JP ELEKTROPRIVREDA BIH D.D. SARAJEVO

INDEPENDENT AUDITOR'S REPORT
AND
UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012

Contents

RESPONSIBILITY FOR THE UNCONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the Accounting and Audit Law of the Federation of Bosnia and Herzegovina, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the state of affairs and results of the Company for that period.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. The Board must also ensure that the financial statements comply with the Accounting and Audit Law of the Federation of Bosnia and Herzegovina. The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board

Elvedin Grabovica, General Manager

JP Elektroprivreda BiH d.d.
Vilsonovo šetalište 5
71000 Sarajevo
Bosnia and Herzegovina

22 March 2013

Independent Auditor’s 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 (hereinafter „ the Company") set out on pages 4 to 37, which comprise of the unconsolidated statement of financial position as at 31 December 2012, and the unconsolidated statement of comprehensive income, 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 unconsolidated financial statements
Management is responsible for the preparation and fair presentation of these unconsolidated 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 unconsolidated 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
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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

Company has not made an assessment of net realizable value of obsolete inventory at 31 December 2012, which represents a departure from the requirements of the International Accounting Standard 2 "Inventories". Given that most of the organizational units of the Company implemented a new information system on 1 July 2012, the Company was unable to generate an obsolete inventories report at 31 December 2012. (2011: BAM 37,133 thousand). Accordingly, we believe that the net realizable value of obsolete inventories may significantly differ from their carrying values as at 31 December 2012. We were not able to quantify the effects of the aforementioned departure that would have an impact on the stock, accumulated earnings and financial results for the year then ended.

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As presented in Note 15 to the Unconsolidated Financial Statements, the most recent estimate of the fair value of property, plant and equipment was carried at 31 December 2004. From the date of the most recent assessment by the date of this report, there have been significant changes in the values of the real estate as a result of the global economic crisis. According to the requirements of the International Accounting Standard 16 "Property, Plant and Equipment" the frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Therefore, the Company was required to comply with the requirements IAS 16 and carry out a new fair value assessment. Effects of changes in fair value should be charged in favour of /or against the revaluation surplus, or expenses of the period when the effects of the impairment loss exceed the amount previously recognized as revaluation surplus. In light of this, the Company engaged a Consortium in December 2012 to assess the fair value of long-term assets as of 1 January 2013. The deadline for rendering of these services is 31 May 2013. Given that at 31 December 2012 the value of property, plant and equipment is stated in accordance with estimates carried in the previous period, we believe that their fair value at 31 December 2012 may significantly differ from the carrying value. Since the activities of the Consortium in estimating the fair value of property, plant and equipment were not completed by the date of this report, and we were unable to quantify the effects of departure from the requirements of the International Accounting Standard 16 "Property, plant and equipment".

The Company has not carried out an estimate of recoverable amount of its investments in subsidiaries and associates, although there was objective evidence that these financial instruments may be impaired. Value of these investments at 31 December 2012 has been stated in the amount of BAM 144,042 thousand. This represents a departure from requirements of the International Accounting Standard 36 „Impairment of Assets" which define that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Having considered the aforementioned, we believe that the recoverable amount of investments in subsidiaries and associates may differ from their carrying amount at 31 December 2012.

Qualified opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraphs, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF RE OPINION d.o.o.

DRUŠTVO ZA REVIZIJU PKF RE OPINION d.o.o. SARAJEVO

Nihad Fejzić, Director and Authorised Auditor

Berna Šljokić, Authorised Auditor

Sarajevo, 22 March 2013

JP ELEKTROPRIVREDA BiH D.D. – SARAJEVO, UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 BAM 000	2011 BAM 000
Revenue	6	886,627	912,194
Other operating income	7	21,048	24,124
Total operating income		**907,675**	**936,318**
Work performed and capitalised		4,390	5,700
Raw material and energy expenses	8	(435,912)	(468,969)
Employee expenses	9	(190,320)	(195,069)
Depreciation of tangible assets	15	(151,485)	(148,829)
Amortisation of intangible assets	14	(1,594)	(1,585)
Other operating expenses	10	(138,619)	(133,595)
Total operating expenses		**(913,540)**	**(942,347)**
OPERATING LOSS		**(5,865)**	**(6,029)**
Finance income	11	17,860	13,267
Finance costs	12	(4,908)	(5,754)
PROFIT BEFORE TAX		**7,087**	**1,484**
Income tax	13	-	-
PROFIT AFTER TAX		**7,087**	**1,484**

Other comprehensive income

	Note	2012 BAM 000	2011 BAM 000
Release of differed tax liability	29	2,270	1,971
Total other comprehensive income		**2,270**	**1,971**
Total comprehensive income for the year		**9,357**	**3,455**

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

JP ELEKTROPRIVREDA BiH D.D. - SARAJEVO,
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 December 2012 BAM 000	31 December 2011 BAM 000
Non-current assets			
Intangible assets	14	6,650	3,892
Property, plant and equipment	15	2,763,021	2,718,059
Investments in associates	16	2,027	2,027
Investments in subsidiaries	17	142,015	115,443
Investments in bonds	-	13	13
Long term deposits	18	194	194
Long term loan receivables	19	11,351	16,725
Advance payments and other non-current receivables	20	5,866	4,426
Total non-current assets:		***2,931,137***	***2,860,779***
Current assets			
Current portion of non-current deposits	18	195,709	233,186
Inventories	21	119,867	90,357
Trade receivables	22	105,453	99,500
Short term loan receivables	23	4,669	6,720
Other receivables	24	41,139	37,673
Cash and cash equivalents	25	13,526	51,848
Total current assets:		***480,363***	***519,284***
TOTAL ASSETS		**3,411,500**	**3,380,063**
Equity and reserves			
Share capital	26	2,155,160	2,155,160
Contributed but unregistered capital	26	81,804	81,804
Statutory reserves	26	29,614	29,317
Revaluation surplus	26	457,836	478,265
Retained earnings		173,264	144,443
Total equity and reserves:		***2,897,678***	***2,888,989***
Non-current liabilities			
Long term bank borrowings	27	141,434	126,037
Deferred income	28	120,824	127,439
Deferred tax liability	29	50,828	53,098
Provisions	30	53,021	63,591
Total non-current liabilities:		***366,107***	***370,165***
Current liabilities			
Short term deferred income	28	80	158
Short term provisions	30	30,982	19,300
Current portion of long term bank borrowings	27	12,547	13,255
Trade payables	31	76,772	67,265
Other short term liabilities	32	27,334	20,931
Total current liabilities:		***147,715***	***120,909***
TOTAL CAPITAL AND LIABILITIES		**3,411,500**	**3,380,063**

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

Signed on behalf of the Company 22 March 2013:

Elvedin Grabovica, General Manager

	Share Capital BAM 000	Contributed but unregistered capital BAM 000	Statutory reserves BAM 000	Revaluation surplus BAM 000	Retained earnings BAM 000	Total BAM 000
Balance at 31 December 2010	**2,155,160**	**81,804**	**29,317**	**496,010**	**123,243**	**2,885,534**
Profit for the year	-	-	-	-	1,484	1,484
Depreciation of revalued assets	-	-	-	(19,716)	19,716	-
Release of deferred tax liability	-	-	-	1,971	-	1,971
Balance at 31 December 2011	**2,155,160**	**81,804**	**29,317**	**478,265**	**144,443**	**2,888,989**
Transfer to reserves	-	-	297	-	(297)	-
Dividend	-	-	-	-	(668)	(668)
Profit for the year	-	-	-	-	7,087	7,087
Depreciation of revalued assets	-	-	-	(22,699)	22,699	-
Release of deferred tax liability	-	-	-	2,270	-	2,270
Balance at 31 December 2012	**2,155,160**	**81,804**	**29,614**	**457,836**	**173,264**	**2,897,678**

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

JP ELEKTROPRIVREDA BiH D.D. – SARAJEVO,
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 BAM 000	2011 BAM 000
Operating activities		
Profit for the year	**7,087**	**1,484**
Adjustment for:		
Depreciation and amortisation of current and previous periods	153,260	150,414
Adjustments for deficits and surplus on tangible assets	(217)	-
Interest income	(13,685)	(13,267)
Interest expenses and capitalised interest	3,732	5,754
Changes in provisions, net	16,933	-
Loss from sale and disposal of assets	2,818	176
Write off of inventories	569	2,413
Impairment of receivables	8,077	1,953
Deferred income amortised in profit and loss	(9,332)	(7,515)
Liabilities write-offs	-	(965)
Adjustments before changes in operating activities	*169,242*	*140,447*
(Increase)/decrease of trade receivables	(11,972)	14,324
(Increase)/decrease in inventories	(31,078)	15,117
(Increase)/decrease in non current receivables	(1,440)	2,937
(Increase)/decrease in other receivables	(5,513)	12,540
Increase in trade payables	9,507	25,218
Increase/(decrease) in other payables	6,358	(12,518)
Payments of liabilities for which provisions were made	(15,821)	3,289
Changes in deferred income	2,639	2,855
Net cash from operating activities	**121,922**	**204,209**
Investing activities		
Purchase of tangible and intangible assets	(202,598)	(266,855)
Proceeds from sale of tangible assets	16	48,948
Increase in investments in subsidiaries	(26,572)	(22,568)
Proceeds from deposits and loan receivables	44,902	4,730
Interest proceeds	13,674	12,515
Net cash used in investing activities	**(170,578)**	**(223,230)**
Financing activities		
Increase in bank borrowings	14,689	15,057
Paid interest	(3,687)	(1,532)
Dividend	(668)	-
Net cash from financing activities	**10,334**	**13,525**
Net decrease in cash and cash equivalents	**(38,322)**	**(5,496)**
Cash and cash equivalents at beginning of year	**51,848**	**57,344**
Cash and cash equivalents at the end of year	**13,526**	**51,848**

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

1. GENERAL

JP Elektroprivreda Bosne i Hercegovine d.d. Sarajevo („the Company") is a joint stock company incorporated in Federation of Bosnia and Herzegovina with the registered address Vilsonovo šetalište 15, Sarajevo.

The Company's principal activities are 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.

As at 31 December 2012 the Company employed 4,939 employees (2011 – 5.147 employees).

Company's Management

Supervisory Board

mr.sci Enver Agić	Chairman
Fejsal Hrustanović	Member
dr. sci Bahrudin Šarić	Member
mr.sci Jakub Dinarević	Member
mr. sci Sanel Buljubašić	Member
Selvedin Subašić	Member
Davorin Korać	Member

Management

dr. Elvedin Grabovica	General Manager
Senad Sarajlić	Chief Executive for production
Admir Anđelija	Chief Executive for distribution
mr. sci Mirsad Šabanović	Chief Executive for supply and trade
Edin Mujagić	Chief Executive for economic affairs
mr. sci Amil Kamenica	Chief Executive for capital investments
Mensura Zuka	Chief Executive for legal, human resources and general affairs

Audit committee

Sadija Sinanović	Chairman
dr. Mirsad Kikanović	Member
Suljo Kasapović	Member

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and interpretations effective in current period

In the current year, the Company has adopted IFRS's which were effective for annual reporting period (effective for periods beginning on 1 January 2012 or after):

IFRS 1	First time adoption of International financial reporting standards (severe hyperinflation and removal of fixed dates for first-time adopters)
IFRS 7	Financial instruments: disclosures (transfers of financial assets);
IAS 1	Presentation of financial statements (Presentation of other comprehensive income in application from July 1 of year 2012)
IAS 12	Income taxes (deferred tax: recovery of underlying assets)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted

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

IFRS 1	First time adoption of International financial reporting standards (exemption from the requirement to restate comparative information for IFRS 9 – concurrent with adoption of IFRS 9; applicable from 1 January 2015)
IFRS 1	First time adoption of International financial reporting standards (government loans applicable from 1 January 2013)
IFRS 1	First time adoption of International financial reporting standards (annual improvements to IFRS: repeated application of IFRS 1 - from 1 January 2013)
IFRS 1	First time adoption of International financial reporting standards (annual improvements to IFRS: borrowing costs - from 1 January 2013)
IFRS 7	Financial instruments: disclosures (offsetting financial assets and financial liabilities – from 1 January 2013)
IFRS 9	Financial instruments: classification and measurement (Applicable from 1 January 2015)
IFRS 9	Additions to IFRS 9 for financial liability accounting (applicable from 1 January 2015)
IFRS 10	Consolidated financial statements (Applicable from 1 January 2013)
IFRS 11	Joint arrangements (Applicable from 1 January 2013)
IFRS 12	Disclosure of interest in other entities (Applicable from 1 January 2013)
IFRS 13	Fair value measurements (Applicable from 1 January 2013)
IAS 1	Presentation of financial statements (annual improvements: clarification of the requirements for comparative information – applicable from 1 January 2013)
IAS 16	Property, plant and equipment (annual improvements: classification of servicing equipment – from 1 January 2013)
IAS 19	Employee benefits (pensions and other post retirement benefits, in application since January 1 2013)
IAS 27	Separate financial statements (Applicable from 1 January 2013)
IAS 28	Investments in associates and joint ventures (Applicable from 1 January 2013)
IAS 32	Financial instruments: presentation (offsetting financial assets and financial liabilities – from 1 January 2014)
IAS 32	Financial instruments: presentation (annual improvements: tax effect of distribution to holders of equity instruments – applicable from 1 January 2013)
IAS 34	Interim financial reporting (annual improvements: interim financial reporting and segment information for total assets and liabilities – applicable from 1 January 2013)
IFRIC 20	Stripping costs in the production phase of a surface mine (applicable from 1 January 2013)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as published by the International Accounting Standards Board. For the purposes of this report, some reclassifications for previous period were made in order to achieve a consistent presentation of current period.

Basis of presentation
The financial statements have been prepared on the historical cost basis, except for the revaluation of certain tangible assets. The financial statements are presented in Konvertibilna Marka since that is the functional currency of the Company. The Konvertibilna Marka (BAM) is officially tied to the Euro (EUR 1 = BAM 1.95583).
Summarised below are the significant accounting policies adopted on the level of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Revenue recognition

Sales revenue is measured at fair value of the consideration received or receivable, minus return of goods, provisions, trade discounts and volume rebates. Revenue of sold products is recognised when the significant risks and rewards of ownership have been transferred to the customer, when it is possible that any future economic benefits associated with the item of revenue will flow to the entity, when the amount of costs and possible returns of goods can be measured with reliability and when Company retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from services is recognised in proportion to the stage of completion of the transaction at the balance sheet date.

Revenue, expenses and assets are recognised net of VAT, except if VAT cannot be refund by state authorities. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or expense incurred. Receivables and liabilities are stated with the amount of VAT included. Amount of receivables for VAT is included in current receivables. Amount of VAT that should be paid is included in current liabilities. Sales revenue is recognised at the date when goods and services are delivered and represents the net invoiced amount without VAT.

3.2 Deferred income

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

3.3 Finance income and expenses

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

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividends 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 capitalization. All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

3.4 Foreign currencies

Transactions other than in BAM are initially recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional rate of the Central Bank of Bosnia and Herzegovina prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated at the new official rate of the Central Bank of Bosnia and Herzegovina prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currency are stated at cost, retranslated in functional currency at the official rate of the Central Bank of Bosnia and Herzegovina prevailing on the transaction date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Employee benefits

(i) *Salary taxes and contributions from/to salaries*
On behalf of its employees, the Company is paying pension and health insurance from salaries, which are calculated on the gross salary paid, as well as tax on salaries which are calculated on the net salary paid. The Company is paying the above contributions into the Federal Pension and Health Fund, as per the set legal rates during the course of the year. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the income statement in the period in which the salary expense is incurred.

(ii) Retirement severance payments
The Group'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.

(iii) 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.

3.6 Taxation

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.

3.7 Property, plant and equipment

(i) Recognition and measurement
Property, plant and equipment represents an items that entity use for production, distribution, supply of services or administrative purpose. These items are stated in the balance sheet at its revalue amounts, being the fair value on the basis of their existing use at the date of revaluation, after deducting of 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. Investments in progress are carried at cost, less impairment loss if any. Depreciation of that asset commences when the assets are ready for their intended use. Cost includes amount of cash that can be directly attributed to acquire of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(ii) Revaluation reserves
The revaluation reserve included in equity that refers to fair value estimate may be transferred directly to retained earnings when that asset is derecognized. This may involve transferring whole surplus when the asset is retired or disposed of. However, some of the surplus may be transferred for asset in use which is used by entity. In such case the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets original cost. Transfers from revaluation reserves to retained earnings are not made through profit or lost.

(iii) Subsequent costs
Major spare parts of an item of property, plant and equipment are recognized as assets if entity expected that future economic benefits associated with the item will flow to the entity and when the cost of item can be measured reliably. Small parts and day-to-day maintenance of an item of property, plant and equipment shall be recognized in comprehensive income statement when costs are included.

(iv) Depreciation
Depreciation of the property, plant and equipment is recognized in comprehensive income statement using the straight-line method over their estimated useful life. Land and properties under construction is not subject of depreciation charges. Estimated useful life is as it follows:

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

As of the date of reporting, validity of depreciation calculation method is being examined again, as well as useful life.

3.8 Intangible assets

(i) Research and development
Development activities include a plan or design for the production of new or substantially improved products and processes. Research and development costs shall be capitalized to the extent defined by criteria in International Accounting Standard 38 – *Intangible Assets*.

(ii) Software
Software shall be initially measured at cost. After initial recognition, software shall be measured at cost less accumulated amortization and less accumulated impairment losses, if any.

(iii) Subsequent expenditure
Subsequent expenditure related to intangible assets shall be capitalized only when they increase future economic benefits of associated assets. All other costs, including costs of internally generated goodwill and brand, shall be recognized as an expense in income statement when incurred.

(iv) Amortization
Amortization charge shall be recognized in profit or loss using the straight-line method over estimated useful lives of intangible assets.

Estimated useful life for current and comparing periods is as follows:

Software	5 years

At reporting date, propriety of amortization method and estimated useful life shall be reviewed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets

The carrying amounts of the Company's assets other than inventories are reviewed at each reporting date to determine whether there is any indication of 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 loss is recognized 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.

(ii) Reversing an impairment loss

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. Impairment loss is reversed if there are indications that the impairment loss was decreased and that there was change in estimate of 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.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable 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 case of finished goods 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.

3.11 Provisions

Provisions are recognized if Company has present (legal or constructive) obligation as a result of past events and if it is certain that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting future cash flows using discount rate before tax that reflects current market estimation of time value of money, and where applicable, risks that are specific for liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments

(a) Non-derivate financial instruments

Non-derivate financial instruments comprise loan receivables, trade receivables and other receivables, cash and cash equivalents, other investments, loans and borrowings, as well as trade payables and other payables.

Non-derivate financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. After the initial recognition, non-derivate financial instruments are subsequently measured as described hereafter.

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash at bank and deposits at bank with a maturity of up to three months.

Trade payables

Trade payables are realized initially at fair value and subsequently at amortised cost, using the effective interest method.

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.

(b) 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 shares are presented as treasury shares and represents deduction of shareholder equity.

(c) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost decreased for impairment loss.

(d) Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is a power to participate in the financial and operating policy decisions but not control them. Investments in associates are initially recognised at cost, and subsequently decreased for impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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) Interest free loan 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.

3.14 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 is 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 assessor, 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.

3.16 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 is currently operating in the field of manufacture and distribution of electrical power (business segment), and its operations, total assets and most clients are located in Bosnia and Herzegovina. Therefore, the segment reporting is disclosed in Note 5.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Estimations are used but not limited to: periods of amortisation and remained property, plant and equipment value and intangibles value, correction of inventory value and allowance for impairment of receivables, accrued interconnection revenues and expenses and provisions for long-term and short-term employees' benefits. Future events and their effects may not be estimated precisely.

Accordingly, the accounting estimates require professional opinion included in the preparation of financial statements which will be changed when new events occur, when new experience is gained, when new information is obtained and when the operating environment of the Company changes. Actual results might differ from the estimated.

Useful lives of property, plant and equipment
As described in the Note 3, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Uncertainty estimates related to court claims
A significant source of estimation uncertainty relates to court claims. As of 31 December 2012, there were initiated court claims against the Company in total amount of BAM 32,484 thousand. For all disputed items provision was formed in accordance with the assessment of disputes' outcome.

Uncertainty estimates related to provisions for employee benefits
The Company engages certified actuary who carries out the calculation of the required provision for employee benefits in accordance with International Accounting Standard 19 „Employee benefits".

Impairment of trade 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 doubtful. Due receivables which are older than one year, for retail and corporate customers, are fully provided for impairment.

5. OPERATING SEGMENTS

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

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

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

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

5. OPERATING SEGMENTS (CONTINUED)

Business segments of the Company may be presented as follows:

In thousand BAM	Segment 1 Production		Segment 2 Distribution and supply		Segment 3 Other activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Sales	601,266	638,535	230,762	228,793	54,599	44,866	886,627	912,194
Cost of sales	(452,067)	(527,089)	(129,316)	(186,642)	(38,871)	(51,634)	(620,254)	(765,365)
Segment result	**149,199**	**111,446**	**101,446**	**42,151**	**15,728**	**(6,768)**	**266,373**	**146,829**
Other operating income	4,793	7,766	12,389	11,971	3,866	4,387	21,048	24,124
Other operating expenses	(53,671)	(10,842)	(70,684)	(14,441)	(15,852)	(1,285)	(140,207)	(26,568)
Depreciation	(101,288)	(102,012)	(45,987)	(42,375)	(5,804)	(6,027)	(153,079)	(150,414)
Result from operating activities	**(967)**	**6,358**	**(2,836)**	**(2,694)**	**(2,062)**	**(9,693)**	**(5,865)**	**(6,029)**
Finance income	3,945	6,353	3,275	2,316	10,640	10,367	17,860	19,036
Finance costs	(2,978)	(9,718)	(439)	(400)	(1,491)	(1,405)	(4,908)	(11,523)
Net finance result	**967**	**(3,365)**	**2,836**	**1,916**	**9,149**	**8,962**	**12,952**	**7,513**
Result before tax	**-**	**2,993**	**-**	**(778)**	**7,087**	**(731)**	**7,087**	**1,484**
Income tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	**-**	**2,993**	**-**	**(778)**	**7,087**	**(731)**	**7,087**	**1,484**

5. OPERATING SEGMENTS (CONTINUED)

Statement of financial position by segments may be presented as follows:

in thousand BAM	Segment 1 Production		Segment 2 Distribution and supply		Segment 3 Other activities		Total	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
Fixed assets	1,890,438	1,876,452	777,956	761,293	105,895	88,573	2,774,289	2,726,318
Investments	43,833	20,203	8	7	100,244	97,296	144,085	117,470
Other long term assets	1,367	1,630	(29)	70	14,718	17,638	16,056	19,374
Total long term assets	**1,935,638**	**1,898,285**	**777,935**	**761,370**	**220,857**	**203,507**	**2,934,430**	**2,864,559**
Short term assets	436,429	467,039	228,459	212,978	(181,951)	(156,276)	482,937	523,741
Total assets	**2,372,067**	**2,365,324**	**1,006,394**	**974,348**	**38,906**	**47,231**	**3,417,367**	**3,386,903**
Liabilities	197,410	190,675	186,140	152,803	136,139	154,436	519,689	497,914
Total liabilities	**197,410**	**190,675**	**186,140**	**152,803**	**136,139**	**154,436**	**519,689**	**497,914**
Net assets by segment	**2,174,657**	**2,174,649**	**820,254**	**821,545**	**(97,233)**	**(107,205)**	**2,897,678**	**2,888,989**

6. REVENUE

	2012 BAM 000	2011 BAM 000
Sale of electric energy on domestic market	829,883	807,771
Sale of services and other revenue	33,972	27,575
Sale of electric energy on foreign market	22,772	76,848
Total:	**886,627**	**912,194**

7. OTHER OPERATING INCOME

	2012 BAM 000	2011 BAM 000
Income from grants (Note 28)	8,696	7,515
Proceeds from written off receivables (Notes 22 and 24)	2,142	2,574
Release of provision for pending litigations (Note 30)	1,901	1,251
Rental income	1,407	1,329
Gain on sale of raw materials	1,282	907
Penalty income	1,037	1,445
Amortization of deferred income (Note 28)	636	-
Income from insurance claims	438	3,818
Surpluses of property, plant and equipment	351	1,909
Write off of liabilities	338	965
Actuarial gains (Note 30)	266	-
Other income	2,554	2,411
Total:	**21,048**	**24,124**

8. RAW MATERIAL AND ENERGY EXPENSES

	2012 BAM 000	2011 BAM 000
Costs of coal	360,008	399,306
Cost of sold electricity	36,796	30,533
Costs of other material	18,675	19,023
Energy costs	10,885	9,639
Spare parts and small inventories	4,152	5,432
Other	5,396	5,036
Total:	**435,912**	**468,969**

9. EMPLOYEE EXPENSES

	2012 BAM 000	2011 BAM 000
Wages and salaries	126,105	126,882
Compulsory social benefits and contributions	59,899	62,639
Current service cost (Note 30)	1,587	1,548
Other staff costs	2,729	4,000
Total employee expenses	190,320	195,069
Work performed and capitalised	(4,390)	(5,700)
Employee expenses recognised in income statement	**185,930**	**189,369**

10. OTHER OPERATING EXPENSES

	2012. BAM 000	2011. BAM 000
Transportation services (electrical power transfer)	41,363	45,281
Maintenance and security services	17,578	18,486
Water contributions and contributions for hydro accumulation	14,702	14,552
Memberships and other taxes	10,035	10,157
Outage, wastage, failure	9,215	9,471
Impairment of receivables (Notes 22 and 24)	8,077	5,061
Air pollution fees	6,915	3,226
Insurance	4,780	4,792
Provision for pending litigations (Note 30)	3,398	1,821
Loss on disposal of fixed assets	3,290	2,431
External services	3,181	3,975
Telecommunication costs	1,240	1,386
Services from third parties	1,182	1,097
Dismantling provision (Note 30)	835	766
Advertising costs	756	485
Write off of inventories	569	2,413
Rent expense	568	559
Deficits of inventories	482	80
Entertainment costs	366	469
Bank fees	253	220
Actuarial losses	-	533
Other expenses	9,834	6,334
Total:	**138,619**	**133,595**

11. FINANCE INCOME

	2012 BAM 000	2011 BAM 000
Interest income	10,412	10,752
Foreign exchange gains, net	3,869	-
Penalty interest income	3,273	2,301
Other financial income	306	214
Total:	**17,860**	**13,267**

12. FINANCE COSTS

	2012 BAM 000	2011 BAM 000
Interest expenses	1,761	1,795
Release of discount for retirement benefit provisions (Note 30)	1,598	1,538
Penalty interest related to court proceedings	1,549	-
Foreign exchange losses, net	-	2,421
Total:	**4,908**	**5,754**

13. INCOME TAX

	2012 BAM 000	2011 BAM 000
Profit before tax	**7,087**	**1,484**
Profit tax at 10%	**709**	**148**
Taxable capital gains	2,240	(808)
Non-deductible expenses	892	1,146
Tax relief due to investment	(3,841)	(486)
Income tax expense	**-**	**-**
Effective tax rate for the year	**-**	**-**

14. INTANGIBLE ASSETS

	Software BAM 000	Concessions and licenses BAM 000	Investment in progress BAM 000	Total BAM 000
Cost				
As at 31 December 2011	**2,425**	**6,106**	**10**	**8,541**
Additions	-	-	4,196	4,196
Transfer (from) / to	252	3,947	(4,199)	-
Transfer from property, plant and equipment (Note 15)	-	186	-	186
Adjustments	(434)	434	-	-
As at 31 December 2012	**2,243**	**10,673**	**7**	**12,923**
Accumulated depreciation				
As at 31 December 2011	**1,427**	**3,222**	**-**	**4,649**
Depreciation for the year	212	1,382	-	1,594
Adjustments	(217)	247	-	30
As at 31 December 2012	**1,422**	**4,851**	**-**	**6,273**
Carrying amount				
As at 31 December 2012	**821**	**5,822**	**7**	**6,650**
As at 31 December 2011	**998**	**2,884**	**10**	**3,892**

15. PROPERTY, PLANT AND EQUIPMENT

	Land, forests and plantations BAM 000	Buildings BAM 000	Plant and equipment BAM 000	Investments in progress BAM 000	Total BAM 000
Cost					
As at 31 December 2011	**84,096**	**3,924,196**	**3,109,578**	**244,951**	**7,362,821**
Additions	24	415	4,158	187,399	191,996
Transfer (from)/to	117	68,717	129,052	(197,886)	-
Transfer to intangible assets (Note 14)	-	-	(186)	-	(186)
Surpluses	181	137	200	-	518
Deficits	-	-	(173)	-	(173)
Capitalized interest	-	-	-	2,016	2,016
Capitalized work performed	-	-	-	4,390	4,390
Transfer from inventories	-	-	69	930	999
Disposals	(125)	(12,310)	(142,076)	(152)	(154,663)
As at 31 December 2012	**84,293**	**3,981,155**	**3,100,622**	**241,648**	**7,407,718**
Accumulated depreciation					
As at 31 December 2011	**1**	**2,372,506**	**2,272,255**	**-**	**4,644,762**
Depreciation for the year	-	67,666	83,819	-	151,485
Previous periods depreciation	-	37	144	-	181
Surpluses	-	13	154	-	167
Deficits	-	-	(69)	-	(69)
Disposals	-	(11,121)	(140,708)	-	(151,829)
As at 31 December 2012	**1**	**2,429,101**	**2,215,595**	**-**	**4,644,697**
Carrying amount					
As at 31 December 2012	**84,292**	**1,552,054**	**885,027**	**241,648**	**2,763,021**
As at 31 December 2011	**84,095**	**1,551,690**	**837,323**	**244,951**	**2,718,059**

The most recent estimate of the fair value of property, plant and equipment was carried out at 31 December 2004. At 10 December 2012 the Company engaged the Consortium consisting of Economics Institute Belgrade as the leader of the Consortium and company Energoprojekt ENTEL a.d. Beograd in order to perform new assessment of the value of property, plant and equipment as of 1 January 2013. Up to date of this report, the activities on this project are in progress. The anticipated deadline for the valuation of property, plant and equipment is 31 May 2013.

16. INVESTMENTS IN ASSOCIATES

	Business activity	Ownership	31 December 2012 BAM 000	31 December 2011 BAM 000
ETI d.o.o. Sarajevo	Production of fuses	49%	2,027	2,027
Total:			**2,027**	**2,027**

17. INVESTMENTS IN SUBSIDIARIES

	Business activity	Ownership	31 December 2012 BAM 000	31 December 2011 BAM 000
Rudnici "Kreka" d.o.o. Tuzla	Coal mine extraction	100%	62,553	54,732
RMU Kakanj d.o.o. Kakanj	Coal mine extraction	100%	30,038	20,135
RMU Zenica d.o.o. Zenica	Coal mine extraction	100%	14,369	8,296
RMU Breza d.o.o. Breza	Coal mine extraction	100%	13,149	12,894
RMU Đurđevik d.o.o. Đurđevik	Coal mine extraction	100%	7,797	6,627
RU Gračanica d.o.o. Gornji Vakuf - Uskoplje	Coal mine extraction	100%	5,085	5,065
RMU Abid Lolić d.o.o. Bila	Coal mine extraction	100%	2,261	1,086
Total investments in coal mine			135,252	*108,835*
Iskraemeco d.o.o. Sarajevo	Energy management and supplies	57,5%	3,286	3,286
Hotel ELBIH d.d. Makarska	Hotel services	100%	2,048	1,893
Eldis tehnika d.o.o. Sarajevo	Production of electro equipment and communication	100%	1,429	1,429
Total investments in other subsidiaries			6,763	*6,608*
Total:			**142,015**	**115,443**

18. LONG-TERM DEPOSITS

	31 December 2012 BAM 000	31 December 2011 BAM 000
UniCredit bank d.d. Sarajevo, two deposits at annual interest rates of 4.26% and 4.50% and maturity on 4 and 16 April 2013	49,022	41,072
Intesa SanPaolo bank d.d. Sarajevo, four deposits at annual interest rates from 4.25% to 4.95% and maturity from 20th May to 1 December 2013	35,205	24,558
Sparkasse bank d.d. Sarajevo, three deposits at annual interest rates from 4.76% to 5.10% and maturity from 19 May to 5 October 2013	24,448	5,868
NLB Tuzlanska banka d.d. Tuzla, two deposits at annual interest rates of 4.71% and maturity on 10 March and 30 June 2013	19,558	16,735
Postbank d.d. Sarajevo, at annual interest rate of 2.50% and maturity on 26 September 2013	14,669	14,669
Vakufska banka d.d. Sarajevo, two deposits at annual interest rates from 5% to 5.10% and maturity on 11 May and 27 July 2013	13,691	9,779
BBI banka d.d. Sarajevo, two deposits at annual interest rates of 4.55% and 4.75% and maturity on 13 March and 23 May 2013	11,735	24,558
Privredna banka d.d. Sarajevo, at annual interest rate of 4.20% and maturity on 28 February 2013	9,779	20,647
Union banka d.d. Sarajevo, at annual interest rate of 4.20% and maturity on 19 July 2013	7,823	3,912
IKB d.d. Zenica, at annual interest rate of 4.95% and maturity on 19 October 2013	5,867	5,867
BOR banka d.d. Sarajevo, at annual interest rate of 5.04% and maturity on 30 June 2013	3,912	4,890
Moja banka d.d. Sarajevo, at annual interest rate of 1% and maturity on 30 June 2016	194	11,929
Hypo Alpe Adria Bank d.d. Mostar, at annual interest rate of 5.09%	-	23,470
Raiffeisen bank d.d. Sarajevo, at annual interest rate of 3.56%	-	19,558
Turkish Ziraat banka d.d. Sarajevo, at annual interest rate of 4.20%	-	5,868
Subtotal:	**195,903**	**233,380**
Less: current portion of long-term deposits	(195,709)	(233,186)
Total:	**194**	**194**

19. LONG TERM LOAN RECEIVABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Loans to subsidiaries:		
RMU Kakanj d.o.o. Kakanj	8,705	12,367
Rudnici Kreka d.o.o. Tuzla	955	490
RMU Zenica d.o.o. Zenica	807	2,917
RMU Đurđevik d.o.o. Đurđevik	616	224
RMU Breza d.o.o. Breza	-	963
Subtotal:	*11,083*	*16,961*
Housing loans to employees, with interest rates between 4.25 and 5.88% and the maturity from 15 to 25 years	4,707	5,608
Other financial placements	230	286
Subtotal:	*4,937*	*5,894*
Less: current portion of long-term loans	(4,669)	(6,130)
Total:	**11,351**	**16,725**

The loans to subsidiaries are related to the funds granted at annual interest rate of 1.5%, on periods from 24 to 60 months and with final maturity on 3 December 2017. The funds have been granted for the purpose of stimulating measures of unilateral termination of the employment contracts and purchase of the equipment.

20. ADVANCE PAYMENTS AND OTHER NON-CURRENT RECEIVABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Receivables for given advances for the purchase of property, plant and equipment		
Butmir d.o.o. Sarajevo	2,497	-
Malcom d.o.o. Sarajevo	1,603	3,310
Others	517	1,106
Total receivables for given advances	*4,617*	*4,416*
Receivables from Intrade-energija d.o.o.	1,223	-
Receivables arising from purchase of apartments	26	10
Total:	**5,866**	**4,426**

21. INVENTORIES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Raw materials	104,676	79,342
Spare parts, small inventories and HTZ equipment, net	15,174	11,007
Merchandise	17	8
Total:	**119,867**	**90,357**

22. TRADE RECEIVABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Trade receivables – domestic legal entities	73,311	63,023
Trade receivables – households	19,997	18,176
Trade receivables – related parties	3,195	3,332
Trade receivables – foreign	700	4,837
Bad and doubtful trade receivables	54,107	54,956
Subtotal:	*151,310*	*144,324*
Less: provision for bad and doubtful receivables	(45,857)	(44,824)
Total:	**105,453**	**99,500**

Changes in the provision for bad and doubtful trade receivables may be presented as follows:

	2012. BAM 000	2011. BAM 000
Balance at the beginning of the year	**44,824**	**42,304**
Impairment of receivables (Note 10)	6,019	4,789
Proceeds from written off receivables (Note 7)	(1,861)	(2,269)
Write-off	(3,125)	-
Balance at the end of the year	**45,857**	**44,824**

Maturity analysis of receivables may be presented as follows:

		Maturity of receivables			
	Total	Up to 90 days	91-180 days	181-365 days	> 365 days
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Trade receivables, gross	151,310	98,696	3,165	3,202	46,247
Provision for bad and doubtful receivables	(45,857)	-	-	-	(45,857)
Total trade receivables	**105,453**	**98,696**	**3,165**	**3,202**	**390**

Average period for collection of receivables is 42 days (2011: 43 days). Company made an impairment for all receivables older than 365 days, except for the receivables from Hrvatska elektroprivreda d.d. and Elektroprivreda Crne Gore a.d., since the Management believes that these receivables are collectable.

23. SHORT-TERM LOAN RECEIVABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Other financial placements	1,531	2,241
Provision for given loans	(1,531)	(1,651)
Plus: current portion of long-term loans	4,669	6,130
Total:	**4,669**	**6,720**

Changes in the provision for given loans may be presented as follows:

	2012 BAM 000	2011 BAM 000
Balance at the beginning of year	**1,651**	**1,651**
Write off	(120)	-
Balance at the end of year	**1,531**	**1,651**

24. OTHER RECEIVABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Advances paid	17,120	17,412
VAT receivables	9,408	-
Accrued income	6,254	6,241
Receivables for the renewable sources of energy	3,090	1,017
Receivables for subventions from state institutions	2,856	608
Bad and doubtful interest receivables	2,176	1,724
Interest receivables	1,600	2,041
Receivables from Elektroprenos a.d. Banja Luka	316	1,930
Receivables from insurance companies	125	2,315
Receivables from Intrade-energija d.o.o. (reclassified to long-term receivables)	-	1,223
Other receivables	2,063	5,254
Provision for other receivables	(3,869)	(2,092)
Total:	**41,139**	**37,673**

Changes in the provision for other receivables may be presented as follows:

	2012 BAM 000	2011 BAM 000
Balance at the beginning of the year	**2,092**	**2,139**
Impairment of receivables (Note 9)	2,058	272
Proceeds from written off receivables (Note 7)	(281)	(305)
Write off	-	(14)
Balance at the end of the year	**3,869**	**2,092**

25. CASH AND CASH EQUIVALENTS

	31 December 2012 BAM 000	31 December 2011 BAM 000
Cash at bank accounts in BAM	10,195	18,213
Cash at bank accounts in foreign currency	2,924	31,685
Cash in hand	407	406
The allocated funds and letters of credit	-	1,544
Total:	**13,526**	**51,848**

26. SHARE CAPITAL

The registered capital of the Company in the amount of BAM 2,155,160 thousand comprises of 30,354,369 ordinary shares with the nominal value of BAM 71.

Structure of share capital may be presented as follows:

	Ownership %	31 December 2012 BAM 000	Ownership %	31 December 2011 BAM 000
Ministry of Energy, Mining and Industry of FB&H (state property)	90.00	1,939,721	90.00	1,939,721
Various shareholders	10.00	215,439	10.00	215,439
Total:	**100.00**	2,155,160	**100.00**	**2,155,160**

Statutory reserves

The statutory reserves represent allocations from the distribution of profit in accordance with the Companies Law with a minimum of 5% of the net profit for the year, until the reserves, along with capital reserves, do not reach at least 10% of the share capital.

Statutory reserves are used for coverage of the loss, and if they exceed the amount of 10% of share capital, they can be used to increase the share capital.

Revaluation reserves

The valuation of the property, plant and equipment was performed at 31 December 2004 by the „American Appraisal Hungary Co. Ltd. and Ernst & Young“. The effects of the valuation were charged in favour of the revaluation surplus. During the year, the Company transferred the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets original cost from the revaluation reserves to accumulated profit.

Paid-in, not registered capital

In accordance with the Law on Financial Consolidation of the Coal Mines in the Federation of Bosnia and Herzegovina, the Government of FB&H has transferred 100% of share in seven coal mines to the Company. At 30 September 2009, the estimated value of the subsidiaries that, by mentioned Law, have been transferred in the ownership of the Company amounted to BAM 81,804 thousand. This amount was recorded as an increase in investment and unregistered capital.

27. LONG TERM BANK BORROWINGS

	Maturity	Interest rate	31 December 2012 BAM 000	31 December 2011 BAM 000
European Investment Bank	2036	4.5%	54,517	32,526
International Development Association	2036	from 0.75% to 6m Euribor+0.75%	47,687	46,234
European Bank for Reconstruction and Development	2021	6m Euribor + 1%	34,055	39,928
Ministry of Finance in FB&H (Japanese bank for international cooperation – Fund for overseas economic cooperation)	2038	0.75%	16,292	19,183
Government of Swiss Confederation	-	-	1,430	1,421
Subtotal			*153,981*	*139,292*
Less: current portion of long-term borrowings			(12,547)	(13,255)
Total:			**141,434**	**126,037**
The borrowings are repayable as follows:				
On demand or within one year			12,547	13,255
In the second year			11,117	11,281
In the third to fifth years inclusive			27,846	31,177
After five years			102,471	83,579

28. DEFERRED INCOME

	31 December 2012 BAM 000	31 December 2011 BAM 000
Long-term		
Deferred income from the donated assets (buildings and equipment)	118,177	123,996
Deferred income from the donated assets (wind farm Podveležje)	1,399	1,399
Deferred income from the donated material	748	908
Deferred income from the donated cash	250	250
Deferred income from receivables from Ires d.o.o. Sarajevo	250	297
Deferred income from receivables from Sodaso d.d. Tuzla	-	589
Total long-term deferred income	**120,824**	**127,439**
Short-term		
Other short-term deferred income	80	158
Total short-term deferred income	**80**	**158**
Total deferred income	**120,904**	**127,597**

Changes in the deferred income may be presented as follows:

	2012 BAM 000	2011 BAM 000
Balance at the beginning of year	**127,597**	**129,808**
Grants received during the year	2,639	5,304
Amortisation in income (Note 7)	(8,696)	(7,515)
Release of income of other deferred income (Ires and Sodaso) (Note 7)	(636)	-
Balance at the end of year	**120,904**	**127,597**

29. DEFERRED TAX LIABILITY

The reported deferred tax liabilities are related to the asset presented at fair value of property, plant and equipment.

Changes in the deferred tax liability may be presented as follows:

	2012 BAM 000	2011. BAM 000
Balance at the beginning of year	**53,098**	**55,071**
Reported in other comprehensive income	(2,270)	(1,973)
Balance at the end of year	**50,828**	**53,098**

30. PROVISIONS

	Short-term		Long-term	
	31/12/2012 BAM 000	31/12/2011 BAM 000	31/12/2012 BAM 000	31/12/2011 BAM 000
Remuneration to employees in accordance with IAS 19	-	-	35,141	35,087
Provisions for litigation	-	-	6,610	18,069
Provisions for dismantling cost	-	-	11,270	10,435
Provisions for current operating expenses and obligations arising from investments	30,982	19,300	-	-
Total:	**30,982**	**19,300**	**53,021**	**63,591**

Changes in the long-term provisions during 2012 and 2011 may be presented as follows:

All amounts in thousands BAM	Provisions for dismantling costs	Employees benefits	Litigations	Construction permits	Total
At 1 January 2011	**9,669**	**34,441**	**18,197**	**2,185**	**64,492**
Increase in provisions	766	3,619	1,821	-	6,206
Release in provisions	-	-	(1,251)	-	(1,251)
Provisions used during period	-	(2,973)	(698)	(2,185)	(5,856)
At 31 December 2011	**10,435**	**35,087**	**18,069**	**-**	**63,591**
Increase in provisions	835	2,919	3,398	-	7,152
Release in provisions	-	-	(1,901)	-	(1,901)
Provisions used during period	-	(2,865)	(12,956)	-	(15,821)
At 31 December 2012	**11,270**	**35,141**	**6,610**	**-**	**53,021**

Provisions for dismantling costs

Provisions for dismantling costs are related to the estimated costs of reclamation, dismantling and removal using currently available technologies and material. The estimated costs of dismantling are carried out at each reporting date. Discount rate of 8% was used for the calculation of the provision.

30. PROVISIONS (CONTINUED)

Employee benefits

Structure of the provision for employee benefits may be presented as follows:

	2012 BAM 000	2011 BAM 000
Balance at beginning of year	**35,087**	**34,441**
Interest expenses (Note 12)	1,598	1,538
Current service cost (Note 9)	1,587	1,548
Actuarial gains/(losses) (Note 7)	(266)	533
Paid fees	(2,865)	(2,973)
Balance at end of year	**35,141**	**35,087**

The basic assumptions used for actuarial estimates are presented below:

	2012 BAM 000	2011 BAM 000
Discount rate	5%	5%
Expected salaries increase	2%	2.5%

Provisions for severance payments on the date of employee retirement are calculated based on mortality tables issued by RH from 1980 to 1982.

31. TRADE PAYABLES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Trade payables – domestic	28,906	27,509
Trade payables – related parties	27,207	18,293
Trade payables – foreign	20,659	21,463
Total:	**76,772**	**67,265**

32. OTHER LIABILITIES

	31 December 2012 BAM 000	31 December 2011 BAM 000
Advances received	9,778	11,019
Liabilities for air pollution fees	6,915	3,226
Liabilities for renewable energy sources fees	6,273	2,354
Liabilities for hydro accumulation fees	1,209	810
Interest liabilities	1,064	1,019
Liabilities for dividends	915	321
VAT liabilities	-	598
Other	1,180	1,584
Total:	**27,334**	**20,931**

33. POTENTIAL LIABILITIES

As at 31 December 2012 there were initiated court claims against the Company in total amount of BAM 32,484 thousand (2011: BAM 27,926 thousand). Aforementioned amount also contains a court claim initiated by the Government of Tuzla Canton in amount of BAM 7,135 thousand which was paid in total amount during 2012. However, considering that a claim is matter of revision of Supreme Court of FB&H, in legal terms, claim is still active, and it is presented in amount of initiated court claims against the Company. Company made provision for court claims in amount of BAM 6,610 thousand in accordance with Management assessment of the negative outcome of these court claims.

34. ENVIRONMENTAL PROTECTION

Principal activities of the Company are manufacture, distribution and supply of electricity. Aforementioned activities can affect the environment in a manner of emission of harmful substances in land, water and air. Organization of work in the domain of environmental management in JP Elektroprivreda BiH is defined and organized in accordance with the Regulations of the Company. Department of Environmental Management of the Company is an independent unit whose tasks include implementation and updating of environmental policies, coordination activities with Headquarters sectors, coordination activities with departments for environmental management and other departments in subsidiaries, and monitoring and directing the implementation of legal obligations.

Environmental management system in Bosnia and Herzegovina is developing in recent years based on principles that are applied in the EU. Until now, the legislation in this area in Bosnia and Herzegovina was covering air, water and waste, but noise, chemicals and ionizing radiation are still not covered. Regarding horizontal legislation, regulations that will regulate procedures of issue of environmental licenses are in process of preparation.

Within the strategy of integration in EU there is possibility of adoption of regulations for environmental protection that are applied in EU. The application of such regulations could affect the Company's obligations regarding the allocation of funds for environmental protection that Company is not able to estimate.

35. SUBSEQUENT EVENTS

As presented in Note 15, during 2012 the Company engaged Economics Institute Belgrade as leader of Consortium and legal entity Energoprojekt ENTEL a.d. Beograd in order to assess fair value of property, plant and equipment as at 1 January 2013. The deadline for rendering of these services is 31 May 2013.

According to the Management there were no material transactions that would affect financial statements as at 31 December 2012.

36. RELATED PARTY TRANSACTIONS

Transactions with related parties during the years of 2012 and 2011 may be presented as follows:

	31 December 2012 BAM 000	31 December 2011 BAM 000
ASSETS		
RMU Kakanj d.o.o. Kakanj – long-term loan receivables	8,705	12,367
Rudnici Kreka d.o.o. Tuzla – advances paid	7,282	-
RMU Zenica d.o.o. Zenica – advances paid	2,600	-
RU Kreka d.o.o. Tuzla – trade receivables	2,335	1,740
RMU Đurđevik d.o.o. Đurđevik – advances paid	1,948	-
RU Kreka d.o.o. Tuzla – long-term loan receivables	955	490
RMU Zenica d.o.o. Zenica – long-term loan receivables	807	2,917
Iskraemeco d.o.o. Sarajevo – advances paid	702	-
RMU Đurđevik d.o.o. Đurđevik – long-term loan receivables	616	224
RMU Abid Lolić d.o.o. Bila – advances paid	500	-
RMU Zenica d.o.o. Zenica – trade receivables	235	1,000
RMU Đurđevik d.o.o. Đurđevik – trade receivables	230	218
RMU Kakanj d.o.o. Kakanj – trade receivables	160	167
RMU Breza d.o.o. Breza - trade receivables	138	132
RU Kreka d.o.o. Tuzla – other receivables	50	-
RMU Abid Lolić d.o.o. Bila – trade receivables	43	28
RU Gračanica d.o.o. Gornji Vakuf - trade receivables	42	47
Iskraemeco d.o.o. Sarajevo - trade receivables	11	-
Hotel Makarska - advances paid	9	-
RMU Breza d.o.o. Breza – long-term loan receivables	-	963
Total:	**27,368**	**20,293**
LIABILITIES		
RU Kreka d.o.o. Tuzla	13,129	5,144
RMU Kakanj d.o.o. Kakanj	4,792	4,722
RMU Breza d.o.o. Breza	4,452	3,877
RMU Zenica d.o.o. Zenica	1,752	139
RMU Đurđevik d.o.o. Đurđevik	1,524	1,497
Iskraemeco d.o.o. Sarajevo	1,279	908
Eldis Tehnika d.o.o. Sarajevo	1,207	113
RU Gračanica d.o.o. Gornji Vakuf	1,033	1,275
RMU Abid Lolić d.o.o. Bila	719	618
ETI d.o.o. Sarajevo	20	-
Total:	**29,907**	**18,293**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

	2012. BAM 000	2011. BAM 000
INCOME		
Rudnici Kreka d.o.o. Tuzla - electricity	8,419	9,491
RMU Zenica d.o.o. Zenica - electricity	2,207	2,376
RMU Đurđevik d.o.o. Živinice - electricity	2,082	2,300
RMU Kakanj - electricity	1,511	1,688
RMU Breza d.o.o. Breza - electricity	1,445	1,704
RU Gračanica d.o.o. Gornji Vakuf - electricity	414	466
RMU Abid Lolić - electricity	332	352
RMU Kakanj – interest income	174	-
Rudnici Kreka d.o.o. Tuzla – other income	121	-
Rudnici Kreka d.o.o. Tuzla – interest income	110	-
RMU Kakanj – sale of material	17	-
RMU Breza d.o.o. Breza - sale of material	13	-
RMU Đurđevik d.o.o. Živinice - interest income	6	-
RMU Zenica d.o.o. Zenica - interest income	6	-
RMU Breza d.o.o. Breza - interest income	5	-
Total:	**16,862**	**18,377**
EXPENSES		
Rudnici Kreka d.o.o. Tuzla	108,535	111,865
RMU Kakanj d.o.o. Kakanj	69,397	64,053
RMU Breza d.o.o. Breza	38,051	41,925
RMU Đurđevik d.o.o. Živinice	33,306	33,812
RMU Zenica d.o.o. Zenica	12,188	16,089
RU Gračanica d.o.o. Gornji Vakuf	11,171	9,545
RMU Abid Lolić d.o.o. Bila	8,412	7,295
RMU Abid Lolić d.o.o. Bila - transportation	319	-
RU Gračanica d.o.o. Gornji Vakuf - transportation	191	-
RMU Zenica d.o.o. Zenica - transportation	131	-
RMU Zenica d.o.o. Zenica – other expenses	4	-
Total:	**281,705**	**284,584**

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Management and Supervisory Board remuneration

Management and Supervisory Board remuneration during 2012 and 2011 may be presented as follows:

	2012 BAM 000	2011 BAM 000
Gross remuneration - Management	623	634
Gross remuneration – Supervisory Board	135	136
TOTAL	**758**	**770**

37. FINANCIAL INSTRUMENTS

Capital risk management
The Company manages its capital to ensure that Company will be able to continue as a going through optimizing financial resources. The financing capital structure of the Company consists of investments, deposits, loans and borrowings and equity of the Company.

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

Gearing ratio may be presented as follows:

	31/12/2012 BAM 000	31/12/2011 BAM 000
Borrowings (Note 27)	153,981	139,292
Cash and cash equivalents	(209,235)	(208,034)
Net debt	**-**	**-**
Capital (i)	2,897,678	2,888,989
Net debt to equity ratio	**-**	**-**

(i) Equity includes all capital and reserves of the Company.

Categories of financial instruments

	31/12/2012 BAM 000	31/12/2011 BAM 000
Financial assets		
Loan and receivables (including cash and cash equivalents)	358,907	420,716
Investments available for sale	144,055	117,483
Financial liabilities		
At amortized cost	273,492	238,216

Financial risk management objectives
The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31/12/2012 BAM 000	31/12/2011 BAM 000	31/12/2012 BAM 000	31/12/2011 BAM 000
EUR	198,318	218,022	109,435	73,080
XDR	-	-	46,779	45,037
JPY	-	-	16,292	19,183
CHF	-	-	1,430	1,430
USD	-	-	914	1,220

Foreign currency sensitivity analysis

The Company is exposed to foreign currency risk in case of changes in foreign currency exchange rates. The following table details the Company's sensitivity to a 1% increase and decrease in BAM against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where BAM strengthens 1% against the relevant currency. For a 1% weakening of BAM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Effects of foreign exchange XDR	
	2012	2011
Profit or loss in 000 BAM	468	450

	Effects of foreign exchange JPY	
	2012	2011
Profit or loss in 000 BAM	163	192

	Effects of foreign exchange CHF	
	2012	2011
Profit or loss in 000 BAM	14	14

	Effects of foreign exchange USD	
	2012	2011
Profit or loss in 000 BAM	9	12

The Company does not have signed forward contracts to reduce the currency risk.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity analysis (continued)
The sensitivity analysis for transactions carried out in EUR is unrepresentative for the inherent foreign exchange risk since in accordance with the Law on Central Bank of Bosnia and Herzegovina the Convertible Mark ("BAM") is officially tied to the Euro. Change in the exchange rate would require the amendments of the law and approval by Parliamentary Assembly of Bosnia and Herzegovina.

Interest rate risk management
The Company is exposed to interest rate risk as Company borrows funds at floating interest rates. The Company's exposures to interest rate risk upon financial assets and financial liabilities are detailed in note Liquidity risk management.

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (0.5%) higher/lower and all other variables were held constant:

- profit for the year ended 31 December 2012 would decrease/increase in amount of BAM 287 thousand based on interest rate risk exposure. This is mainly attributable to the Company's exposure to interest rates on borrowings with variable interest rates.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Company does not have any significant credit risk exposure to any single customer or group of customers who have similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

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

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

37. FINANCIAL INSTRUMENTS (CONTINUED)

Maturity for non-derivative financial assets

	Weighted average interest rate	0 - 6 months	6 -12 months	1 - 5 years	Over 5 years	Total
	%	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
31 December 2012						
Non-interest bearing		138,140	-	5,886	144,055	288,081
Fixed interest rate instruments	*4.39%*	133,750	70,223	7,560	-	211,533
Variable interest rate instruments	*5%*	488	463	2,922	1,615	5,488
Total		**272,378**	**70,686**	**16,368**	**145,670**	**505,102**

The following tables details the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Maturity for non-derivative financial liabilities

	Weighted average interest rate	0 - 6 months	6 -12 months	1 - 5 years	Over 5 years	Total
	%	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
31 December 2012						
Non-interest bearing		120,941	-	-	-	120,941
Variable interest rate instruments	*1.8%*	4,265	4,212	27,875	28,536	64,888
Fixed interest rate instruments	*2.9%*	3,377	3,401	25,966	107,762	140,506
Total		**128,583**	**7,613**	**53,841**	**136,298**	**326,335**
31 December 2011						
Non-interest bearing		109,994	-	-	-	109,994
Variable and fixed interest rate instruments		7,115	7,097	45,025	83,406	142,643
Total		**117,109**	**7,097**	**45,025**	**83,406**	**252,637**

Fair value of financial instruments

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

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