 | 59 |
| Income from fees and interest | 2.2, 4 | 2,176,795 | 2,379,392 |
| Other income | 5 | 6,948 | 3,199 |
| Total Revenues | | 2,183,793 | 2,382,650 |
| Expenditures | | | |
| Material and energy | 6 | 51,246 | 39,097 |
| Services | 2.3, 7 | 301,367 | 306,001 |
| Salaries and wages | 8 | 1,239,603 | 1,211,889 |
| Depreciation | 2.3, 10,11 | 68,891 | 59,082 |
| Other expenses | 9 | 114,428 | 136,498 |
| Total Expenditures | | 1,775,535 | 1,752,567 |
| Deficit of revenues /expenditures compared to the expenditures/revenues | | 408,258 | 630,083 |

The accompanying notes are an integral part of these financial statements

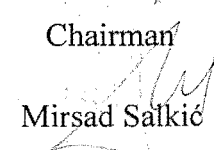
State Electricity Regulatory Commission (SERC) Tuzla

BALANCE SHEET

as at 31 December 2010

| <i>(All amounts expressed in KM)</i> | Notes | 31 December 2010 | 31 December 2009 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Intangible fixed assets | 10 | 30,882 | 28,306 |
| Property and equipment | 11 | 168,573 | 189,507 |
| Customers | 12 | 589,132 | |
| Cash and cash equivalent | 13 | 1,500 | 725,194 |
| Other current assets and accruals | 14 | 18,965 | 8,130 |
| TOTAL ASSETS | | 809,052 | 951,137 |
| LONG -TERM FUNDS AND I LIABILITIES | | | |
| Non-allocated surplus of revenues | | 669,833 | 811,575 |
| Long-term accruals | 15 | 111 | 161 |
| Suppliers | 16 | 13,174 | 17,994 |
| Other liabilities and short-term accruals | 17 | 125,934 | 121,407 |
| TOTAL LONG -TERM FUNDS AND I LIABILITIES | | 809,052 | 951,137 |

The financial statements were approved by the DERK, Tuzla

Chairman

Mirsad Salkić

The accompanying notes are an integral part of these financial statements