JP Elektroprivreda BiH d.d. - Sarajevo

Unconsolidated annual financial statements

31 December 2010

This version of the report is a translation from the original, which was prepared in the Bosnian language. In all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Contents

Management Board's Report

The Management Board submits its report together with the audited unconsolidated financial statements for the year ended 31 December 2010.

JP Elektroprivreda Bosne i Hercegovine d.d. – Sarajevo ("the Company") is a joint stock company domiciled in Sarajevo in Bosnia and Herzegovina.

Electricity related activities, which the Company performs are: production and distribution of electricity, electricity supply, trading, representation and mediation in the domestic electricity market, export and import of electricity, including electro power system control.

Results

The results of the Company are set out in the unconsolidated statement of comprehensive income on page 5 of the financial statements.

The members of the Supervisory Board during the year were as follows:

Edhem Bičakčić	President up to 25 March 2010
Mr.Sc. Zijad Džemić	President from 30 June 2010 (appointed by the Assembly) up to 6 December 2010
Prof Dr Adil Trgo	Acting president from 6 December 2010
Zehrudin Sikira	President from 25 March 2010 up to 30 June 2010
Mr Sc Enes Čengić	Member
Mr. Hilmo Šehović	Member up to 6 December 2010
Zoran Mandlbaum	Member from 25 March 2010

The members of the Management Board during the year were as follows:

Amer Jerlagić	General Manager
Besim Halilović	Chief Executive for economic up to 30 June 2010
Nihad Kadić	Chief Executive for production
Enver Jamak	Chief Executive for distribution up to 30 June 2010
Emir Aganović	Chief Executive for supply and trade
Nedim Smajlagić	Chief Executive for legal, human resources and general affairs
Zijad Bajramović	Chief Executive for capital investments up to 30 June 2010
Muhamed Ražanica	Acting Chief Executive for economic affairs from 1 July 2010
Mustafa Beća	Acting Chief Executive for distribution from 1 July 2010
MrS Almedin Skopljak	Acting Chief Executive for capital investments from 1 July 2010

Amer Jerlagić
General Manager

JAVNO PREDUZEĆE ELEKTROPRIVREDA BOSNE I HERCEGOVINE d.d. SARAJEVO
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29 April 2011
Vilsonovo Setaliste
71000 Sarajevo
Bosnia and Herzegovina

Statement of Management Board's responsibilities

The Management Board is required to prepare unconsolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Company together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The unconsolidated financial statements set out on pages 5 to 42 were authorised by the Management Board on 29 April 2011 for issue to the Supervisory Board and are signed below to signify this.

Amer Jerlagić
General Manager

Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH d.d. - Sarajevo

We have audited the accompanying unconsolidated financial statements of JP Elektroprivreda BiH d.d. - Sarajevo ("the Company"), which comprise the unconsolidated statement of financial position as at 31 December 2010, and the unconsolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards**,** 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the unconsolidated financial statements are free of 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Basis for Qualified Opinion

1. The Company was not able to prepare an ageing list of trade and other receivables. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to the valuation of trade and other receivables by other procedures. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for trade and other receivables, and retained earnings at the year end, or on the result for the year. This was one of the matters which formed the basis for qualifying our opinion on last year's unconsolidated financial statements.

2. The Company's inventories are carried in the balance sheet at BAM 108,873 thousand including slow moving inventories older than one year of BAM 45,079 thousand. The Company made no provision for obsolete and slow moving inventories. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for inventories and retained earnings at the year end, or on the result for the year

Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH d.d. – Sarajevo (*continued*)

3. As explained in *Note 30* the Company has not recognised a provision relating to a court proceeding initiated by Tuzla Canton, who in the first instance were successful in their claim, and accordingly the Company has lodged an appeal. We believe that the Company should recognise a provision for the year ended 31 December 2010 of BAM 12,507 thousand and accordingly, expenses and liabilities for the year ended 31 December 2010 should be increased by and result for the period should be lower by BAM 12,507 thousand. This was one of the matters which formed the basis for qualifying our opinion on last year's unconsolidated financial statements.

4. As explained in *Note 30* the Company was subject to a tax inspection in February 2010. The result of this inspection was that the Company is liable to pay additional amounts to the tax authorities. Accordingly, tax expenses and liabilities for the year ended 31 December 2010 are understated and the loss for the period is understated by BAM 10,912 thousand.

Qualified Opinion

In our opinion, except for the possible effects of the matters referred to in paragraphs 1 and 2 and except for the effect of the matter described in paragraphs 3 and 4, above under *Basis for Qualified Opinion*, the unconsolidated statement gives a true and fair view of the unconsolidated financial position as at 31 December 2010, and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o.
Registered auditors
Fra Anđela Zvizdovića 1
71000 Sarajevo
Bosnia and Herzegovina

D.O.O. ZA REVIZIJU KPMG B-H 1 SARAJEVO

29 April 2011

Unconsolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 BAM'000	Restated *Note 5* 2009 BAM'000
Revenue	*3(l),7*	**842,353**	900,399
Other operating income	*8*	**15,496**	18,596
Total operating income		**857,849**	918,995
Work performed and capitalised	*9*	**3,606**	4,721
Raw materials and consumables		**(408,070)**	(406,323)
Personnel costs	*9*	**(195,572)**	(200,350)
Depreciation and amortization	*10*	**(147,324)**	(142,934)
Other operating expenses	*11*	**(137,146)**	(122,094)
Operating (loss)/profit		**(26,657)**	52,015
Financial income	*12*	**24,241**	25,840
Financial expenses	*12*	**(12,026)**	(11,887)
Net financial income		**12,215**	13,953
(Loss)/Profit before taxation		**(14,442)**	65,968
Income tax expense	*13*	-	-
(Loss)/Profit for the period		**(14,442)**	65,968
Other comprehensive income			
Revaluation of property plant and equipment (net of taxes)		**2,244**	1,706
Total comprehensive income for the period		**(12,198)**	67,674

The accounting policies and other notes on pages 10 to 42 form an integral part of these financial statements.

Unconsolidated statement of financial position

As at 31 December 2010

	Note	**31 December 2010 BAM'000**	Restated 31 December 2009 BAM'000	*Note 5* Restated 1 January 2009 BAM '000
ASSETS				
Non–current assets				
Property, plant and equipment	*14*	**2,654,763**	2,632,891	2,605,561
Prepayments for property, plant and equipment		**7,353**	5,874	2,410
Intangible assets	*15*	**2,366**	1,943	761
Investment in associate	*16*	**2,027**	2,027	1,861
Investment in subsidiaries	*17*	**92,875**	87,810	5,533
Loans and other receivables	*18*	**29,208**	8,596	12,150
Total non-currents assets		**2,788,592**	2,739,141	2,628,276
Current assets				
Loans and other receivables	*18*	**234,810**	292,632	279,342
Trade and other receivables	*19*	**166,858**	125,700	127,722
Prepaid income tax		**1,843**	1,993	1,836
Inventories	*20*	**108,873**	115,577	95,209
Cash and cash equivalents	*21*	**57,344**	118,337	90,788
Total current assets		**569,728**	654,239	594,897
Total assets		**3,358,320**	3,393,380	3,223,173
EQUITY AND LIABILITIES				
Equity				
Share capital	*22*	**2,155,160**	2,155,160	3,035,436
Contributed but unregistered capital	*22*	**81,804**	81,804	120
Statutory reserves		**29,317**	16,936	-
Revaluation reserves		**496,010**	516,210	531,577
Retained earnings/(accumulated losses)		**151,042**	180,008	(743,114)
Total capital and reserves		**2,913,333**	2,950,118	2,824,019
Liabilities				
Non-current liabilities				
Loans and borrowings	*23 (a)*	**108,712**	81,230	71,349
Deferred income	*24*	**129,814**	130,039	113,859
Deferred tax liability	*25*	**55,071**	57,315	59,021
Other liabilities	*26*	**2,453**	4,660	7,343
Provisions	*27*	**44,110**	44,116	39,800
Total non-current liabilities		**340,160**	317,360	291,372
Current liabilities				
Loans and borrowings	*23(b)*	**13,760**	12,900	10,058
Trade and other payables	*28*	**83,192**	97,833	79,413
Provisions	*27*	**7,875**	15,169	18,311
Total current liabilities		**104,827**	125,902	107,782
Total liabilities		**444,987**	443,262	399,154
Total equity and liabilities		**3,358,320**	3,393,380	3,223,173

The accounting policies and other notes on pages 10 to 42 form an integral part of these financial statements.

Unconsolidated statement of changes in equity
For the year ended 31 December 2010

	Share capital BAM'000	Contributed but unregistered capital BAM'000	Capital reserve BAM'000	Statutory reserves BAM'000	Revaluation reserve BAM'000	Accumulated losses/retained earnings BAM'000	Total BAM'000
As at 1 January 2009 (as previously reported)	**3,035,436**	**-**	**120**	**-**	**531,188**	**(743,324)**	**2,823,420**
Prior year adjustments *(Note 5)*	-	-	-	-	389	210	599
As at 1 January 2009 (restated)	**3,035,436**	**-**	**120**	**-**	**531,577**	**(743,114)**	**2,824,019**
Profit for the period (restated) *(Note 5)*	-	-	-	-	-	65,968	65,968
Other comprehensive income							
Transfer from deferred tax liability for income tax benefit	-	-	-	-	1,706	-	1,706
Total comprehensive income	**-**	**-**	**-**	**-**	**1,706**	**65,968**	**67,674**
Share issued for acquisition *(Note 17)*	-	81,804	-	-	-	-	81,804
Transfer from capital reserve	120	-	(120)	-	-	-	-
Decrease in share capital *(Note 22)*	(872,708)	-	-	-	-	872,708	-
Dividends paid	-	-	-	-	-	(23,369)	(23,369)
Disposal of revalued assets	-	-	-	-	(1,846)	1,836	(10)
Depreciation of revalued assets	-	-	-	-	(15,227)	15,227	-
Transfer to statutory reserves	(7,688)	-	-	16,936	-	(9,248)	-
As at 31 December 2009	**2,155,160**	**81,804**	**-**	**16,936**	**516,210**	**180,008**	**2,950,118**

Unconsolidated statement of changes in equity *(continued)*
For the year ended 31 December 2010

	Share capital BAM'000	Contributed but unregistered capital BAM'000	Statutory reserves BAM'000	Revaluation reserve BAM'000	Accumulated losses/retained earnings BAM'000	Total BAM'000
As at 1 January 2010 (restated)	**2,155,160**	**81,804**	**16,936**	**516,210**	**180,008**	**2,950,118**
Loss for the period	-	-	-	-	(14,442)	(14,442)
Other comprehensive income						
Transfer from deferred tax liability for income tax benefit	-	-	-	2,244	-	2,244
Total comprehensive income	**-**	**-**	**-**	**2,244**	**-**	**2,244**
Dividends paid	-	-	-	-	(24,587)	(24,587)
Disposal of revalued assets	-	-	-	-	-	-
Depreciation of revalued assets	-	-	-	(22,444)	22,444	-
Transfer to statutory reserves	-	-	12,381	-	(12,381)	-
As at 31 December 2010	**2,155,160**	**81,804**	**29,317**	**496,010**	**151,042**	**2,913,333**

The accounting policies and other notes on pages 10 to 42 form an integral part of these financial statements.

Unconsolidated statement of cash flows
For the year ended 31 December 2009

	Note	2010 BAM'000	Restated 2009 BAM'000
Cash flows from operating activities			
Net (loss)/profit before tax		**(14,442)**	65,968
Adjustments for:			
Depreciation and amortisation		**147,324**	142,934
Interest and other financial income		**(24,241)**	(24,659)
Interest and other financial expenses		**12,026**	11,722
Write off of liabilities		**498**	1,978
Loss on disposals of fixed assets		**3,039**	4,916
Gain on disposal of raw materials		**(1,041)**	(769)
Write off of inventories		**(58)**	1,318
Net bad debt expenses		**2,034**	3,139
Released deferred income		**(7,467)**	(7,017)
		117,672	199,530
Change in:			
- trade and other receivables		**(43,042)**	(1,117)
- inventories		**7,745**	(20,917)
- prepayments for fixed assets		**(1,479)**	(3,464)
- long term receivables		**(20,612)**	3,388
- trade and other payables		**(15,139)**	16,402
- long term liabilities		**(9,449)**	(1,508)
- deferred income		**7,242**	23,197
Income tax paid		-	(157)
Net cash from operating activities		**42,938**	215,354
Investing activities			
Purchase of property, plant and equipment and intangible assets		**(177,759)**	(176,449)
Proceeds from the disposals of property, plant and equipment		**5,101**	76
Capitalisation of subsidiaries	*17*	**(5,065)**	(473)
Net cash from investing activities		**(177,723)**	(176,846)
Financing activities			
Placement with banks		**57,822**	(13,250)
Repaid loans		**28,342**	12,723
Interest paid		**(12,026)**	(11,722)
Interest received		**24,241**	24,659
Dividends paid		**(24,587)**	(23,369)
Net cash from financing activities		**73,792**	(10,959)
Net increase/(decrease) in cash and cash equivalents		**(60,993)**	27,549
Cash and cash equivalents at beginning of year		**118,337**	90,788
Cash and cash equivalents at end of year	*21*	**57,344**	118,337

The accounting policies and other notes on pages 10 to 42 form an integral part of these financial statements.

Notes (*forming part of the financial statements*)

1 Reporting entity

JP Elektroprivreda Bosne i Hercegovine d.d – Sarajevo ("the Company") is a joint stock company domiciled in Sarajevo in Bosnia and Herzegovina.

The Company principal activities are the production, distribution of electric energy, the supply of electric energy, the trade, representation and intermediation on the domestic market of electrical energy, the export and import of electric energy, including governance of electric power system.

The Company's shares are listed on the Sarajevo Stock Exchange.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group), which were approved by the Management Board on 29 April 2011. In the consolidated financial statements, subsidiary undertakings – which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. Users of these non-consolidated financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2010 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The financial statements were approved by the Management Board on 29 April 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for taking into account increases in the market value of non-current assets.

(c) Functional and presentation currency

These financial statements are prepared in the currency of Bosnia and Herzegovina, convertible marks (BAM), which is the Company's functional currency. All financial information presented in Convertible marks has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the *Note 33*.

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company has assessed the potential impact of the new and revised standards in issue that will be effective from 1 January 2010 or later periods. The Company does not expect that the new and revised standards and interpretations will have a significant effect on the Company's result and financial position.

3 Significant accounting policies

(a) Foreign currencies

Transactions in foreign currency are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. xThe foreign currency gain or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, other investments, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income statement, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash in hand and cash with banks.

Accounting for financial income and expense is discussed in *Note 3(n).*

Other investments are classified as either held-for-trading or available-for-sale depending on the Company's intention at the time of purchase and are measured at subsequent reporting dates at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in the income statement in the period they occur. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

(ii) Issued capital

Repurchase of issued capital

When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased stakes are classified as a treasury stake and are presented as a deduction from total equity.

3 Significant accounting policies (*continued*)

(c) Investment in subsidiaries

Subsidiaries are entities in which the Company has the power, directly or indirectly, to exercise control over their operations. Control is achieved where a company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Investments in subsidiaries are stated at cost.

(d) Investment in associate

Associates are those entities in which the Company has significant influence, but not control. Significant influence is presumed to exist when the Company has influence over the financial and operating policies of the associate, but does not have control or joint control on chosen policies. Associates are initially recognised at cost, with subsequent measurement at cost less impairment losses.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any revaluation increase arising on the revaluation of such land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Assets in the course of construction are carried at cost, less impairment loss, if any. Depreciation commences when the assets are ready for their intended use.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Revaluation reserves

The revaluation reserves included in equity in respect of revalued items of property, plant and equipment may be transferred directly to retained earnings when the assets are derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the revaluation reserves may be transferred as the assets are used by the Company. In such a case, the amount of the reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost. Transfers from revaluation reserves to retained earnings are not made through income statement.

(iii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

3 Significant accounting policies *(continued)*

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

Buildings	10 to 80 years
Plant and equipment	5 to 40 years
Other	3 to 5 years

Depreciation method and useful lives are reassessed at the each reporting date.

(f) Intangible assets

(i) Research and development

Expenditure on research activities are undertaken with the prospect of gaining new scientific technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved products and processes. Costs of research and development are capitalised to the extent that they meet the criteria set out in International Accounting Standard 38 *Intangible Assets*.

(ii) Software

Software is measured initial at cost. After initially recognition, software is carried at its costs less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement when incurred.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for the current and comparative periods as follows:

Software	5 years

Amortisation method and useful lives are reassessed at the reporting date.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are valued based on purchase price and include the costs of bringing the inventories to a condition ready for use, using the weighted average cost principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(h) Trade and other receivables

Trade and other receivables are initially recognised at their fair value and subsequently measured at amortised cost less impairment loss *(refer to Note 3(h)).*

3 Significant accounting policies (*continued*)

(i) Impairment

The carrying amounts of the Company's assets other than inventories are reviewed at each reporting date to determine whether there is any indication for impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been indication that an impairment loss may have decreased and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Loans and borrowings

(i) Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, interest bearing loans and borrowings are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

(ii) Non interest loans and borrowings

Non interest loans and borrowings which are due in less than a year are not discounted to market related rate at the reporting date.

3 Significant accounting policies (*continued*)

(l) Employee benefits

(i) Defined contributions pension fund

Obligations for contributions to defined contribution pension funds are recognised as an expense in the income statement when they are due, which is the period during which services are rendered by employees.

(ii) Jubilee awards

The Company provides employees with jubilee awards. The obligation and costs of these benefits are determined by using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation. Jubilee award payments range from one to three average salaries paid to the employee during the preceding month net per employee for tenure from 10 to 30 years.

(iii) Retirement benefits

The Company's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the average interest rate on loans of commercial banks, whose maturity dates are approximately the same in terms and conditions of the liabilities of the Company.

(iv) Bonuses

Liabilities for bonuses to employees are recognized on accrual basis based on the formal plan adopted by the Company, when it is probable that bonuses will be paid and when the amount of bonuses can be estimated reliably before the reporting date. Liabilities for bonuses are expected to be paid within twelve months from the reporting date and are recognized in the amount expected to be paid. Short term benefits are recognized at undiscounted basis and are recognized as expense when the receipt of service occurs.

(m) Revenue

Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date.

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except where the amount of VAT incurred is not recoverable from the State. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or part of an item of the expense.

Receivables and payables are stated with the amount of VAT included. The amount of VAT recoverable from the State is included in current receivables. The amount of VAT payable to the State is included in current payables. Revenue from the sale of goods is recognised at the date the goods are delivered and represents the net invoiced value of goods and excludes value added taxes.

3 Significant accounting policies (*continued*)

(n) Deferred income

Donations in cash and equipment used as investment in progress, for assets reconstruction and for other operations, are presented in the statement of financial position as deferred income, which is recognised in the income statement on a straight-line basis in future periods, so that it can be used in investments or regular operations during the estimated economic life of the donated asset.

(o) Financial income and expenses

Financial income and expenses comprise interest payable on borrowings, penalty interest, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the Company's right to receive payments is established.

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 capitalisation. All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

(p) Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

3 Significant accounting policies (*continued*)

(r) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's current operation is in the segment of electricity production and distribution (business segment) and its operations, total assets and the majority of its customers are located in Bosnia and Herzegovina. Hence, geographical segment reporting is accordingly set out in *Note 6*.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. Management believes that none of these will have a material effect on the financial statements of the Company.

4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) On call bank deposits

The carrying value of on call bank deposits approximate their fair value due to their proximity in nature to cash.

(ii) Trade and other receivables/payables

The current value of trade and other receivables/payables is estimated to be a reasonable estimation of their fair value.

(iii) Property, plant and equipment

An external independent valuer, having appropriate recognised professional qualifications undertook a valuation of the Company's property, plant and equipment as at 31 December 2004. The fair values are based on market values, being the estimated amount for which a property, plant and equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

5 Adjustment of previous period errors

Balance sheet as at 31 December 2009

		As reported 31 December 2009 BAM '000	Adjustments BAM '000	Restated 31 December 2009 BAM '000	As reported 1 January 2009 BAM '000	Adjustments BAM '000	Restated 1 January 2009 BAM '000
ASSETS							
Non–current assets							
Property, plant and equipment	*a*	**2,627,394**	5,497	**2,632,891**	2,599,663	5,898	2,605,561
Prepayments for property plant and equipment		**5,874**	-	**5,874**	2,410	-	2,410
Intangible assets		**1,943**	-	**1,943**	761	-	761
Investment in associate		**2,027**	-	**2,027**	1,861	-	1,861
Investment in subsidiaries		**87,810**	-	**87,810**	5,533	-	5,533
Loans and other receivables		**8,596**	-	**8,596**	12,150	-	12,150
Total non-currents assets		**2,733,644**	5,497	**2,739,141**	2,622,378	5,898	2,628,276
Current assets							
Loans and other receivables		**292,632**	-	**292,632**	279,342	-	279,342
Trade and other receivables	*b*	**120,572**	5,128	**125,700**	127,722	-	127,722
Prepaid income tax		**1,993**	-	**1,993**	1,836	-	1,836
Inventories		**115,577**	-	**115,577**	95,209	-	95,209
Cash and cash equivalents		**118,337**	-	**118,337**	90,788	-	90,788
Total current assets		**649,111**	5,128	**654,239**	594,897	-	594,897
Total assets		**3,382,755**	10,625	**3,393,380**	3,217,275	5,898	3,223,173
EQUITY AND LIABILITIES							
Equity							
Share capital		**2,155,160**	-	**2,155,160**	3,035,436	-	3,035,436
Capital reserves		**81,804**	-	**81,804**	120	-	120
Statutory reserves		**16,936**	-	**16,936**	-	-	-
Revaluation reserves		**515,821**	389	**516,210**	531,188	389	531,577
Accumulated losses	*a*	**175,734**	4,274	**180,008**	(743,324)	210	(743,114)
Total capital and reserves		**2,945,455**	4,663	**2,950,118**	2,823,420	599	2,824,019
Liabilities							
Non-current liabilities							
Loans and borrowings		**81,230**	-	**81,230**	71,349	-	71,349
Deferred income		**130,039**	-	**130,039**	113,859	-	113,859
Deferred tax liability		**57,315**	-	**57,315**	59,021	-	59,021
Other liabilities		**4,660**	-	**4,660**	7,343	-	7,343
Provisions	*a*	**35,163**	8,953	**44,116**	31,510	8,290	39,800
Total non-current liabilities		**308,407**	8,953	**317,360**	283,082	8,290	291,372
Current liabilities							
Loans and borrowings		**12,900**	-	**12,900**	10,058	-	10,058
Trade and other payables	*c*	**100,824**	(2,991)	**97,833**	82,404	(2,991)	79,413
Provision		**15,169**	-	**15,169**	18,311		18,311
Total current liabilities		**128,893**	(2,991)	**125,902**	110,773	(2,991)	107,782
Total liabilities		**437,300**	5,962	**443,262**	393,855	5,299	399,154
Total equity and liabilities		**3,382,755**	10,625	**3,393,380**	3,217,275	5,898	3,223,173

Notes (*continued*)

5 Adjustment of previous period errors (*continued*)

Adjustments of the balance sheet and other comprehensive income items relates to the following prior period errors:

Adjustment to the balance sheet:

a) The adjustment of property, plant and equipment relates to a provision made for the dismantling of two thermal power plants in accordance with International Financial Reporting Standard IAS 16, *Property, Plant and Equipment*. The Company made an estimate of dismantling costs of BAM 59,608 thousand (power plant Tuzla BAM 37,043 thousand and power plant Kakanj BAM 22,545 thousand) for the period of 36 years from 2006. Adjustment of BAM 5,898 thousand as at 1 January 2009 relates to discounted present value of the original estimate by a discount rate of 8% of BAM 7,102 thousand recorded as tangible assets less accumutated depreciation of BAM 1,204 thousand for the period from 2006 till 1 January 2009. Additional depreciation expenses are of BAM 401, thousand is recognised for the 2009 year.

Adjustment of retained earnings of BAM 210 thousand as at 1 January 2009, relates to accumulated depreciation of BAM 1,204 thousand; adjustment of provision for dismantling of BAM 1,181 thousand from 2006 to 1 January 2009; adjustment of BAM 2,991 thousand as decrease of liability based on third party confirmation; BAM 389 thousand of incorrectly recorded transfer of revaluation surplus to retained earnings and BAM 7 thousand of other adjustments.

Additional adjustments of retained earnings in 2009 relates to accumulated depreciation of BAM 401 thousand for 2009; adjustment of provision for dismantling of BAM 663 thousand for 2009; adjustment of BAM 5,128 thousand for unrecognised accrued sales revenue in 2009.

Adjustment of provision of BAM 8,290 thousand relates to recognition of provision for dismalting of power plants in Tuzla and Kakanj as at 1 January 2009 and additional incerase in the provision of BAM 663 thousand in 2009.

b) Adjustment of trade and other receivables of BAM 5,128 thousand relates to the unrecognised accrued sales revenue in 2009.

c) Adjustment to other liabilities of BAM 2,991 thousand relates to decrease of liability towards supplier based on third party confirmation as at 31 December 2008.

Restatement of comparative income statement items for the year ended 31 December 2009 is as follows:

Profit reported before the restatements for 2009	61,904
Accrued revenue	5,128
Depreciation expenses	(401)
Increase in provision for dismantling	(663)
Profit for the period restated	65,968

Notes (*continued*)

6 Segment reporting

From 1 September 2008, the Company has established a Management board with six executive directors, of whom three are responsible for the following activities: production, distribution and supply and trade, and other three for the support activities: economic activities, legal and human resource affairs and capital investments.

For management purposes, the Company is organised into three segments. These segments are the basis on which the Company reports.

(i) Segment 1 – Production, which includes hydro power plants on the Neretva river (Jablanica, Grabovica and Salakovac) and coal power plants in Kakanj and Tuzla;

(ii) Segment 2 – Distribution and supply, which includes distribution units in Bihać, Mostar, Sarajevo, Tuzla and Zenica;

(iii) Segment 3 – Economic, legal affairs, human resources and development and investments.

Notes (*continued*)

6 Segment reporting (*continued*)

in thousand BAM	Segment 1 Production		Segment 2 Distribution and supply		Segment 3 Other activities		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	Restated 2009
Sales	**557,708**	570,280	**230,195**	242,996	**54,450**	87,123	**842,353**	900,399
Cost of sales	**(568,896)**	(566,375)	**(235,882)**	(242,281)	**(64,878)**	(43,949)	**(869,656)**	(852,605)
Segment result	**(11,188)**	3,905	**(5,687)**	715	**(10,428)**	43,174	**(27,303)**	47,794
Other operating income	**4,991**	5,389	**8,619**	9,270	**1,886**	3,937	**15,496**	18,596
Other operating expenses	**(1,375)**	(2,344)	**(4,971)**	(10,349)	**(8,504)**	(1,682)	**(14,850)**	(14,375)
Result from operating activities	**(7,572)**	6,950	**(2,039)**	(364)	**(17,046)**	45,429	**(26,657)**	52,015
Financial income	**4,005**	2,752	**2,809**	2,425	**17,427**	20,663	**24,241**	25,840
Financial expenses	**(9,903)**	(10,088)	**(1,742)**	(1,675)	**(381)**	(124)	**(12,026)**	(11,887)
Financial result	**(5,898)**	(7,336)	**1,067**	750	**17,046**	20,539	**12,215**	13,953
Result before tax	**(13,470)**	(386)	**(972)**	386	**0**	65,968	**(14,442)**	65,968
Income tax	**-**	-	**-**	-		-	**-**	-
Profit/(loss) for period	**(13,470)**	(386)	**(972)**	386	**0**	65,968	**(14,442)**	65,968

Notes (*continued*)

6 Segment reporting (*continued*)

in thousand BAM	Segment 1 Production		Segment 2 Distribution and supply		Segment 3 Other activities		Total	
								Restated
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Fixed assets	**1,773,683**	1,796,613	**845,601**	800,790	**45,198**	43,305	**2,664,482**	2,640,708
Other non current assets	**2,461**	4,176	**2,534**	2,982	**24,213**	1,438	**29,208**	8,596
Investments	**600**	600	**3,931**	3,918	**90,371**	85,319	**94,902**	89,837
Total non current assets	**1,776,744**	1,801,389	**852,066**	807,690	**159,782**	130,062	**2,788,592**	2,739,141
Current assets	**460,406**	541,093	(35,788)	41,343	**145,110**	496,024	**579,728**	1,078,460
Less inter segment receivables	**0**	(467,551)	**0**	78,573	**0**	(35,243)	**0**	(424,221)
	460,406	73,542	(35,788)	119,916	**145,110**	460,781	**569,728**	654,239
Total assets	**2,237,150**	1,874,931	**816,278**	927,606	**304,892**	590,843	**3,358,320**	3,393,380
Liabilities	**127,753**	143,134	**237,256**	222,920	**79,978**	501,427	**444,987**	867,481
Less inter segment liabilities	(67,534)	(3,828)	(46,111)	(31,429)	113,645	(388,962)	**0**	(424,219)
Total liabilities	**60,219**	139,306	**191,145**	191,491	**193,623**	112,465	**444,987**	443,262
Net assets per segment	**2,176,931**	1,735,625	**625,133**	736,115	**111,269**	478,378	**2,913,333**	2,950,118

Notes (*continued*)

7 Sales revenue

	2010 BAM'000	Restated 2009 BAM'000
Sale of electric energy in domestic market	**702,875**	743,627
Sale of electric energy abroad	**116,930**	117,534
Sale of services and other revenue	**22,548**	39,238
	842,353	900,399

8 Other operating income

	2010 BAM'000	2009 BAM'000
Liabilities written off	**498**	1,978
Grant revenue	**7,467**	7,017
Surpluses of property, plant and equipment	**134**	375
Insurance claims	**1,417**	1,548
Penalties	**826**	1,133
Rental income	**1,156**	1,209
Gain on sale of raw materials	**1,591**	769
Release of provision for court cases	**569**	2,499
Other revenues	**1,838**	2,068
	15,496	18,596

9 Personnel costs

	2010 BAM'000	2009 BAM'000
Net wages, salaries and other staff costs	**124,786**	122,660
Compulsory social security contributions	**66,856**	69,592
Fees to employees and those charged with governance	**2,236**	2,909
Other employee costs	**1,694**	5,189
Total personnel costs	**195,572**	200,350
Own work capitalised	**(3,606)**	(4,721)
Personnel costs recognised in income statement	**191,966**	195,629

The number of employees in the Company at year end was 5,126 (2009: 5,190). Personnel costs include BAM 37,056 thousand (2009: BAM 34,768 thousand) of defined pension contributions paid into obligatory pension funds.

Other employee costs include entitlements for retirement benefits and jubilee awards.

Notes (*continued*)

10 Depreciation and amortization

	2010 BAM'000	Restated 2009 BAM'000
Depreciation	**146,221**	142,028
Amortisation	**1,103**	906
Total depreciation and amortisation	**147,324**	142,934

11 Other operating expenses

	2010 BAM'000	Restated 2009 BAM'000
Loss on disposal of fixed assets	**3,039**	4,916
Write off of inventories	**432**	1,318
Donations	**-**	2
Inventory losses	**118**	15
Penalties	**291**	439
Bad debt expenses	**2,034**	3,139
Transport services	**48,928**	45,545
Maintenance	**19,132**	18,365
Telecommunication costs	**1,562**	1,377
Services from third parties	**1,514**	1,780
Provisions for claims	**-**	2,583
Rent expense	**438**	305
Insurance	**5,339**	5,068
Bank charges	**270**	291
Travel costs	**697**	721
Advertising costs	**387**	910
Entertainment costs	**491**	462
External services	**4,603**	2,884
Memberships and other taxes	**35,734**	23,843
Other expenses	**12,137**	8,131
	137,146	122,094

Notes (*continued*)

12 Net financial (expense)/ income

	2010 BAM'000	2009 BAM'000
Interest income	**22,296**	24,659
Foreign exchange gains	**1,945**	1,181
Financial income	**24,241**	25,840
Interest expenses	**(3,678)**	(11,722)
Foreign exchange losses	**(8,348)**	(165)
Financial expenses	**(12,026)**	(11,887)
Net financial (expense)/ income	**12,215**	13,953

13 Income tax expense

The following is a reconciliation of income taxes calculated at the applicable tax rate with profit tax expense:

	2010 BAM'000	2009 BAM'000
Accounting profit before tax	**(14,442)**	61,904
Profit tax at 10%	**(1,444)**	6,190
Taxable capital gains	**2,672**	8,887
Non-deductible expenses	**926**	1,131
Tax relief due to investment	**(2,154)**	(16,208)
Income tax expense	**-**	-
Income tax expense and effective tax rate for the year	**-**	-

Notes (*continued*)

14 Property, plant and equipment

	Land BAM'000	Buildings BAM'000	Plant and equipment BAM'000	Assets in course of construction BAM'000	Total BAM'000
Cost or valuation					
At 1 January 2009	**76,275**	**2,766,609**	**1,716,988**	**71,234**	**4,631,106**
Restatement	-	1,960	5,142	-	7,102
At 1 January 2009 (Restated)	**76,275**	**2,768,569**	**1,722,130**	**71,234**	**4,638,208**
Additions	-	-	-	174,350	174,350
Disposals and write offs	(167)	(54,848)	(167,769)	-	(222,784)
Transfers	117	15,691	102,801	(118,609)	-
At 31 December 2009	**76,225**	**2,729,412**	**1,657,162**	**126,975**	**4,589,774**
At 1 January 2010	**76,225**	**2,729,412**	**1,657,162**	**126,975**	**4,589,774**
Additions	-	-	-	176,231	176,231
Disposals and write offs	(20)	(14,880)	(21,631)	-	(36,531)
Transfers	763	65,192	82,972	(148,927)	-
At 31 December 2010	**76,968**	**2,779,724**	**1,718,503**	**154,279**	**4,729,474**
Accumulated depreciation and impairment losses					
At 1 January 2009	**-**	**1,195,405**	**749,689**	**-**	**1,945,094**
Restatement	-	128	1,076	-	1,204
At 1 January 2009 (Restated)	**-**	**1,219,988**	**812,659**	**-**	**2,032,647**
Charge for the year	-	6.716	135,312	-	142,028
Disposals and write offs	-	(52,175)	(165,617)	-	(217,792)
At 31 December 2009	**-**	**1,174,529**	**782,354**	**-**	**1,956,883**
At 1 January 2010	**-**	**1,174,529**	**782,354**	**-**	**1,956,883**
Charge for the year	-	64,839	81,382	-	146,221
Disposals and write offs	-	(12,244)	(16,149)	-	(28,393)
At 31 December 2010	**-**	**1,227,124**	**847,587**	**-**	**2,074,711**
Carrying amount					
At 1 January 2009	76,275	1,548,581	909,471	71,234	2,605,561
At 31 December 2009 (restated)	76,225	1,554,883	874,808	126,975	2,632,891
At 1 January 2010 (restated)	**76,225**	**1,554,883**	**874,808**	**126,975**	**2,632,891**
At 31 December 2010	**76,968**	**1,552,600**	**870,916**	**154,279**	**2,654,763**

In 2004, the Company organised a new appraisal of the property, plant and equipment, which was performed by American Appraisal Hungary Co. Ltd. and Ernst & Young Advisory Ltd, who issued their report on 24 August 2005. The appraisal effective date was 31 December 2004. The fair values are based on market values, being the estimated amount for which a property, plant and equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. No subsequent appraisal has been made.

Notes (*continued*)

15 Intangible assets

	Software BAM'000	Research and development costs BAM'000	Assets in course of construction BAM'000	Total BAM'000
Cost				
At 1 January 2009	**5,418**	**11**	**-**	**5,429**
Additions	-	-	2,099	2,099
Disposal and write off	-	(11)	-	(11)
Transfers	2,099	-	(2,099)	-
At 31 December 2009	**7,517**	**-**	**-**	**7,517**
Additions	-		1,528	1,528
Disposal and write off	(3,183)	-	-	(3,183)
Transfers	1,505	23	(1,528)	-
At 31 December 2010	**5,839**	**23**	**-**	**5,862**
Accumulated amortisation and impairment losses				
At 1 January 2009	**4,668**	**-**	**-**	**4,668**
Charge for the year	906	-	-	906
At 31 December 2009	**5,574**	**-**	**-**	**5,574**
Charge for the year	1,103	-	-	1,103
Disposal and write off	(3,181)		-	(3,181)
At 31 December 2010	**3,496**	**-**	**-**	**3,496**
Carrying amount				
At 1 January 2009	750	11	-	761
At 31 December 2009	1,943	-	-	1,943
At 1 January 2010	**1,943**	**-**	**-**	**1,943**
At 31 December 2010	**2,343**	**23**	**-**	**2,366**

Notes (*continued*)

16 Investment in associate

The Company's share of net assets of its associates is as follows:

Associate	Reporting date	Business activity	Ownership	2010 BAM'000	2009 BAM'000
ETI d.o.o. Sarajevo	31 December 2010	Production of fuses	49%	**2,027**	2,027

17 Investment in subsidiaries

Subsidiary	Business activity	Ownership	2010 BAM'000	2009 BAM'000
Rudnik mrkog uglja Abid Lolić d.o.o.Travnik – Bila	Coal mine extraction	100%	**762**	762
Rudnici Kreka d.o.o. Tuzla	Coal mine extraction	100%	**40,831**	37,145
RMU Kakanj d.o.o. Kakanj	Coal mine extraction	100%	**19,720**	19,720
RMU Zenica d.o.o. Zenica	Coal mine extraction	100%	**2,893**	1,514
JP Rudnik mrkog uglja Breza d.o.o. Breza	Coal mine extraction	100%	**12,490**	12,490
JP Rudnik uglja Gračanica d.o.o. Gornji Vakuf Uskoplje	Coal mine extraction	100%	**5,065**	5,065
JP Rudnik mrkog uglja Đurđevik d.o.o.	Coal mine extraction	100%	**5,108**	5,108
Investment in coal mines			**86,869**	81,804
Eldis Tehnika d.o.o.	Production of electro equipment and communication	100%	**1,429**	1,429
Iskraemeco d.o.o.	Energy management and supplies	57.5%	**3,286**	3,286
Hotel Makarska	Hotel services	85.8%	**1,291**	1,291
Investment in other subsidiaries			**6,006**	6,006
Total investment in subsidiaries			**92,875**	87,810

The Government of the Federation of Bosnia and Herzegovina in the process of restructuring and reorganisation of the electricity sector, on behalf of the Federation of Bosnia and Herzegovina, made decision on 14 January 2009 (No. 12/09, Official Gazette of FBiH, No. 4 / 09), to transfer all of the shares of the Federation of Bosnia and Herzegovina in the coal mines to the Company.

On 24 July 2009, the Company has signed an agreement with the Government of the Federation of Bosnia and Herzegovina on transfer of shares in the coal mines from the Government of the Federation of Bosnia and Herzegovina to the Company.

Notes (*continued*)

17 Investment in subsidiaries *(continued)*

The Supervisory Board of the Company on 31 August 2009 appointed authorised personnel of the coal mines assemblies. The authorised personnel of the Company on 25 September 2009, adopted the new statutes of the coal mines, which reflect changes of ownership of coal mines and began the procedure for amending the management and supervisory boards of the coal mines.

On the 30 September 2009, the Company received approval from the Competition Council of Bosnia and Herzegovina for the transfer of ownership of the coal mines from the Government of the Federation of Bosnia and Herzegovina to the Company. On this date the Company took control over the coal mines and this is the date when the legal ownership of the mines was transferred from the Government of the Federation of Bosnia and Herzegovina to the Company.

The Company engaged an external audit firm to perform a valuation of shares of the Government FBiH in coal mines. The external audit firm, produced a report dated 16 October 2009, and based on this report the total value of the 100% capital of coal mines was BAM 81,804 thousand. For this amount the Company will issue shares to the Government of FBiH through which the Government of FBiH will increase its share in the Company, court registration is in the process.

In addition, on 16 November 2009 the Company has signed individual agreements on transfer of shares in the coal mines and marked the beginning of future operational activities.

In 2010 the Company made further investments in two coal mines, RMU Zenica d.o.o. and Rudnici Kreka d.o.o., in the amount of BAM 1,379 thousand and BAM 3,686 thousand respectively.

18 Loans and other receivables

	2010 **BAM'000**	2009 BAM'000
Term deposits	**235,877**	288,485
Loans to employees	**10,438**	7,495
Loans to subsidiaries	**12,641**	-
Loans to customers	**1,462**	1,418
Interest receivable	**2,666**	3,295
Other receivables	**934**	535
	264,018	301,228
Current portion of loans and other receivables	**234,810**	292,632
Non-current portion of loans and other receivables	**29,208**	8,596
	264,018	301,228

Term deposits relate to short term placements with banks that bear interest between 1% and 5.71% per annum.

Loans to employees comprise housing loans to employees, bearing interest between 4.25% to 5.75% p.a., repayable over 15 to 20 years, secured by bills of exchange and mortgages.

Loans to subsidiaries include loans to RMU Kakanj, RMU Zenica and RMU Breza all with the interest rate of 1.5% p.a.

Notes (*continued*)

19 Trade and other receivables

	2010 BAM'000	Restated 2009 BAM'000
Trade receivables – gross	**159,971**	148,928
Trade receivables – impairment	**(44,194)**	(41,789)
Trade receivables – net	**115,777**	107,139
Receivables from employees	**182**	118
Prepayments to suppliers	**40,389**	6,945
Receivables from the State	**357**	349
Prepaid expenses	**749**	2,396
VAT receivable	**1,928**	-
Accrued revenue	**5,274**	5,128
Other receivables	**2,202**	3,625
	166,858	125,700

20 Inventories

	2010 BAM'000	2009 BAM'000
Raw materials	**94,288**	102,192
Spare parts	**14,333**	13,378
Prepayments for inventory	**247**	-
Merchandise	**5**	7
	108,873	115,577

21 Cash and cash equivalents

	2010 BAM'000	2009 BAM'000
Cash with banks in BAM	**8,525**	36,648
Cash with banks in foreign currencies	**48,548**	81,505
Petty cash	**271**	184
	57,344	118,337

22 Share capital

	2010 BAM'000	2009 BAM'000
One issue at the beginning of the year	**2,155,160**	2,155,160

The authorised and issued share capital comprises 30,354,369 ordinary shares (2009: 30,354,369). The par value of each share is BAM 71 (2009: BAM 71).

Notes (*continued*)

22 Share capital *(continued)*

(i) Contributed but unregistered capital

As of 30 September 2009, Government of Federation of Bosnia and Herzegovina transferred a 100% stake in seven coal mines to the Company at a total value of BAM 81,804 thousand (see *Note 17 Investment in subsidiaries*). For this amount the Company issued shares to the Government of FBiH through which the Government of FBiH increased its share in the Company, court registration is in the process. Council of competition of FBiH has approved on 30 September 2009 transfer of 100% stake in seven coal mines from the Government of FBiH to the Company.

(i) Statutory reserves

During the year the Group transferred BAM 12,381 thousand to statutory reserves from retained earnings.

(ii) Dividends

The General Assembly at a meeting held on 30 June 2010 approved dividends of BAM 24,587 thousand from the net profit from 2009 which represented BAM 0.81 per share.

23 Loans and borrowings

		2010 BAM '000	2009 BAM '000
(a)	***Non-current loans and borrowings***		
	Loans from banks	**108,712**	81,230
		108,712	81,230
(b)	***Current loans and borrowings***		
	Loans from banks	**13,760**	12,900
		13,760	12,900
(c)	***Total loans and borrowings***	**122,472**	94,130

Notes (*continued*)

23 Loans and borrowings *(continued)*

(d) Interest rates and terms of repayment for the Company at 31 December 2010 are as follows:

Loans and borrowings	Interest rate	Total 2010 BAM'000	1 year or less BAM'000	1-2 years BAM'000	3-5 years BAM'000	More than 5 years BAM'000
Loans from banks						
Variable interest rate instruments						
BAM 104,233,104	0.75% – LIBOR + 0.75%	**69,424**	6,058	6,542	12,748	44,076
BAM 49,599,087	EURIBOR + 1% - 6.48%	**11,066**	3,592	2,588	4,037	849
Fixed interest rate instruments						
BAM 9,411,908	3.702% - 5.55%	**17,677**	523	523	1,569	15,062
BAM 17,043,406	0.75%	**22,919**	2,201	2,201	6,604	11,913
Other loans						
BAM 18,064,619	0%	**1,386**	1,386	-	-	-
Total loans and borrowings		**122,472**	13,760	11,854	24,958	71,900

24 Deferred income

	2010 BAM'000	2009 BAM'000
Deferred income for granted assets	**128,368**	128,124
Deferred income for granted cash	**375**	215
Deferred income for granted inventories	**1,071**	1,700
	129,814	130,039

25 Deferred tax liability

Movement in temporary difference during the year is as follows:

In thousand BAM	Balance 1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2009	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2010
Property, plant and equipment	**59,021**	-	(1,706)	**57,315**	-	(2,244)	**55,071**

26 Other liabilities

	2010 **BAM'000**	2009 BAM'000
Accrued expenses	**2,453**	4,660

27 Provisions

	Construction licenses **BAM'000**	**Law suits** **BAM'000**	**Dismantling provision** **BAM'000**	**Jubilee awards retirement benefits** **BAM'000**	**Total** **BAM'000**
Balance at 1 January 2010 (restated)	**8,279**	**6,890**	**8,953**	**35,163**	**59,285**
Provision made during the period	-	-	716	4,139	4,855
Provision released during the period	-	(569)	-	(1,675)	(2,244)
Provision used during the period	(6,094)	(631)	-	(3,186)	(9,911)
Balance at 31 December 2010	**2,185**	**5,690**	**9,669**	**34,441**	**51,985**

	2010 **BAM'000**	Restated 2009 BAM'000
Current portion of provisions	**7,875**	15,169
Non-current portion of provision	**44,110**	44,116
	51,985	59,285

Construction licenses

In December 2005 the Company signed contracts with three municipalities: Jablanica, Konjic and Prozor for issuance of construction, operational and other relevant licences for existing hydro power plants Jablanica. The contracted value of the permit was BAM 33,378 thousand and it was agreed that this amount will be paid over a period of five years. During 2010 the Company paid BAM 6,094 thousand. The remaining liability of BAM 2,185 will be paid in 2011.

28 Trade and other payables

	2010 **BAM'000**	Restated 2009 BAM'000
Trade payables	**45,306**	78,539
Payables to employees	**250**	144
Contribution and taxes	**4,001**	3,391
Prepayment from suppliers	**9,413**	4,983
Other accruals	**23,133**	1,158
Other short term liabilities	**1,089**	5,175
VAT payable	**-**	4,443
	83,192	97,833

29 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no significant exposure to liquidity risk.

(iii) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the Company's income or value of its holdings of financial instruments. The Company has no significant exposure to market risk.

Exposure to credit, interest and currency risk arises in the normal course of the Company's business.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**2010 BAM'000**	2009 BAM'000
Loans and receivables	*18,19*	**430,876**	421,800
Cash and cash equivalents	*21*	**57,344**	118,337
		488,220	540,137

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2010 BAM'000	2009 BAM'000
Domestic	**100,564**	105,249
Foreign	**15,213**	1,890
	115,777	107,139

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2010 BAM'000	2009 BAM'000
Wholesale customers	**98,304**	89,992
Retail customers	**17,473**	17,147
	115,777	107,139

29 Financial risk management *(continued)*

Impairment losses

The Company has not able to provide ageing of trade receivables at the reporting date.

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2010	**Carrying amount**	**Contractual Cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 Years**	**More than 5 years**
	BAM'000	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**	**BAM'000**
Non-derivative financial liabilities							
Trade and other payables	**83,192**	**(83,192)**	**(83,192)**	**-**	**-**	**-**	**-**
Interest bearing loans	**122,472**	**126,174**	**7,650**	**6,613**	**13,257**	**25,619**	**73,035**

31 December 2009	Carrying amount	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 Years	More than 5 years
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
Non-derivative financial liabilities							
Trade and other payables	100,784	(100,784)	(100,784)	-	-	-	-
Interest bearing loans	94,130	(103,138)	(8,312)	(7,104)	(15,870)	(27,878)	(43,974)

Currency risk

Exposure to currency risk

The Company incurs foreign currency risk on sales, purchases, interest bearing loans and borrowings and loans and other receivables that are denominated in a currency other than convertible mark. The currencies giving rise to this risk are primarily Euro and USD. These exposures are not currently hedged.

The Company's exposure to foreign currency risk was as follows based in functional currency:

In thousand BAM			**2010**			
	BAM	**EUR**	**USD**	**XDR**	**YEN**	**CHF**
Loans and other receivables	**28,131**	**235,887**	**-**	**-**	**-**	**-**
Trade receivables	**145,115**	**7,596**	**68**	**-**	**-**	**-**
Trade payables	**(41,329)**	**(1,879)**	**(172)**	**-**	**-**	**(17)**
Interest bearing loans and borrowings	**-**	**(59,794)**	**(3,324)**	**(40,291)**	**(17,677)**	**(1,386)**
Gross balance sheet exposure	**131,917**	**181,810**	**(3,428)**	**(40,291)**	**(17,677)**	**(1,403)**

29 Financial instruments *(continued)*

Currency risk (continued)

In thousand BAM	2009					
	BAM	EUR	USD	XDR	YEN	CHF
Loans and other receivables	12,743	288,485	-	-	-	-
Trade receivables	105,249	1,890	-	-	-	-
Trade payables	(67,565)	(13,965)	-	-	-	-
Interest bearing loans and borrowings	-	(40,345)	(5,045)	(31,980)	(15,600)	(1,160)
Gross balance sheet exposure	50,427	236,065	(5,045)	(31,980)	(15,600)	(1,160)

	Average rate		**Reporting date spot rate**	
	2010	2009	**2010**	2009
EUR	**1.95583**	1.95583	**1.95583**	1.95583
USD	**1.483397**	1.40386	**1.472764**	1.36408
XDR	**2.260045**	2.16441	**2.282767**	2.12837
YEN	**1.702766**	0.01502	**1.806938**	0.01477
CHF	**1.428151**	1.29537	**1.567800**	1.31457

Sensitivity analysis

Since there were no fluctuations in the EUR vs. BAM foreign exchange rate since the introduction of the BAM, sensitivity analysis is not necessary for amounts denominated in EUR.

A 1% strengthening of the USD would result in BAM 34 thousand increase in equity and profit as at 31 December 2010 (2009: BAM 50 thousand), and for the year then ended, while 1% weakening of the USD would have an equal but opposite effect on the above noted trade receivables, profit and equity, on the basis that all other variables, in particular interest rates, remain constant. It was not practicable to perform sensitivity analyses for other currencies.

Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2010 **BAM'000**	2009 BAM'000
Fixed rate instruments		
Financial assets	**258,956**	297,398
Financial liabilities	**(41,982)**	(23,620)
	216,974	273,778

29 Financial instruments *(continued)*

Interest rate risk (continued)

	Carrying amount	
	2010	2009
	BAM'000	BAM'000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**(80,490)**	(70,510)
	(80,490)	(70,510)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in the interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

BAM'000	**Profit or loss**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2010				
Cash flow sensitivity analysis	**(805)**	**621**	**(805)**	**621**
31 December 2009				
Cash flow sensitivity analysis	(555)	469	(555)	469

Fair values

The fair value of financial assets and liabilities correspond to their carrying values.

30 Contingent liabilities

Court cases

As of 31 December 2010, court proceedings were initiated against the Company in the total amount of BAM 32,523 thousand (2009: BAM 46,899 thousand). The Company created a provision for law suits of BAM 5,869 thousand (2009: BAM 6,890 thousand). From the total court proceedings of BAM 32,523 thousand, BAM 12,507 thousand relates to court proceeding initiated by Tuzla Canton, based on the first instance verdict the plaintiff was successful in its claim, and the Company has lodged an appeal, however no provision was raised. For the rest of the court proceedings, which are not provided for, either, based on the first instance verdict, are settled in the favour of the Company or the Management is of the opinion that they are without merit and therefore, no amounts have been recorded in the accompanying financial statements.

Tax inspection

In February 2010, the Company was subject to a tax inspection. The result of this inspection was that the Company is liable to pay additional amounts to tax authorities. The Company does not believe that an amount totalling BAM 10,192 thousand, claimed as a result of the tax inspection, related to years from 2005 to 2009 is valid and has appealed against this claim to the Tax Administration - Federal Ministry of Finance on 7 September 2010. The Company has received response from Tax authorities on 22 April 2011 where Tax authorities refused their claim and request payment of additional tax liability. The Company made no provision for tax liability.

31 Environmental matters

The principal activities of the Company are the generation, transmission and distribution of electricity, and the control of the electric power systems. These principal business activities can have inherent effects on the environment in terms of emissions into land, water and air. The environmental effects of the Company's activities are monitored by local management and environmental authorities.

In the past years, the creation of a system of environmental management has been underway, based on the principles applied in the European Union. Up to now the sector legislation in Bosnia and Herzegovina covered air, water and waste, while noise, chemicals and ionising radiation were not covered. As far as horizontal legislation is concerned, the development of bylaws regulating environmental licenses is underway.

As part of the European Union integration strategy, environmental regulations similar to those at other European Union countries may be introduced in Bosnia and Herzegovina. Such environmental regulations may have an impact on environmental liabilities for the Company which management has not been able to estimate.

32 Related party transactions

(a) Related parties under common ownership – Enterprises controlled by the Government

	Sales		***Purchases***	
	2010	2009	**2010**	2009
	BAM'000	BAM'000	**BAM'000**	BAM'000
JKP Park	**58**	66	**1**	59
Željeznice BiH	**465**	488	**1**	-
KJKP Gras	**3,125**	3,013	**12**	5
BH Telecom	**1,910**	1,636	**141**	512
BH Pošta	**474**	479	**49**	45
KJKP Vodovod i kanalizacija	**7,937**	7,931	**44**	18
Centralna Banka BiH	**141**	147	**-**	12,621
JKP Toplane	**2,146**	2,184	**5**	-
Sarajevogas Sarajevo	**100**	78	**3**	-
Elektroprenos AD Banja Luka	**116**	27	**-**	51,465
Vanjsko trgovinska komora BiH	**38**	37	**-**	-
JKP Rad	**364**	370	**17**	6
RTV BiH	**653**	669	**-**	100
Energoinvest d.d Sarajevo	**518**	1,373	**-**	2,921
	18,045	18,498	**273**	67,752

	Assets		***Liabilities***	
	2010	2009	**2010**	2009
	BAM'000	BAM'000	**BAM'000**	BAM'000
JKP Park	**7**	8	**-**	1
Željeznice BiH	**158**	112	**-**	-
KJKP Gras	**658**	428	**-**	-
BH Telecom	**148**	146	**3**	18
BH Pošta	**50**	47	**-**	5
KJKP Vodovod i kanalizacija	**1,103**	956	**4**	5
Centralna Banka BiH	**12**	14	**-**	-
JKP Toplane	**341**	343	**-**	-
Sarajevogas Sarajevo	**10**	10	**-**	-
Elektroprenos AD Banja Luka	**8**	4	**-**	-
Vanjsko trgovinska komora BiH	**4**	4	**-**	-
JKP Rad	**47**	50	**-**	1
RTV BiH	**59**	55	**-**	-
Energoinvest d.d Sarajevo	**56**	88	**-**	-
	2,661	2,265	**7**	30

32 Related party transactions *(continued)*

(b) Related parties – Coal mines

The Company and the domestic mine companies are related parties based on the majority state ownership structure. The Company has acquired a 100% stake in coal mines as disclosed in Note 17 *Investment in subsidiaries*, therefore transactions from the sale of electricity power, coal purchases and advances provided are disclosed as related party transactions. Sales and purchases are made at fair exchange amount, being the amount agreed between the related parties. Balances with related parties are as follows:

Assets

	2010 BAM'000	2009 BAM'000
Receivables		
Kakanj	**170**	166
Zenica	**1,359**	224
Breza	**185**	179
Gracanica	**49**	48
Bila	**36**	37
Kreka	**945**	871
Banovici	**559**	564
Durdevik	**216**	253
	3,519	2,342

Liabilities

	2010 BAM'000	2009 BAM'000
Trade payables		
Kreka	**5,720**	7,361
Banovici	**6,118**	7,807
Zenica	**-**	395
Kakanj	**3,655**	2,743
Durdevik	**551**	2,142
Gracanica	**794**	674
Bila	**520**	557
Breza	**2,788**	2,265
Stanari	**966**	931
Tusnica	**71**	84
	21,183	24,959

32 Related party transactions *(continued)*

(b) Related parties – Coal Mines (continued)

Sales revenue

	2010 BAM'000	2009 BAM'000
Kreka	**8,639**	9,261
Banovici	**5,694**	5,123
Zenica	**2,104**	2,295
Kakanj	**1,702**	1,781
Durdevik	**2,323**	2,181
Gracanica	**478**	459
Bila	**392**	360
Breza	**1,794**	1,736
	23,126	23,196

Purchases of coal

	2010 BAM'000	2009 BAM'000
Kreka	**96,813**	105,423
Banovici	**63,870**	64,029
Zenica	**3,804**	10,941
Kakanj	**59,485**	62,485
Durdevik	**30,087**	26,630
Gracanica	**8,325**	7,709
Bila	**6,568**	6,364
Breza	**29,351**	29,288
Stanari	**6,625**	10,040
Tusnica	**1,371**	1,610
	306,299	324,519

(c) Related parties – associates

The Company is related to ETI d.o.o. Sarajevo due to its ability to exercise significant influence. The Company, in the normal course of business and at fair exchange amount, being the amount the Company and the related party has agreed on, had the following transactions with related party:

	2010 BAM'000	2009 BAM'000
Accounts receivables	**1**	1
Accounts payables	**-**	-
Sales revenue	**11**	10
Purchases	**269**	361

32 Related party transactions *(continued)*

(d) Related parties – management remunerations

The remuneration of key management and Supervisory board members during the year was as follows:

	2010 BAM'000	2009 BAM'000
Management Board remuneration		
Net salaries	**358**	459
Contributions and taxes	**271**	274
	629	733
Supervisory Board remuneration		
Net fees	**116**	113
Contributions and taxes	**18**	20
	134	133
Total remuneration	**763**	866

33 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

Certain accounting estimates in applying Company's accounting policies are described below:

Impairment of receivables

Trade receivables from sale of energy are estimated on each balance sheet date and are impaired according to the number of outstanding days (365 days) for the payment. Receivables which are three months overdue are considered bad debts. Due receivables more than one year old, for retail and corporate customers, are fully provided for.

Income tax

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authority.

Provisions for contingencies

The Company recognises provisions as a result of court cases initiated against them for which is likely that there will be an outflow of resources to settle the claims and the amounts can be reliably estimated. In estimating provisions, the Company takes into account professional legal advice and management considerations.

34 Ownership structure

The ownership structure of the Company is as follows:

	31 December 2010		31 December 2009	
	Number of shares	**Ownership**	Number of shares	Ownership
Federation of Bosnia and Herzegovina	**27,318,932**	**90%**	27,318,932	90%
Various shareholders	**3,035,437**	**10%**	3,035,437	10%
	30,354,369	**100%**	30,354,369	100%