

**CENTRAL SECURITIES  
DEPOSITARY AD, Skopje**

**FINANCIAL STATEMENTS  
for the year ended 31 December 2010,  
with Independent Auditor's Report**

**FINANCIAL STATEMENTS**  
**for year ended 31 December 2010,**  
**with independent auditors` report**

**C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of CENTRAL SECURITIES DEPOSITARY AD -Skopje**

We have audited the accompanying financial statements of Central Securities Depository AD-Skopje, which comprise the statement of financial position as of 31 December 2010 and the income statement, 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 Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards which are accepted and published in the Republic of Macedonia, and for internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

***Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Securities Depository AD-Skopje as of 31 December 2010, and of its financial performance and its cash flows for the year than ended in accordance with the International Financial Reporting Standards which are accepted and published in the Republic of Macedonia.

Skopje, 25 February 2011

Certified Auditor

Borislav Atanasovski

Audit, valuation and  
financial services

B & Lj, Boro & Ljupco  
ltd - Skopje

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### INCOME STATEMENTS for the year ended at 31 December

<b>den.000</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
Revenues	8	35.830	38.431
Other operating income	9	126	151
Used materials and consumables	10	-390	-313
Employees expenses	11	-15.325	-15.779
Depreciation		-1.876	-2.086
Other operating expenses	12	<u>-16.053</u>	<u>-16.685</u>
<b>OPERATING PROFIT</b>		<b>2.312</b>	<b>3.719</b>
Financing income	13	4.454	4.291
Financing expenses	14	<u>-189</u>	<u>-43</u>
<b>PROFIT BEFORE TAXATION</b>		<b>6.577</b>	<b>7.967</b>
Income tax expense	15	-709	-512
<b>NET PROFIT</b>		<b><u>5.868</u></b>	<b><u>7.455</u></b>
Profit attributable to holders of ordinary shares		5.868	7.455
<b>Earnings per share</b>			
Basic (in denars per share)		978	1.242

Central Securities Depository AD – Skopje Board of directors authorized these financial statements for issue and are signed on their behalf by:

**Executive Manager**

**Stevan Sapcevski**

**The accompanying notes form an integral part of  
these financial statements**

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### STATEMENT OF COMPREHENSIVE INCOME

<b>in thousands of denars</b>	Note	<u>2010</u>	<u>2009</u>
<b>Net profit for the year</b>		<b>5.868</b>	<b>7.445</b>
Other comprehensive income:			
Unrealised income (losses) from available for sale financial assets			
<b>Total other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR</b>		<u><b>5.868</b></u>	<u><b>7.445</b></u>

The accompanying notes form an integral part of  
these financial statements

**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**STATEMENT OF FINANCIAL POSITION  
for the year ended at 31 December**

<b>Den.000</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
Cash and cash equivalents	15	7.510	2.477
Bank deposits	16	66.529	69.150
Trade receivables	17	6.069	6.525
Income tax receivables	14	162	4.248
Other current assets and prepaid expenses	18	888	948
<b>Total current assets</b>		<b>81.158</b>	<b>83.348</b>
<b>Non-current assets</b>			
Investments		76	76
Property and equipment	19	21.060	22.365
<b>Total non-currents assets</b>		<b>21.136</b>	<b>22.441</b>
<b>TOTAL ASSETS</b>		<b>102.294</b>	<b>105.789</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	20	755	546
Other short liabilities and accrued expenses	21	4.282	3.934
<b>Total current liabilities</b>		<b>5.037</b>	<b>4.480</b>
Shareholders capital		48.306	48.306
Reserves		27.257	27.013
Revaluation reserves			2.710
Retain earnings		21.694	23.280
<b>Total equity</b>		<b>97.257</b>	<b>101.309</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>102.294</b>	<b>105.789</b>

The accompanying notes form an integral part of  
these financial statements

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### CASH FLOW STATEMENT for the year ended at 31 December

Den.000	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Net Profit	5.869	7.455
Adjustments for:		
Depreciation	1.876	2.086
Write of receivable from previous period	-2.466	
Deposits in bank	2.624	13.650
Trade receivables	456	1.547
Income tax receivables	4.086	2.186
Other currents assets and prepaid expenses	58	644
Trade payables	209	-564
Other short term liabilities and accrued expenses	347	-2.272
<b>Net cash flows from operating activities</b>	<b>13.059</b>	<b>24.732</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	<u>-570</u>	<u>-301</u>
<b>Net cash flows from investing activities</b>	<b>-570</b>	<b>-301</b>
<b>Cash flows from financing activities</b>		
Dividends paid	<u>-7.455</u>	<u>-30.391</u>
<b>Net cash flows from financing activities</b>	<b>-7.455</b>	<b>-30.391</b>
<b>Net decrease in cash and cash equivalents</b>	<b>5.034</b>	<b>-5.960</b>
<b>Cash and cash equivalents at 1st January</b>	<b>2.477</b>	<b>8.438</b>
<b>Cash and cash equivalents at 31st December</b>	<b>7.510</b>	<b>2.477</b>

The accompanying notes form an integral part of  
these financial statements



**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**STATEMENT OF SHANGES IN EQUITY  
for the year ended at 31 December**

<b>Den.000</b>	<b>Share capital</b>	<b>Reserves</b>	<b>Revaluation reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance as at January1,2009</b>	48.306	23.013	2.710	50.216	124.245
<b>Comprehensive income</b>					
Profit for the year				7.455	7.455
Total comprehensive income				7.445	7.445
<b>Transaction form the owners</b>					
Distribution for reserves		4000		-4.000	0
Distribution for di vidends				-30.391	-30.391
<b>Balance as at December 31.12.2009</b>	<b>48.306</b>	<b>27.013</b>	<b>2.710</b>	<b>23.280</b>	<b>101.309</b>
<b>Comprehensive income</b>					
Profit for the year				5.869	5.869
Total comprehensive income				5.869	5869
Write of from previous period		-2466			-2.466
Transfer		2710	-2.710		0
<b>Transaction form the owners</b>					
Distribution for di vidends				-7.455	-7.455
<b>Balance as at December 31.12.2010</b>	<b>48.306</b>	<b>27.257</b>	<b>0</b>	<b>21.694</b>	<b>97.257</b>

**The accompanying notes form an integral part of  
these financial statements**

# **CENTRAL SECURITIES DEPOSITORY AD- Skopje**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. BASIC DATA AND ACTIVITY**

Central Securities Depository AD Skopje (herein after the Company) is founded as company for establishing and settlement of the liabilities based on securities and keeping a Register of securities in the Republic of Macedonia, based on agreement among the founders that are solely banks, broker and insurance companies. The Company has been registered at the trade register under T.Reg. No 3726/2001 on 31.10.2001.

Central Securities Depository AD Skopje was opening on non-profit basis until 01.01.2006 which means that the surplus of the revenues over the expenditures can be used only for its development. Since January1,2006 the Company is opening as a profit earning company which means that net profit can be distributed for dividend.

According to the Statistics Bureau of the Republic of Macedonia Decision No.27-6410/1 dated 05.11.2001, the basic activity of the Company is “other financial mediation”, under activity code no.65.23 in accordance with the National Classification of Activities.

The total number of employees in the Central Securities Depository AD Skopje as at 31,December 2010 is 20 (2009:20 employees)

### **2. BASIC OF PREPARATION OF THE FINANCIAL STATEMENT**

#### **2.1. Basis of preparation**

The financial statements set on pages 3 to 26 are prepared in accordance with the International Accounting Standards (IAS) and International Financing Reporting Standard (IFRS) which were published in the Official gazette of the Republic of Macedonia No.159/2009 and become effective from 1January 2010.

The financial statements were prepared for the period ending 31 December 2010 and 2009. The figures for the current and previous period are shown in thousand of Macedonian denars (MKD), if not otherwise stated.

#### **2.2. Basic accounting methods**

The financial statements are prepared based on the principal of historical prices, except for the property, plant and equoment (PPE) and intangible assets, where adjustments have been made in the past year based on the principal of revaluation using standard rates of increase of the prices of the product of industrial products, published by the State Bureau of Statistics of RM(Notes 3.9 and 3.10).

## **CENTRAL SECURITIES DEPOSITORY AD- Skopje**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2.3. Accounting estimates and judgments**

The Company is applying certain accounting estimates and judgments during the process of preparation of the financial statements. Certain financial statements accounts which are not able to be measured properly are assessed on regular basis. The assessment process includes judgments based on the latest relevant available information.

Estimates are used during the assessment of the useful life period of the assets, fair value of receivables and its collectibility, fair value of investments available for the sale etc.

During the period certain estimates and judgements can be revised and changed if there are changes in the circumstances on which the assessment was based or as a result of a new information, greater experience and subsequent events.

The effect of the changes in the accounting estimates and judgments are include in the net profit or loss for the period as well as in the future periods on which the change takes effect or the both.

#### **2.4. Going concern concept**

The financial statements are prepared based on the going concern concept which means that the Company will continue to operate in the future on a continuing basis. The management of the Company has no intention or need to liquidate or restrict significantly the scope of its operations.

### **3. BASIC ACCOUNTING POLICES AND ESTIMATES**

The principal accounting policies applied for the preparation of these financial statements are set out below. These policies have been applied consistently for the year presented.

#### **3.1. Revenue recognition**

##### *Sale of services*

Revenues from rendering services are recognized according to the method of percentage of completion at the balance sheet date, when the amount of the revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred in respect of the transaction can be measured reliably and there is an adequate evidence for the transaction.

## **CENTRAL SECURITIES DEPOSITORY AD- Skopje**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3.2. Finance income s**

Finance income, which are calculated during the year, are shown as revenues, independent from their collection. They are consisted of income from available-for-sale investments, interest revenues and gains on exchange.

Dividends income is recognized when the right to receive payment is established.

Interest revenues are recognized on a time proportion basis, taking into account the effective yield on the assets.

#### **3.3. Finance expenses**

Financing expenses, which are calculated during the year, are shown as expenses, independent from their payment. They are consisting of interest expenses, losses on exchange and other expenses.

Interest expenses are recognized on a time proportion basis.

#### **3.4. Exchange rate differences**

Business transaction in foreign currency is recorded in MKD by applying the exchange rate at the date of the transaction. All monetary items in foreign currencies are denominated into MKD at the exchange rates ruling at the balance sheet date.

Gains and losses arising on the translation of receivables and liabilities in foreign currencies during the year have been credited or charged to financing revenues or expenses.

The official exchange rate ruling at 31 December is the following:

#### **3.5. Income tax**

The Calculation of income tax is carried out on a basis of non-deductible expenses according to regulation, by applying the rate of 10% (2009: 10%)

#### **3.6. Cash and cash equivalents**

Cash and cash equivalents are carried out at cost in the balance sheet. For the purpose of those financial statements, cash and cash equivalents are comprised of cash in hand, cash in banks denar and foreign currency accounts, demand deposits and time deposit with maturity up to three months.

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### **3.7. Trade receivable**

Trade receivables arise from sales of goods and are recognized at cost less any provision for impairment of bad and doubtful receivables.

A provision for impairment of bad and doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original term of receivables. Significant financial difficulties of the debtor, default or delinquency in payments, probability that the debtor will enter bankruptcy or financial liquidation is considered as indicators that the receivables are impaired. Bad and doubtful receivables are fully written off when they are considered as such.

Full provision is made and recorded as other operating expenses, for all receivables from shareholders companies that are in bankruptcy procedure. Also, provision in amount of 100% from the nominal value is made for all receivables that are due more than 3 years, 75% from the nominal value for all receivables that are due more than 2 years and 50% from the nominal value for all receivables that are due more than 1 year.

#### **3.8. Investment in securities**

The Company is classifying its investments in available-for-sale investments and investments held to maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale investments. Investments held to maturity are consisted of investments in short-term treasury bills (government or treasury bills) which are issued by the National Bank or the Government and which the Company is intended to hold them to maturity for interest earned.

Initially, investments are valued at cost, including transaction costs

Subsequently, investments available-for-sale are stated at their fair value that is their last market value at the date of balance sheet for all securities which have active market, except for those that don't have active market and sure stated at cost less for any impairment loss (entities in bankruptcy).

Subsequently, investments held to maturity are recognized at amortized cost applying effective interest rate method.

Unrealized gains and losses arising from changes in than fair value of available-for-sale investments are recorded in shareholder's equity as fair value and other reserves, until the investment is sold at which time the unrealized gain or loss previous reported in the equity is included in net profit or loss.

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 3.9. Property, plant and equipment

##### *Basic presentation*

Initially, property, plant and equipment are carried out at cost. Cost includes invoiced value and all other cost to bring the property, plant and equipment to their present condition and location.

Subsequently, property, plant and equipment were revalued in past year-end using uniformed revaluation coefficient based on the manufacturer's price increase index published by the State Bureau of Statistic of RM and which was applied to historical cost or later revaluations and to the accumulated depreciations. This kind of revaluation of property, plant and equipment is no more recorded. The effect of revaluation is the revaluation reserve, shown in the balance sheet as part of the equity.

Due to the fact that the recorded revaluation up to 31 December 2008 is not significant, it can be considered that the carrying amount of the property, plant and equipment represents its cost less accumulated depreciation.

Maintenance and repairs are charged to income as incurred. Cost relating to reconstruction and improvements that change the capacity or the purpose of PPE are added to the value of the assets.

Profits on disposals of PPE are credited directly to other operating revenues. Losses on disposal of PPE are charged to other operating expenses.

#### **Depreciation**

Depreciation is charged on a straight-line basis at prescribed rates to allocate the revalue cost of the property, plant and equipment over their estimated useful lives. PPE are depreciated on a single asset basis, until the asset is fully depreciated.

No depreciation is provided on land and construction in progress.

The basic depreciation annual rates i.e. estimated useful life of the assets applied in 2009 is as follows:

Property	2.5%
equipment	5 do 25%
Vehicles	25%

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### **3.10. Intangible assets**

Assets should be recognized as intangible asset in the financial statements if, and only if, it is controlled from the company, it is probable that the future economic benefits will flow, the cost of the asset can be measured reliably and it has non-material form.

An intangible asset should be recognized initially, at cost, and that is the amount of cash and cash equivalents paid for its acquisition. Subsequently, the intangible assets are recognized at cost less accumulated amortization and any impairment losses.

Also, the intangible assets were revalued in the past year at each year-end using uniformed revaluation coefficient based on the manufacturer's price increase index published by the State Bureau of Statistics of RM and which was applied to historical cost or later revaluation and to the accumulated depreciation. This kind of revaluation of PPE is no more recorded. The effect of revaluation is the revaluation reserve, shown in the balance sheet as part of the equity.

Intangible assets should be amortized over the best estimate of their useful life. The basic amortization rate used in 2010 for the intangible assets is 25%.

#### **3.11. Impairment of assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Asset that is subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

#### **3.12. Trade payables**

Trade payable are stated at their nominal value (cost).

Trade payables are written off by crediting other revenues, after the expiration of the legal maturity or by off-court agreement between parties.

#### **3.13. Equity**

##### *Shareholders capital*

The Company's shareholders capital is recognized in the amount of the nominal value of the authorized and issued shares. Incremental cost related to equity issue, if any, are deducted from equity.

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### *Treasure shares*

Shares issued and at the same time owned by the Company are considered to be treasury shares and are recognized at cost and presented as equity decrease.

Treasury shares are gained through the process of acquisition on the secondary securities market for current stock prices with previously made decision for their acquisition by the Company's management. The acquired treasury share are recognized at cost including all transaction cost.

Treasury shares are disposed through the process of re-issuing as well as non-trading transfers according to the provisions of the Law on securities. The difference between the cost and the disposal price recognized as share premium and it is presented in the equity.

#### *Legal reserves*

Under the local statutory legislation, the Company is required to set aside 15% of its year net profit in the reserves until the level of this reserve reached 20% of the registered share capital. Until reaching the minimum required level reserve could be used only for loss recovery.

When the minimum level is reached legal reserves can also be used for distribution of dividends, based on a decision of the Shareholders' Assembly.

#### *Revaluation reserve*

Revaluation reserves are founded from revaluation of the property, plant and equipment as well as from intangible assets. According to the Macedonian legislation the revaluation reserve is recorded in the Company's equity. These reserves are not subject to distribution.

### **3.14. Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

#### *Short term employee benefits*

Short-term employee benefits which fall due wholly within twelve months after the end of the period in which the employees render the related services. These benefits include items such as: wages, salaries and social security contributions, short-term compensated absences, profit-sharing and bonuses and other non-monetary benefits. All short-term employee benefits are recognized as a liability and expenses for the undiscounted amount.



## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### *Post-employment benefits*

The Company calculates and pays pension insurance contributions of its employees according to the domestic legislation. The contribution, based on the employee's salaries are paid in the domestic National Fund. The Company has no additional liabilities.

Also, the Company is obliged to pay benefit in amount of two months salary to all its employees who are retiring in the moment of retirement. The Company has made no provision for these liabilities as the amount is not significant for the financial statements.

#### **3.15. Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When some or all of of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as an asset when, and only when, it is virtually certain that the reimbursement will be received.

The expense relating to a provision is presented in the income statement net of the amount recognised for a reimbursement. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using pre-tax rates that reflects current market assessments.

#### **3.16. Contingencies**

Contingencies liabilities are a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one more uncertain future event not wholly within the control of the Company. Contingent liability is not recognized in the financial statements, only are disclosed. Contingent assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future not wholly within the control of the Company. Coningent assets are recognized only when the realization of income is virtually certain.

#### **3.17. Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilative potential ordinary shares, which comprise convertible notes and share options granted to employees.

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. RISK MANAGEMENT

The Company is engaged in different kind of business transactions which derive from its daily activities and which are connected with the customers, suppliers and creditors. The main financial risk to which the Company is exposed during its business and the policies for their management are the following:

- Credit risk
- Interest risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the

Company's management of capital. Further quantitative disclosures are included through these financial statements.

The Company's management has overall responsibility for the establishment and oversight of Company's risk management framework.

Company's risk management is established in order to identify and analyse the risks the Company faces with, to set appropriate risk limits and controls and monitor risks and adherence to limits.

##### 4.1. Credit risk

The Company is exposed to credit risk in the event where its customers fail to meet their payment obligation. The Company does not have significant of credit risk exposure as main customers are all domestic brikeragr house and shareholders companies. The Company's policy to avoid or reduce this kind of risk is to make advance collection of its receivables and to provide adequate provision for all bad and doubtful receivables in order to present them on their fair and recoverable amount.

##### 4.2. Interest rate risk

The Company is exposed to risk of interest rate fluctuation, which relates to the loans, borrowings or bank deposits conclude with variable interest rates. This type of risk depends on movements of financial markets and Company does not hedge against it. At the balance sheet date, the Company is not exposed to this kind of risk as it does not have any borrowings.

## **CENTRAL SECURITIES DEPOSITORY AD- Skopje**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **4.3 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 implemented accounting and controlling procedure and follows the cash flows on a continuing base.

The Company always ensures that it has sufficient cash available on demand to meet its liabilities when due. This excludes the potential impact of extreme circumstances, as natural disasters or political disturbances in the region.

#### **4.4 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

#### **4.5. Taxation risk**

According to local legislation, the tax authorities may at any time inspect the books and records subsequent to the reported tax year, and may impose additional tax assessments. Up to the date of the Auditors report, inspection for income tax, personnel income tax and contributions on allowances for period 2010 in not yet executed and therefore additional taxes or contributions are possible.

### **5. DETERMINATION OF FAIR VALUES**

The Company has financial assets and liabilities which include trade receivable, bank deposits and trade payables as well as non-financial assets, for which large number of accounting policies and disclosures require establishing of their fair value.

The fair value of financial assets and liabilities generally approximate their carrying amount as most of them have maturity up to one year of the balance sheet date.

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 6. FINANCIAL INSTRUMENTS

##### 6.1. Capital risk management

The Company is financing its operations from own resources and it does not uses any loans or borrowings from banks or other companies. The management of the Company reviews the capital structure on a regular basis.

##### 6.2. Foreign currency risk

The Company does enter in to significant transactions denominated in foreign currencies, except for the cash and cash equivalents nad bank deposits denominated in foreign currency which are exposed to foreign currency risk.

The carrying amount of the financial assets and liabilities denominated in foreign currencies as at 31 December 2010 and 2009, are as follows:

	Assets		Liabilities	
	2010	2009	2010	2009
EUR	10.929	10.551	-	-
USD				
<b>Total</b>	<b>10.929</b>	<b>10.551</b>	<b>-</b>	<b>-</b>

The Company is generally exposed to EUR.

The sensitivity analysis below has been determined on the 10% increase or decrease of the Macedonian MKD related to the foreign currencies. The analysis has been done based on the carrying amounts of the assets and liabilities denominated in foreign currency at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates e decrease.

	10% increase		10% decrease	
	2010	2009	2010	2009
EUR	1.093	1.055	-1.093	-1.055
USD				
<b>Net</b>	<b>1.093</b>	<b>1.055</b>	<b>-1.093</b>	<b>-1.055</b>

##### 6.3. Interest rate risk

The Company is exposed to interest risk arising from variable interest rate on bank deposits and borrowings, which depends on the changes of the financial markets.

The carrying amount of the financial assets and liabilities according the exposure on interest rate risk at the year end is as follows:

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

in thousands of denars	2010	2009
<b>Financial assets</b>		
Non-interest bearing		
Cash and cash equivalents	14	5
Trade receivables	6.069	6.525
Other receivables	1.046	5.196
Investments	77	77
	7.206	11.803
Interest bearing with variable interest rate:		
Cash and cash equivalents	7.496	2.472
Bank deposits	66.532	69.150
	74.028	71.622
	81.234	83.425
<b>Financial liabilities</b>		
Trade payables	755	546
Other current liabilities	4.282	3.934
	5.037	4.480
	5.037	4.480

The sensitivity analysis below has been determined based on the exposure to interest rates as a result of a 10% increase for the bank deposits and borrowings at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates a decrease.

	10% Increase		10% Decrease	
	2010	2009	2010	2009
Bank deposits	416	464	-416	-464
Borrowings	416	464	-416	-464
	416	464	-416	-464

#### 6.4. Credit risk

Credit risk exist in the event where customers fail to meet their payment obligations. Trade receivables consist of large number of individuals balances. These receivables are not secured with any kind of collateral in form of guarantees, bills or other.

The trade receivables structure according their aging analysis as at 31 December is as it follows:

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

Den.000	Gross amount	Provision	Recoverable amount
Undue receivable	1.708		1.708
Due receivable in 2010	2.964		2.964
in 2009	1.973	986	987
in 2008	1.647	1.237	410
before 2008	16.286	16.286	0
	<b>24.578</b>	<b>18.509</b>	<b>6.069</b>

Undue receivables in amount of 1.708 thousands denars represent receivables from brokerage houses for fee transaction in December 2010. These receivables will be due in January 2011.

#### 6.5. Liquidity risk

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities as at 31. December 2010:

	Less than 1 month	1to3 month	3to12 month	Over 12 month	Total
Cash	7.510				7.510
Bank deposits		11.500	55.032		66.532
Trade receivables	6.069				6.069
Other receivables	884		162		1.046
Investments				77	77
	<b>14.463</b>	<b>11.500</b>	<b>55.194</b>	<b>77</b>	<b>81.234</b>
Trade payable	755				755
Other payable	3.874	408			4.282
	<b>4.629</b>	<b>408</b>			<b>5.037</b>

#### 7. SEGMENT REPORTING

Due to its specific activities and size, the Company is not organized in separate segments, business or geographical segments.

Because of the previous, the Company is not presenting any segment information.

**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. REVENUES**

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Broker companies access fee	2.646	2.885
Broker companies transaction fee	13.770	16.531
Shareholding companies access fee	128	336
Shareholding companies shareholders-book-keeping fee	9.450	9.692
Other companies and citizens transaction fees	6.679	6.083
Services to Government of the Republic of Macedonia		448
Other fee revenues according Price List of the Depository	3.157	2.456
<b>Total revenues</b>	<b>35.830</b>	<b>38.431</b>

**9. OTHER OPERATING REVENUES**

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Revenues from collected doubtful receivables	64	89
Other revenues	62	62
<b>Total</b>	<b>126</b>	<b>151</b>

**10. USED MATERIALS AND CONSUMBLES**

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Used materials	142	197
Used spare parts	115	56
Small inventory write-off	133	60
<b>Total</b>	<b>390</b>	<b>313</b>

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 11. EMPLOYEES EXPENSES

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Gross wages of employees	13.653	13.011
Employee's remunerations	1.262	2.185
Per diem and travel expenses	11	198
Other employees-related expenses	399	385
<b>Total</b>	<b>15.325</b>	<b>15.779</b>

#### 12. OTHER OPERATING EXPENSES

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Expenses for Securities Exchange Commission	4.658	4.996
Post, telephone and internet services	1.416	1.882
Provision for bad and doubtful from companies in bankruptcy	101	445
Reimbursement of the Steering and Supervisory Committee members' remunerations	2.040	2.040
Steering and Supervisory Committees members' remunerations	2.524	2.509
Public utility expenses	232	916
Marketing, representation and donation expenses	571	817
Other expenses	3.511	3.080
<b>Total</b>	<b>15.053</b>	<b>16.685</b>

#### 13. FINANCING INCOME

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Exchange gain	247	1
Interest received on bank deposits	4.159	4.220
Other financing income	48	70
<b>Total</b>	<b>4.454</b>	<b>4.291</b>



**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**14. FINANCING EXPENSES**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Exchange loss	189	43
<b>Total</b>	<u><b>189</b></u>	<u><b>43</b></u>

**15. INCOME TAX**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Income tax for the year	709	512
<b>Total</b>	<u><b>709</b></u>	<u><b>512</b></u>

*Reconciliation of effective tax rate*

<b>Den.000</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Income before taxation		<u><b>6.577</b></u>		<u><b>7.967</b></u>
Profit Tax	10%		10,0%	
Non- deductible expenses		709		512
		<u><b>709</b></u>		<u><b>512</b></u>

**16. CASH AND CASH EQUIVALENTS**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Denar accounts at commercial banks	6.835	2.012
Cash in hand-denars	14	5
Foreign currency cash at bank accounts	661	460
<b>Total</b>	<u><b>7.510</b></u>	<u><b>2.477</b></u>

**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**16. BANKS DEPOSITS**

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Izvozna kreditna Bank AD Skopje	4.000	4.000
Invest bank AD Skopje	15.929	15.550
Postenska bank AD Skopje	4.000	4.000
Ohridska bank AD Skopje	5.000	5.000
TTK Bank AD Skopje	6.000	6.000
Uni Bank AD Skopje	5.500	5.500
Komercijalna bank AD Skopje	12.000	16.000
Stopanska bank AD Skopje	6.000	5.000
NLB Tutunska Bank AD Skopje	5.000	5.000
Eurostandard bank AD Skopje	3.100	3.100
<b>Total</b>	<b>66.529</b>	<b>69.150</b>

**18. TRADE RECEIVABLES**

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Receivables from Brokerage companies	1.708	1.349
Receivables from shareholders companies	22.869	21.193
<b>Total gross trade receivable</b>	<b>24.577</b>	<b>22.542</b>
Provision for broker companies receivables		
Provision for shareholders companies receivable	-18.508	-16.017
<b>Total net trade receivables</b>	<b>6.069</b>	<b>6.525</b>

**Changes in provision for bad and doubtful receivables:**

<b>Balance as at 1.January</b>	<b>16.017</b>	<b>15.756</b>
Provision for receivables from companies in bankruptcy		
Provision for receivables from other companies	2.555	345
Collected doubtful receivables	-84	-84
<b>Balance as at 31. December</b>	<b>18.488</b>	<b>16.017</b>

**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**19. OTHER CURRENT ASSETS AND PREPAID EXPENSES**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Receivables from employees	3	6
Interest receivables	786	818
Other prepaid expenses	14	39
Small inventory	<u>85</u>	<u>85</u>
<b>Total</b>	<u><b>888</b></u>	<u><b>948</b></u>

**20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS**

<b>Den.000</b>	<b>Property</b>	<b>Equipment</b>	<b>Intangible assets</b>	<b>Total</b>
<b>Cost or valuation</b>				
<b>Balance as at 1st January</b>	<b>25.732</b>	<b>42.663</b>	<b>60.542</b>	<b>128.937</b>
Addition		571	-	571 0
<b>Balance as at 31st December</b>	<b>25.732</b>	<b>43.234</b>	<b>60.542</b>	<b>129.508</b>
<b>Accumulated depreciation</b>				
<b>Balance as at 1st January</b>	<b>5.507</b>	<b>40.523</b>	<b>60.542</b>	<b>106.572</b>
Depreciation	643	1.233	-	1.876
<b>Balance as at 31st December</b>	<b>6.150</b>	<b>41.756</b>	<b>60.542</b>	<b>108.448</b>
<b>Carrying amount as at 31.12.2009</b>	<b>19.582</b>	<b>1.478</b>	<b>-</b>	<b>21.060</b>

**CENTRAL SECURITIES DEPOSITORY AD- Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Den.000</b>	<b>Property</b>	<b>Equipment</b>	<b>Intangible assets</b>	<b>Total</b>
<b>Cost or valuation</b>				
<b>Balance as at 1st January</b>	<b>25.732</b>	<b>42.362</b>	<b>60.542</b>	<b>128.636</b>
Addition		301		301
<b>Balance as at 31st December</b>	<b>25.732</b>	<b>42.663</b>	<b>60.542</b>	<b>128.937</b>
<b>Accumulated depreciation</b>				
<b>Balance as at 1st January</b>	<b>4.864</b>	<b>39.080</b>	<b>60.542</b>	<b>104.486</b>
Depreciation	643	1.443	-	2.086 0
<b>Balance as at 31st December</b>	<b>5.507</b>	<b>40.523</b>	<b>60.542</b>	<b>106.572</b>
<b>Carrying amount as at 31.12.2009</b>	<b>20.225</b>	<b>2.140</b>	<b>-</b>	<b>22.365</b>

**21. TRADE PAYABLE**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Payables against Securities Exchange Commission	324	305
Other trade payable	431	241
<b>Total</b>	<u><b>755</b></u>	<u><b>546</b></u>

**22. OTHER SHORT-TERM LIABILITIES AND ACCRUED EXPENSES**

<b>Den.000</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Payable for net wages and contributions from wages		153
Payable for wages tax and contributions		18
Payable for value added tax (VAT)	494	
Payable for remunerations of the Board of directors	2.273	2.258
Payable for management remunerations	1.107	1.101
Payable for taxes and contribution on remunerations	408	404
Other		
<b>Total</b>	<u><b>4.282</b></u>	<u><b>3.934</b></u>

## CENTRAL SECURITIES DEPOSITORY AD- Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 22. SHAREHOLDERS CAPITAL

The Company's shareholders capital in amount of 48.306 thousands denars is consisted of 6.000 ordinary shares with par value of 131,67 EUR for one share.

The following shareholders have more than 5% of the voting ordinary shares:

<b>Den.000</b>	<b>2010</b>	<b>2009</b>
Komercijalna bank AD Skopje	15%	15%
Fersped Broker AD Skopje	15%	15%
Stopanska bank AD Skopje	7.03%	7.03%
Postenska bank AD Skopje	6.10%	6.10%
Invest bank AD Skopje	5.95%	5.95%
Invest Broker AD Skopje	5.75%	5.75%
TTK Bank AD Skopje	5.57%	5.57%
Izvozna Kreditna bank AD Skopje	5.03%	5.03%
NLB Tutunska Bank AD Skopje	5.03%	5.03%

#### 23. CONTINGENCES

The contingences are recorded and shown in the financial statement only if a probability for future outflows of funds that include economic benefits and a possibility for reasonable estimate of the amount exist.

##### **Litigation and given guaranties**

The management considers that there are no contingent liabilities or losses arising from the litigation proceeding have given guarantees to other entities

#### 24. SUBSEQUENT EVENTS

No material events subsequent to the balance sheet date have occurred which require disclosure in the consolidated financial statements.