

FINANCIAL STATEMENTS

for the year ended 31 December 2013,  
with Independent Auditor's Report

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**CENTRAL SECURITIES  
DEPOSITORY AD Skopje**

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This is an English translation of the original Report in the Macedonian language

**FINANCIAL STATEMENTS**  
**for the year ended 31 December 2013,**  
**with independent auditor's report**

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**B & Lj,  
Boro & Ljupco  
Ltd - Skopje**

Audit, Valuation  
and Financial  
Services

Drezdenska No. 52  
1000 Skopje  
Macedonia

Tel: + 389 (2) 3066-604  
Tel: + 389 (2) 3061-185  
Fax: + 389 (2) 3049-919

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and the Board of Directors of CENTRAL SECURITIES DEPOSITORY AD Skopje

We have audited the accompanying financial statements of CENTRAL SECURITIES DEPOSITORY AD Skopje, which comprise the statement of financial position as at December 31, 2013 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *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 that are accepted and published in the Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 about 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**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 at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards that are accepted and published in the Republic of Macedonia.

***Report on Other Legal and Regulatory Requirements***

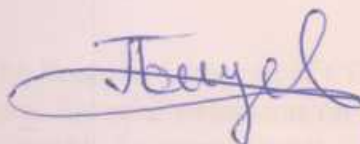
The management of the Company is also responsible for preparation of the annual business report according to the article 384 from the Law on trade companies. Our responsibility, according to the Audit Law, is to report whether the annual business report is consistent with the annual accounts and the financial statements for the year ended December 31, 2013. Our job regarding the annual business report is conducted in accordance with the ISA 720 and is restricted to reporting whether the historical financial information presented in the annual business report are consistent to the annual accounts and the audited financial statements.

The financial information in the annual business report are consistent, in all material aspects, with the annual accounts and the audited financial statements of CENTRAL SECURITIES DEPOSITORY AD Skopje for the year ended December 31, 2013.

Skopje, 5 March 2014

Certified Auditor


Ljupco Pecev



Audit, Valuation and  
Financial Services  
B & Lj, Boro & Ljupco  
Ltd - Skopje

Manager

Ljupco Pecev



**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**STATEMENT OF INCOME  
for the year ended 31 December 2013**

<b>in thousands of denars</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
Revenues	8	28.569	35.249
Other operating income	9	894	103
Materials and consumables used	10	-258	-324
Staff costs	11	-14.933	-14.982
Depreciation		-1.556	-1.472
Other operating expenses	12	-19.399	-18.677
<b>Loss from operations</b>		<b>-6.683</b>	<b>-103</b>
Finance income	13	2.549	3.216
Finance expenses	14	-54	-28
<b>Loss / profit before tax</b>		<b>-4.188</b>	<b>3.085</b>
Income tax expense	15	-77	-187
<b>Loss / profit after tax</b>		<b>-4.265</b>	<b>2.898</b>
<b>Basic Earnings per share (in denars)</b>	16	-711	483

The Board of Directors of CENTRAL SECURITIES DEPOSITORY AD Skopje adopted these financial statements on February 27, 2014 and submitted them to the Shareholders' Assembly for approval.

**Executive Manager**

**Elena Jakimovska Petrovska**

The accompanying notes form an integral part of  
these financial statements

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2013**

in thousands of denars	Note	<u>2013</u>	<u>2012</u>
<b>Profit after tax</b>		-4.265	2.898
<b>Other comprehensive income</b>			
Unrealised income (losses) from Available-for-sale financial assets		-	2
<b>Total other comprehensive income</b>		-	2
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>-4.265</u></u>	<u><u>2.900</u></u>

The accompanying notes form an integral part of these financial statements

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2013

in thousands of denars	Notes	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	1.375	1.146
Bank deposits	18	60.170	65.528
Investments held for trading		-	208
Trade receivables	19	10.713	6.836
Income tax receivables		397	474
Other current receivables and prepaid expenses	20	1.077	1.244
<b>Total current assets</b>		<u>73.732</u>	<u>75.436</u>
<b>Non-current assets</b>			
Available-for-sale-investments		76	76
Intangible assets	21	407	548
Property and equipment	21	19.071	20.445
<b>Total non-currents assets</b>		<u>19.554</u>	<u>21.069</u>
<b>TOTAL ASSETS</b>		<u>93.286</u>	<u>96.505</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	22	1.276	1.237
Other current liabilities and accrued expenses	23	1.988	981
<b>Total current liabilities</b>		<u>3.264</u>	<u>2.218</u>
<b>Capital and reserves</b>			
Shareholders' capital		48.306	48.306
Reserves		27.258	27.258
Accumulated profit		14.458	18.723
<b>Total capital and reserves</b>		<u>90.022</u>	<u>94.287</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>93.286</u>	<u>96.505</u>

The accompanying notes form an integral part of  
these financial statements

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### STATEMENT OF CASH FLOWS for the year ended 31 December 2013

in thousands of denars	2013	2012
<b>A. Cash flows from operating activities</b>		
Profit after tax	-4.265	2.898
Adjustments for:		
Depreciation	1.556	1.472
Trade receivables	-3.877	8.430
Income tax receivables	77	-393
Other currents receivables and prepaid expenses	167	-462
Trade payables	39	158
Other current liabilities and accrued expenses	1.007	-3.310
<b>Net cash flows from operating activities</b>	<b>-5.296</b>	<b>8.793</b>
<b>B. Cash flows from investing activities</b>		
Acquisition of fixed assets	-41	-1.894
Acquisition of intangible assets	-	-38
Proceeds from sale of fixed assets	-	-
Proceeds from / payments for investments held for trading	208	-207
Proceeds from deposits in banks	5.358	5.001
<b>Net cash flows from investing activities</b>	<b>5.525</b>	<b>2.862</b>
<b>C. Cash flows from financing activities</b>		
Rewards paid for the Board of Directors	-	-
Dividends paid	-	-12.235
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-12.235</b>
<b>INCREASE / DECREASE IN CASH DURING THE PERIOD</b>	<b>229</b>	<b>-580</b>
Cash balance at the beginning of the period	1.146	1.726
Cash balance at the end of the period	1.375	1.146

The accompanying notes form an integral part of  
these financial statements



## CENTRAL SECURITIES DEPOSITORY AD Skopje

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

**2013**

in thousands of denars	Shareholders' capital	Statutory reserves	Revaluation and other reserves	Accumulated profit	Total equity
<b>Balance, 01.01.2013</b>	48.306	27.256	2	18.723	94.287
<b>Comprehensive income</b>					
Loss for 2013	-	-	-	-4.265	-4.265
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-4.265	-4.265
Distribution for statutory reserves	-	-	-	-	-
Distribution for dividends	-	-	-	-	-
Correction from previous years	-	-	-	-	-
<b>Balance, 31.12.2013</b>	<b>48.306</b>	<b>27.256</b>	<b>2</b>	<b>14.458</b>	<b>90.022</b>

**2012**

in thousands of denars	Shareholders' capital	Statutory reserves	Revaluation and other reserves	Accumulated profit	Total equity
<b>Balance, 01.01.2012</b>	48.306	27.256	-	28.060	103.622
<b>Comprehensive income</b>					
Net profit for 2012	-	-	-	2.898	2.898
Other comprehensive income	-	-	2	-	2
<b>Total comprehensive income</b>	-	-	2	2.898	2.900
Distribution for statutory reserves	-	-	-	-	-
Distribution for dividends	-	-	-	-12.235	-12.235
Correction from previous years	-	-	-	-	-
<b>Balance, 31.12.2012</b>	<b>48.306</b>	<b>27.256</b>	<b>2</b>	<b>18.723</b>	<b>94.287</b>

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

## **CENTRAL SECURITIES DEPOSITORY AD Skopje**

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

#### **1. GENERAL INFORMATION ABOUT THE COMPANY**

1.1. CENTRAL SECURITIES DEPOSITORY AD Skopje (herein after - "the Company") is founded as company for clearing and settlement of the liabilities based on securities and keeping a Register of securities in the Republic of Macedonia, based on contract among the founders that are solely banks, brokerage and insurance companies. The Company has been registered at the trade register under T.Reg. No 3726/2001 on 31.10.2001.

1.2. CENTRAL SECURITIES DEPOSITORY AD Skopje was operating on a non-profit basis until 01.01.2006 which meant that the surplus of the revenues over the expenditures could have been used only for its own development. The Company has been operating for profit, since January 1, 2006, which means that net profit can be distributed as dividend to its shareholders.

1.3. The primary activity of the Company according to the main revenue code is other financial activities, except for insurance and pension funds (activity code no. 64.99.).

1.4. The CENTRAL SECURITIES DEPOSITORY AD Skopje had 22 employees on December 31, 2013. (21 employees on December 31, 2012)

1.5. The head office of the Company is at street Kuzman Josifovski no. 1 Skopje, Municipality Centar.

#### **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

##### **2.1. Regulation**

The financial statements of the CENTRAL SECURITIES DEPOSITORY AD Skopje have been prepared in accordance with the International Accounting Standards and International Financial Reporting Standards that are accepted and published in the Republic of Macedonia.

International Financial Reporting Standards accepted in Republic of Macedonia are published in the Rulebook for Accounting in the Official Gazette of the Republic of Macedonia no. 159 of December 29, 2009, in use from January 01, 2010.

The financial statements are expressed in thousands of Macedonian denars, unless otherwise stated. Where needed, comparative amounts are adjusted to the current year presentation.

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 2.2. Basic Accounting Methods

The financial statements have been prepared based on historical cost basis, except for the property and equipment and intangible assets, where adjustments have been made in the past year based on the principle of revaluation using standard rates of increase of the prices of the manufacturers of industrial products, published by the State Bureau of Statistics of the Republic of Macedonia.

#### 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 cannot be measured properly are assessed on a regular basis. The assessment process includes judgments based on the latest relevant available information.

Estimates are used for assessment of the useful life period of the assets, fair value of receivables and their collectibility, fair value of investments available for sale and other items.

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 informations, greater experience or subsequent events.

The effects of the changes in the accounting estimates and judgments are included 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 on the basis of the assumption of the going concern concept. It means that the Company will continue to operate in the future on a continuing base. The management of the Company has no intention or need to liquidate or restrict significantly the scope of its operations.

### 3. BASIC ACCOUNTING POLICES

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

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 3.1. Revenue Recognition

##### *Providing Services*

Revenues from provided services are recognized according to the method of percentage of completion at the statement of financial position date and when the amount of the revenue can be measured reliably. Furthermore, when 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.

#### 3.2. Financial Income

Financial income, calculated for the year, is presented as revenue, independent from its collection. It consists of dividend income from available-for-sale investments, interest income and gains on exchange.

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

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

#### 3.3. Financial Expenses

Financial expenses, calculated for the year, are shown as expenses, independent from their payment. They consist of interest expenses and exchange rate losses.

Interest expenses are recognized on a time proportion basis.

#### 3.4. Exchange Rate Differences

Business transactions in foreign currencies are recorded in Macedonian denars by applying the exchange rate at the date of the transaction. All monetary items in foreign currencies are denominated into Macedonian denars at the exchange rates ruling at the statement of financial position date.

Gains and losses arising on the translation of receivables and liabilities in foreign currencies during the year have been credited or debited to financial income or expenses.

The official exchange rates ruling at 31 December are the following:

<b>in denars</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
EUR	61,5113	61,5000
USD	44,6284	46,6510

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 3.5. Income Tax

Income tax for the year is comprised of current and deferred tax.

The income tax is calculated and paid according to the Income Tax Law. The basis for calculation of income tax are several kinds of costs that are not recognized for income tax purposes, so-called unrecognized tax costs. Furthermore, income tax will be paid in case of profit distribution for dividends for domestic citizens, foreign citizens and foreign legal entities, from the profit of 2009 and the subsequent years.

The income tax rate in the Republic of Macedonia is 10%, same as in 2012.

Deferred tax is calculated by using the statement of financial position liability method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

#### 3.6. Cash and Cash Equivalents

Cash and cash equivalents are reported at nominal value in the statement of financial position. For the purpose of those financial statements, cash and cash equivalents are comprised of cash on hand, cash in banks in denars and foreign currency accounts, demand deposits and time deposits with maturity up to three months.

#### 3.7. Trade Receivables

Trade receivables arise from sales of goods and services 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 terms of receivables. Significant financial difficulties of the debtor, default or delinquency in payments, probability that the debtor will enter bankruptcy or financial liquidation are considered as indicators that the receivables are impaired.

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

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 3.8. Available-for-Sale Investments

Available-for-sale investments are classified in the statement of financial position within non-current assets. Investments are initially recognized at cost, including all transaction costs. Subsequently, they are re-measured at fair value based on quoted market prices on the statement of financial position date. Unrealized gains and losses arising from changes in the fair value of available-for-sale investments are recorded within equity. When a decline in the fair value of an available-for-sale investment has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. Available-for-sale investments, for which fair value cannot be measured reliably, are recognized at cost, less impairment.

When an investment is sold, the unrealized gain or loss previously reported in equity is included in net profit or loss.

#### 3.9. Property, Plant and Equipment

Additions during the year are recorded at cost. Cost is represented by the price paid to suppliers and all costs incurred before the utilization of assets. In accordance with the regulations previously applied in the Republic of Macedonia all items of property, plant and equipment were revalued at year-end. The revaluation is performed by applying revaluation coefficients to the recorded cost or previously revalued amounts. The net effect of the revaluation is recorded as revaluation reserve.

Property, plant and equipment are divided into groups or subgroups. Depreciation is calculated until the cost is fully charged.

Gain on disposal of property, plant and equipment is credited to other operating income. Loss on disposal of property, plant and equipment is debited to other operating expenses. Book value of disposed or written off property, plant and equipment is debited to other operating expenses.

##### *Depreciation*

Depreciation on cost or revalued amount of property, plant and equipment is calculated on a straight-line basis over their estimated useful lives.

The principal depreciation rates in use for depreciation of fixed assets owned by CENTRAL SECURITIES DEPOSITORY AD Skopje are:

Buildings	2,5%
Computer equipment	25%
Office equipment	20%
Vehicles	25%

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

No depreciation is calculated on land, construction in progress, and art paintings.

#### **3.10. Intangible Assets**

An asset should be recognized as intangible asset in the financial statements if, and only if, it is owned by the company, the cost of the asset can be measured reliably and it has a 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.

Subsequent expenditures are capitalized only when they increase the future economic benefits of intangible assets. All other payments are debited as expenses in the income statement in the financial period in which they are incurred.

Amortization on cost or revalued amount of intangible assets is calculated on a straight-line basis over their estimated useful lives.

The amortization rate in use for amortization of intangible assets owned by CENTRAL SECURITIES DEPOSITORY AD Skopje is 20%.

#### **3.11. Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are 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 asset's 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 payables are stated at their nominal value.

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

#### **3.13. Equity, Treasury Shares, Reserves and Accumulated Profit**

##### **Shareholders' Capital**

The shareholders' capital consists of ordinary shares. It represents the nominal value of issued and paid in shares.

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### **Treasury Shares**

Shares issued and at the same time owned by the Company are considered to be treasury shares. Treasury shares are recognized at cost including all transaction costs. They are presented in the statement of financial position as a reduction of equity.

#### **Legal Reserves**

The legal reserves are created by allocation of the Company's annual net profit and revaluation reserves. The reserves can be used for covering the losses of the Company. The Company's legal obligation is to establish a reserve fund by allocating 5% of the annual net income, until 10% of the issued and paid in capital of the Company is reached. Until reaching the minimum required level, reserves could only be used for recovery of losses. Legal reserves that exceed the minimum of 10% can be used for payment of dividends based on a decision of the Shareholders' Assembly.

#### **Accumulated Profit**

Accumulated profit includes the accumulated profit from previous years and profit after tax from the current year.

#### **3.14. Employee Benefits**

##### **Contributions for the Employees**

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personal income tax according to the statutory rates for the current year. The base for calculation of the contributions is the gross salary. The Company makes pension contributions to Governmental and private funds. The Company doesn't operate with other pension schemes.

##### **Retirement Benefits**

The Company, in accordance with domestic regulations, is obliged to pay benefits in the amount of two monthly salaries to all of its employees who retire at a given date. The Company did not make provision for these liabilities because the amount is not significant for the financial statements.

#### **3.15. Provisions**

Provisions are recognized when the Company has a legal obligation or a present obligation as a result of a past event and 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. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.



## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 3.16. Contingencies

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not under control of the Company. Contingent liabilities are disclosed in the financial statements.

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not under control of the Company. Contingent assets are recognized only when the realization of income is virtually certain.

#### 4. FINANCIAL RISK MANAGEMENT

In its operations the Company is exposed to different kinds of financial risks, such as: market risk (foreign currency risk and price risk), credit risk, interest rate risk and liquidity risk. The Board of Directors is authorized to manage financial risks. The base for management of the financial risk consists of finding ways for minimizing potential negative effects.

##### 4.1. Market Risk

###### Foreign Currency Risk

The Company enters into transactions involving foreign currencies through the investments of small amount of excess cash in foreign currency deposits in domestic banks.

The Company does not use special financial instruments to hedge against these risks since no such instruments are in common use in the Republic of Macedonia. Therefore, the Company is exposed to market risk related to possible foreign currency fluctuations.

###### Price Risk

The Company is not exposed to equity securities price risk since only a small amount of its financial assets are invested in available-for-sale investments.

##### 4.2. Credit Risk

The Company is exposed to credit risk in the event where its customers fail to meet their payment obligations.

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

The Company does not have a significant concentration of credit risk exposure as the main customers are all domestic brokerage companies and joint stock 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 the receivables at their fair and recoverable amount.

#### 4.3. Interest Rate Risk

The Company is exposed to risk of interest rate fluctuations from the short-term or long-term interest bearing borrowings used, as well as from the bank deposits with variable rates. The Company has no borrowings, but has bank deposits. Therefore, the exposure to this kind of risk exists. The Company has no special policy for interest risk management as there are no market instruments in the Republic of Macedonia to avoid this kind of risk. The Company negotiates with banks to reduce the interest rate risk.

#### 4.4. Liquidity Risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its financial obligations on time.

The Company does not have liquidity problems because of its policy for providing sufficient cash for timely payment of liabilities due.

#### 4.5. Capital Risk Management

The Company monitors its capital risk on the basis of the net debt to equity ratio. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents.

The Board of Directors of the CENTRAL SECURITIES DEPOSITORY AD Skopje reviews the capital structure on a regular basis.

<b>in thousands of denars</b>	<b>2013</b>	<b>2012</b>
Current and non-current borrowings	-	-
Cash and cash equivalents	-1.375	-1.146
Net debt (cash)	-1.375	-1.146
Capital and reserves (equity)	90.022	94.287
<b>Net debt to equity ratio</b>	<b>0,00%</b>	<b>0,00%</b>

The Company is financing its operations from its own resources and does not use any loans or borrowings from banks or other companies.

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 4.6. Taxation Risk

According to the legislation of the Republic of Macedonia, the tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. In case of tax evasion or tax fraud the statute of limitations may be extended up to 10 years. The Company's management is not aware of any circumstances that may give rise to a potential material liability in this respect other than those provided for in these financial statements.

#### 5. DETERMINATION OF FAIR VALUES

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

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

#### 6. FINANCIAL INSTRUMENTS

##### 6.1. Foreign Currency Risk

The Company does not enter into significant transactions denominated in foreign currencies, except for the cash and cash equivalents and bank deposits denominated in foreign currency which are exposed to foreign currency risk.

The carrying amount of the financial assets and liabilities denominated in denars as at 31 December 2013 and 2012, are as follows:

in thousands of denars	Assets		Liabilities	
	2013	2012	2013	2012
EUR	11.570	10.928	-	-
USD	-	-	-	-
<b>Total</b>	<b>11.570</b>	<b>10.928</b>	<b>-</b>	<b>-</b>

The sensitivity analysis below has been based on the 10% increase or decrease of the Macedonian denar 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 statement of financial position date. A positive number below indicates an increase in profit and equity, and a negative number below indicates decrease in profit and equity.

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

in thousands of denars	10% increase		10% decrease	
	2013	2012	2013	2012
EUR	1.157	1.093	-1.157	-1.093
USD	-	-	-	-
<b>Net</b>	<b>1.157</b>	<b>1.093</b>	<b>-1.157</b>	<b>-1.093</b>

**6.2. Interest Rate Risk**

The Company is exposed to interest risk arising from the 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 to the exposure on interest rate risk at the year end is as follows:

in thousands of denars	2013	2012
<b>Financial assets</b>		
<b>Non-interest bearing</b>		
Cash and cash equivalents	-	-
Trade receivables	10.713	6.836
Other receivables	1.474	1.718
Available-for-sale-investments	76	76
	<u>12.263</u>	<u>8.630</u>
<b>Interest bearing with variable interest rate</b>		
Cash and cash equivalents	1.375	1.146
Investments held for trading	-	208
Bank deposits	60.170	65.528
	<u>61.545</u>	<u>66.882</u>
	<u><b>73.808</b></u>	<u><b>75.512</b></u>
<b>Financial liabilities (non-interest bearing)</b>		
Trade payables	1.276	1.237
Other current liabilities	1.988	981
	<u>3.264</u>	<u>2.218</u>
	<u><b>3.264</b></u>	<u><b>2.218</b></u>

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

The sensitivity analysis below has been based on the exposure to interest rates as a result of a 2 percentage points increase or decrease for the bank deposits and borrowings at the statement of financial position date. A positive number below indicates an increase in profit and equity, and a negative number below indicates a decrease.

in thousands of denars	2 percent. points increase		2 percent. points decrease	
	2013	2012	2013	2012
Bank deposits	1.203	1.311	-1.203	-1.311
Borrowings	-	-	-	-
	<u>1.203</u>	<u>1.311</u>	<u>-1.203</u>	<u>-1.311</u>

#### 6.3. Credit Risk

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

The trade receivables structure according to their aging analysis as at 31 December 2013 is as follows:

in thousands of denars	Gross amount	Provision	Recoverable amount
Undue receivables	6.459		6.459
Due receivables			
in 2013	3.060		3.060
in 2012	1.712	856	856
in 2011	1.354	1.016	338
before 2011	7.376	7.376	0
	<u>19.961</u>	<u>9.248</u>	<u>10.713</u>

Undue receivables in the amount of 6.459 thousands of denars represent receivables from the brokerage companies for fee transactions in December 2013, receivables from the State and receivables from joint stock companies. These receivables will be due in January 2014.

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

The trade receivables structure according to their aging analysis as at 31 December 2012 is as follows:

in thousands of denars	Gross amount	Provision	Recoverable amount
Undue receivables	869		869
Due receivables			
in 2012	4.541		4.541
in 2011	1.989	995	994
in 2010	1.728	1.296	432
before 2010	7.443	7.443	0
	<b>16.570</b>	<b>9.734</b>	<b>6.836</b>

Undue receivables in the amount of 869 thousands of denars represent receivables from the brokerage companies for fee transactions in December 2012. These receivables will be due in January 2013.

#### 6.4. Liquidity Risk

The following tables present the Company's remaining contractual maturity for its financial assets and liabilities as at 31 December 2013:

in thousands of denars	Less than 1 month	1 to 6 months	7 to 12 months	Over 12 months	Total
Cash	1.375	-	-	-	1.375
Bank deposits	3.000	29.919	27.251	-	60.170
Trade receivables	10.713	-	-	-	10.713
Other receivables	1.077	-	-	397	1.474
Available-for-sale investments	-	-	-	76	76
Investments held for trading	-	-	-	-	-
	<b>16.165</b>	<b>29.919</b>	<b>27.251</b>	<b>473</b>	<b>73.808</b>
Trade payables	1.276	-	-	-	1.276
Other payables	1.988	-	-	-	1.988
	<b>3.264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.264</b>

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

31.12.2012

in thousands of denars	Less than 1 month	1 to 6 months	7 to 12 months	Over 12 months	Total
Cash	1.146	-	-	-	1.146
Bank deposits	7.000	28.277	30.251	-	65.528
Trade receivables	6.836	-	-	-	6.836
Other receivables	1.244	-	-	474	1.718
Available-for-sale investments	-	-	-	76	76
Investments held for trading	208	-	-	-	208
	<b>16.434</b>	<b>28.277</b>	<b>30.251</b>	<b>550</b>	<b>75.512</b>
Trade payables	1.237	-	-	-	1.237
Other payables	981	-	-	-	981
	<b>2.218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.218</b>

**7. SEGMENT REPORTING**

Due to its specific activities and size, the Company is not organized in separate segments, neither in business, nor geographical segments.

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

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. REVENUES**

in thousands of denars	<u>2013</u>	<u>2012</u>
Broker companies access fee	1.613	1.839
Broker companies transaction fee	7.497	12.293
Shareholding companies access fee	304	288
Shareholding companies shareholders-book-keeping fee	10.686	11.120
Other companies and citizens transaction fees	5.146	9.077
Fees for services provided to the State	1.131	120
Other fee revenues according Price list of the Depository	2.192	512
<b>Total revenues</b>	<b><u>28.569</u></b>	<b><u>35.249</u></b>

**9. OTHER OPERATING INCOME**

in thousands of denars	<u>2013</u>	<u>2012</u>
Income from collected doubtful receivables	496	58
Other income	398	45
<b>Total</b>	<b><u>894</u></b>	<b><u>103</u></b>

**10. MATERIALS AND CONSUMIBLES USED**

in thousands of denars	<u>2013</u>	<u>2012</u>
Used materials	183	169
Used spare parts	38	31
Cost of consumables used	37	124
<b>Total</b>	<b><u>258</u></b>	<b><u>324</u></b>



**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. STAFF COSTS**

in thousands of denars	<u>2013</u>	<u>2012</u>
Gross wages of employees	14.627	14.364
Management's rewards	-	-
Travel expenses	286	251
Other employees costs	20	367
<b>Total</b>	<b><u>14.933</u></b>	<b><u>14.982</u></b>

**12. OTHER OPERATING EXPENSES**

in thousands of denars	<u>2013</u>	<u>2012</u>
Expenses for Securities Exchange Commission	9.670	8.880
Post, telephone and internet services	961	1.078
Provision for bad and doubtful receivables	2.224	1.684
Remunerations to members of the Board of Directors	2.023	2.123
Rewards to members of the Board of Directors	-	-
Public utility expenses	1.366	1.568
Entertainment, marketing and donation expenses	170	430
Other expenses	2.985	2.914
<b>Total</b>	<b><u>19.399</u></b>	<b><u>18.677</u></b>

**13. FINANCE INCOME**

in thousands of denars	<u>2013</u>	<u>2012</u>
Exchange gain	46	25
Interest income	2.503	3.191
Other finance income	-	-
<b>Total</b>	<b><u>2.549</u></b>	<b><u>3.216</u></b>

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**14. FINANCE EXPENSES**

<b>in thousands of denars</b>	<u>2013</u>	<u>2012</u>
Interest expenses	3	2
Exchange loss	51	26
<b>Total</b>	<u>54</u>	<u>28</u>

**15. INCOME TAX**

<b>in thousands of denars</b>	<u>2013</u>	<u>2012</u>
Profit before taxation	-	3.085
Non-deductible tax expenses	77	187
Tax allowances	-	-
<b>Income tax</b>	<u>77</u>	<u>187</u>

**16. BASIC EARNINGS PER SHARE**

<b>in thousands of denars</b>	<u>2013</u>	<u>2012</u>
Profit after tax applicable to holders of ordinary shares	-4.265	2.898
Weighted-average number of ordinary shares outstanding	6.000	6.000
<b>Basic Earnings per Share in denars</b>	<u>-711</u>	<u>483</u>

Basic Earnings per Share is calculated by dividing the profit after tax attributable to holders of ordinary shares (after the reduction for the part of profit after tax for the holders of preferred shares) by weighted-average number of ordinary shares outstanding during the year.

Since the CENTRAL SECURITIES DEPOSITORY AD Skopje has not issued preferred shares, the whole amount of profit after tax is applicable to the holders of ordinary shares.

Diluted Earnings per Share is not calculated because the CENTRAL SECURITIES DEPOSITORY AD Skopje has no issued potentially dilutive ordinary shares.

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**17. CASH AND CASH EQUIVALENTS**

<b>in thousands of denars</b>	<b>2013</b>	<b>2012</b>
Cash deposits	1.236	295
Cash on hand - denars	7	6
Foreign currency accounts	132	845
<b>Total</b>	<b>1.375</b>	<b>1.146</b>

**18. BANKS DEPOSITS**

<b>in thousands of denars</b>	<b>2013</b>	<b>2012</b>
Halk banka AD Skopje	6.000	4.000
Sparkase banka Makedonija AD Skopje	7.570	13.607
Postenska banka AD Skopje	2.000	6.000
Ohridska banka AD Skopje	5.000	5.000
TTK banka AD Skopje	2.000	4.000
Uni banka AD Skopje	2.000	5.500
Komercijalna banka AD Skopje	8.500	9.000
Stopanska banka AD Skopje	10.000	10.000
NLB Tutunska banka AD Skopje	5.000	5.000
CKB banka AD Skopje	321	321
Eurostandard banka AD Skopje	11.779	3.100
<b>Total</b>	<b>60.170</b>	<b>65.528</b>

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

**19. TRADE RECEIVABLES**

in thousands of denars	<b>2013</b>	<b>2012</b>
Receivables from brokerage companies	1.512	869
Receivables from joint stock companies	27.136	25.896
Receivables from the State	3.558	-
<b>Total gross trade receivable</b>	<b>32.206</b>	<b>26.765</b>
Provision for receivables from shareholders companies	-21.493	-19.929
<b>Total net trade receivables</b>	<b>10.713</b>	<b>6.836</b>

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

Balance as at 1. January	19.929	19.111
Provision for bad and doubtful receivables	1.570	871
Collected doubtful receivables	-6	-53
Written off receivables	-	-
<b>Balance as at 31. December</b>	<b>21.493</b>	<b>19.929</b>

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

in thousands of denars	<b>2013</b>	<b>2012</b>
Interest receivables	658	877
Prepaid expenses	334	282
Foreclosed assets	85	85
<b>Total</b>	<b>1.077</b>	<b>1.244</b>

**CENTRAL SECURITIES DEPOSITORY AD Skopje**

**NOTES TO THE FINANCIAL STATEMENTS**

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

Revalued cost of property, equipment and intangible assets, and related accumulated depreciation are as follows:

2013

in thousands of denars	Buildings	Equipment	TOTAL	Intangible assets
<b>Cost or revaluation</b>				
Balance, 01.01.2013	25.732	43.417	69.149	61.245
Additions	-	42	42	-
Disposals and write-offs	-	-156	-156	-
<b>Balance, 31.12.2013</b>	<b>25.732</b>	<b>43.303</b>	<b>69.035</b>	<b>61.245</b>
<b>Accumulated depreciation</b>				
Balance, 01.01.2013	7.437	41.267	48.704	60.697
Depreciation	643	772	1.415	141
Disposals and write-offs	-	-155	-155	-
<b>Balance, 31.12.2013</b>	<b>8.080</b>	<b>41.884</b>	<b>49.964</b>	<b>60.838</b>
<b>NET BOOK VALUE on 31.12.2013</b>	<b>17.652</b>	<b>1.419</b>	<b>19.071</b>	<b>407</b>

2012

in thousands of denars	Buildings	Equipment	TOTAL	Intangible assets
<b>Cost or revaluation</b>				
Balance, 01.01.2012	25.732	43.678	69.410	61.207
Additions	-	1.894	1.894	38
Disposals and write-offs	-	-2.155	-2.155	-
<b>Balance, 31.12.2012</b>	<b>25.732</b>	<b>43.417</b>	<b>69.149</b>	<b>61.245</b>
<b>Accumulated depreciation</b>				
Balance, 01.01.2012	6.793	42.727	49.520	60.564
Depreciation	644	695	1.339	133
Disposals and write-offs	-	-2.155	-2.155	-
<b>Balance, 31.12.2012</b>	<b>7.437</b>	<b>41.267</b>	<b>48.704</b>	<b>60.697</b>
<b>NET BOOK VALUE on 31.12.2012</b>	<b>18.295</b>	<b>2.150</b>	<b>20.445</b>	<b>548</b>

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

#### 22. TRADE PAYABLES

in thousands of denars	<u>2013</u>	<u>2012</u>
Payables to the Securities Exchange Commission	806	740
Other trade payables	<u>470</u>	<u>497</u>
<b>Total</b>	<b><u>1.276</u></b>	<b><u>1.237</u></b>

#### 23. OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES

in thousands of denars	<u>2013</u>	<u>2012</u>
Payables for income tax	-	55
Payables for value added tax (VAT)	1.985	753
Payables for rewards of the Board of directors	-	-
Payables for rewards of the management	-	-
Payables for taxes and contribution on rewards	-	-
Payables for remunerations of the Board of Directors	-	170
Other	<u>3</u>	<u>3</u>
<b>Total</b>	<b><u>1.988</u></b>	<b><u>981</u></b>

#### 24. SHAREHOLDERS' CAPITAL

The CENTRAL SECURITIES DEPOSITORY AD Skopje on December 31, 2013 had issued 6.000 ordinary shares (6.000 ordinary shares on December 31, 2012). The nominal value of a share was 131,67 EUR and the Company's nominal value of issued shareholders' capital was 790.020 EUR.

The following shareholders on December 31 had more than 5% of the voting ordinary shares:

## CENTRAL SECURITIES DEPOSITORY AD Skopje

### NOTES TO THE FINANCIAL STATEMENTS

in percentage	2013	2012
Komercijalna banka AD Skopje	15,00%	15,00%
Fersped broker AD Skopje	15,00%	15,00%
NLB Tutunska banka AD Skopje	9,03%	9,03%
Eurostandard banka AD Skopje	8,73%	7,00%
Stopanska banka AD Skopje	7,03%	7,03%
Postenska banka AD Skopje	6,10%	6,10%
Sparkase banka Makedonija AD Skopje	5,95%	5,95%
TTK banka AD Skopje	5,57%	5,57%
Halk banka AD Skopje	5,03%	5,03%

#### 25. CONTINGENCIES

On December 31, 2013, court proceedings raised against CENTRAL SECURITIES DEPOSITORY AD Skopje, which were not final, were in the amount of around 14.194 thousands of denars (around 27.944 thousands of denars on 31.12.2013). During 2013 extraordinary legal proceedings were initiated for final court proceedings in the amount of 13.790 thousands of denars. The Company's management regularly analyses the potential risks of losses from court proceedings. Although the outcome of court proceedings cannot always be ascertained with precision, the Management of the Company believes that no material liabilities are likely to result.

The Company had no contingent liabilities with respect to issued guaranties to third parties on December 31, 2013.

#### 26. SUBSEQUENT EVENTS

After the statement of financial position date, no events occurred that should be disclosed in these financial statements.