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STATE ELECTRICITY REGULATORY COMMISSION
(SERC)

AUDITOR'S REPORT
As at 31 December 2011

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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, 2011, 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

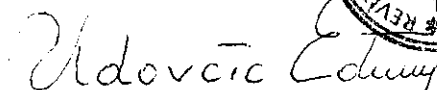
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of the SERC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

REVIK d.o.o. Sarajevo



Milan Novokmet, director





Edin Udovčić, certified auditor

Sarajevo, 9 March 2012

State Electricity Regulatory Commission (SERC) Tuzla

INCOME STATEMENT

For the period ended 31 December 2011

<i>(All amounts expressed in KM)</i>	Notes	31 December 2011	31 December 2010
Revenues			
Humanitarian income	3	111	50
Income from fees and interest	2.2, 4	2,126,658	2,176,795
Other income	5	6.840	6,948
Total Revenues		2,133,609	2,183,793
Expenditures			
Material and energy	6	47.828	51.246
Services	2.3, 7	307,595	301,367
Salaries and wages	8	1,273,817	1,239,603
Depreciation	2.3, 10,11	69,226	68,891
Other expenses	9	150,032	114,428
Total Expenditures		1,848,498	1,775,535
Deficit of revenues /expenditures compared to the expenditures/revenues		285,111	408,258

The accompanying notes are an integral part of these financial statements

State Electricity Regulatory Commission (SERC) Tuzla

BALANCE SHEET

as at 31 December 2011

<i>(All amounts expressed in KM)</i>	Notes	31 December 2011	31 December 2010
ASSETS			
Intangible fixed assets	10	22,893	30,882
Property and equipment	11	140,226	168,573
Customers	12	524,587	589,132
Cash and cash equivalent	13	-	1,500
Other current assets and accruals	14	23,984	18,965
TOTAL ASSETS		711,690	809,052
LONG -TERM FUNDS AND LIABILITIES			
Non-allocated surplus of revenues		554,944	669,833
Long-term accruals	15	-	111
Suppliers	16	26,252	13,174
Other liabilities and short-term accruals	17	130,494	125,934
TOTAL LONG -TERM FUNDS AND LIABILITIES		711,690	809,052

The financial statements were approved by the SERC, Tuzla on 22 February 2012.



 Chairman *Nikola Pejić*

 Nikola Pejić

The accompanying notes are an integral part of these financial statements