Grant Thornton

Financial Statements and Independent Auditor's Report

Central Securities Depository AD Skopje

31 December 2018

This is an English translation of the original Report issued in Macedonian, in case of any discrepancies between the English and Macedonian version the Macedonian text shall prevail.

Contents

Grant Thornton

Independent Auditor's Report

Grant Thornton DOO
Sv. Kiril i Metodij 52b/1-20
1000 Skopje
Macedonia

T +389 2 3214 700
F +389 2 3214 710
E Contact@mk.gt.com
www.grantthornton.mk

To the Shareholders of
Central Securities Depositary AD Skopje

Report for the financial statements

We have audited the accompanying financial statements of Central Securities Depositary AD Skopje ("the Company") which comprise the Statement of financial position as of 31 December 2018, and the Income statement, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 3 to 27.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standards adopted in the Republic of North 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 Auditing Standards accepted in Republic of North Macedonia [1]. Those standards require that we comply with 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

---

[1] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

Grant Thornton

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Securities Depositary AD Skopje as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting standards adopted in the Republic of North Macedonia.

Report on other legal and regulatory matters

The management of the Company is also responsible for the preparation of the Annual report of the Company's performance for 2018 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion on the consistency of the annual report with the historical financial data reported in the Annual account and the audited financial statements as of and for the year ended 31 December 2018, in accordance with the auditing standards adopted in Republic of Macedonia[2], and in accordance with requirements of the Law on Audit.

In our opinion, the historical financial information presented in the annual report of the Company as of and for the year ended 31 December 2018 is consistent, in all material respects, with the information presented in the Annual account and the audited financial statements as of and for the year ended 31 December 2018.

Skopje,
13 March 2019 година

Grant Thornton DOO, Skopje

Друштво за ревизија ГРАНТ ТОРНТОН ДОО Скопје

Director	Certified Auditor
Suzana Stavrik	Suzana Stavrik

[2] International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no. 79 from 2010.

Income Statement

	Note	2018	2017
		In thousands of Denars	
		For the year ended at 31 December	
	Note	2018	2017
Revenues	6	47,613	37,400
Other operating Income	7	2,725	1,626
Operating profit		**50,338**	**39,026**
Used materials	8	(296)	(220)
Personnel expenses	9	(15,932)	(14,196)
Depreciation and amortization	19	(2,598)	(1,398)
Other operating expenses	10	(22,503)	(19,615)
Operating profit		**9,009**	**3,597**
Investment income	18	282	94
Financial income	11	802	957
Financial expenses	12	(41)	(141)
		1,043	**910**
Profit before taxation		**10,052**	**4,507**
Income tax expense	13	(821)	-
Net profit		**9,231**	**4,507**
Basic earnings per share (in MKD)	24	**1,539**	**751**

Statement of Comprehensive Income

	Note	In thousands of Denars For the year ended at 31 December 2018	2017
Net profit for the period		**9,231**	**4,507**
Other comprehensive income:			
Revaluation of PPE		-	-
Fair value movement of available-for-sale-investments		-	-
Currency translation differences		-	-
Total other comprehensive income		-	-
Total comprehensive income for the period		**9,231**	**4,507**

Statement of Financial Position

	Note	31 December 2018	31 December 2017
		In thousands of Denars	
ASSETS			
Non-current assets			
Property and equipment	19	19,807	21,683
Intangible assets	19	2,996	1,804
Investments available for sale	18	76	76
Bank deposits	15	-	2,000
		22,879	**25,563**
Current assets			
Cash and cash equivalents	14	927	5,130
Bank deposits	15	69,906	54,936
Trade receivables	16	6,765	6,686
Income tax receivables		-	25
Other receivables	17	511	247
		78,109	**67,024**
TOTAL ASSETS		**100,988**	**92,587**
EQUITY AND LIABILITIES			
Equity	23		
Shareholders capital		48,306	48,306
Reserves		18,765	27,258
Retained earnings		29,059	11,335
TOTAL EQUITY		**96,130**	**86,899**
Non-current liabilities			
Donations	20	2,369	495
		2,369	**495**
Current liabilities			
Trade payables	21	607	863
Income tax payables		796	-
Other liabilities	22	1,086	4,330
TOTAL LIABILITIES		**2,489**	**5,193**
TOTAL EQUITY AND LIABILITIES		**100,988**	**92,587**

These financial statements were approved by the Board of Directors of the Central Securities Depositary AD Skopje on 11 March 2019 and signed on their behalf by:

Ms. Vesna Koleva
Manager of department for financial affairs
No. of license 0100121

ЦДХВ АД

Ms. Darinka Damjanovik
Executive Director

Statement of Changes in Equity

In thousands of Denars

	Share Capital	Reserves and reinvested earnings	Revaluation reserves	Retained earnings/ (loss)	Total
As of 1 January 2018	**48,306**	**27,258**	**-**	**11,335**	**86,899**
Transactions with owners					
Distribution from reserves to retained earnings	-	(10,000)	-	10,000	-
Distribution of retained earnings in reinvested earnings	-	1,507	-	(1,507)	-
	-	**(8,493)**	**-**	**8,493**	**-**
Profit for the year	-	-	-	9,231	9,231
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	***9,231***	***9,231***
As of 31 December 2018	**48,306**	**18,765**	**-**	**29,059**	**96,130**
At 01 January 2017	**48,306**	**27,258**	**-**	**6,828**	**82,392**
Transactions with owners	-	-	-	-	-
Profit for the year	-	-	-	4,507	4,507
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	***4,507***	***4,507***
As of 31 December 2017	**48,306**	**27,258**	**-**	**11,335**	**86,899**

Cash Flow Statement

	Notes	In thousands of Denars For the year ended 2018	at 31 December 2017
Operating activities			
Profit before taxation		**10,052**	**4,507**
Adjustments for:			
Depreciation of property and equipment	19	2,122	1,260
Amortization of intangible assets	19	476	138
Income from depreciation of donations	7	(301)	-
Other corrections	19	315	-
Impairment of doubtful receivables	10	1,971	1,240
Income from value adjustment of receivables and collected doubtful receivables	7	(480)	(216)
Income from investments	18	(282)	(94)
Interest income	11	(767)	(818)
Operating profit before changes in working capital		*13,106*	*6,017*
Trade receivables		(1,570)	(603)
Other receivables		(264)	146
Trade payables		(256)	(670)
Donations	20	2,175	495
Other liabilities		(3,244)	(448)
Operating profit from operations after changes in working capital		*9,947*	*4,937*
Income tax paid		-	-
		9,947	**4,937**
Investment activities			
Withdrawn deposits from banks		22,134	29,211
Placed deposits with banks		(19,135)	(28,214)
Interest received		798	896
Disposal of equity investments		(22,500)	(5,630)
Acquisition of equity investments		22,782	5,724
Acquisition of property, equipment and intangible assets	19	(2,229)	(5,862)
Net cash flows (used in) / from investing activities		**1,850**	**(3,875)**
Financing activities		**-**	**-**
Net changes in cash and cash equivalents		11,797	1,062
Cash and cash equivalents at 1st January	**26**	**8,130**	**7,068**
Cash and cash equivalents at 31 December	26	**19,927**	**8,130**

Notes to the financial statements

1 General

Central Securities Depositary AD Skopje (hereinafter "the Company") is founded as a company for clearing and settlement of the liabilities based on securities and keeping a Register of securities in the Republic of North 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. The address of its registered office is: bul. Kuzman Josifovski Pitu No. 1 Skopje, Republic of North Macedonia.

Central Securities Depositary AD Skopje was operating 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 1 January 2006 the Company is operating as a profit orientied company, which means that the net profits can be distributed for dividends.

According to Statistics Bureau of the Republic of Macedonia, Decision No. 27-6410/1 dated 05.11.2001, the basis activity of the Company is „other financial mediation", under activity code no. 64.99 in accordance with the National Classification of Activities.

The total number of employees in the Company as of 31 December 2018 is 18 (as of 2017: 19 employees).

2 Accounting policies

Below are the basis accounting policies used in the preparation of these financial statements. These policies apply to all years shown, unless otherwise indicated.

2.1 Basis of preparation

The financial statements set on pages 3 to 27 are prepared in accordance with the International Financial Reporting Standards (IFRS) accepted and published in the Rulebook for accounting in Official gazette of the Republic of Macedonia (No.159/2009) and become effective from 1 January 2010.

The financial statements have been prepared for the years ending 31 December 2018 and 2017. Current and comparative figures in the financial statements and in the notes to the financial statements are presented in thousands of Macedonian Denars (000 MKD) unless otherwise stated. Where is necessary, the comparative figures have been adjusted to conform to the presentation in the current year.

2.2 Basic accounting methods

The financial statements are prepared based on the principal of historical prices, except for the available-for-sale investments which are recognized at fair value.

2.3 Accounting estimates and judgments

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

Estimates are used during the assessment of the useful life period of the assets, fair value of receivables and its collectability, fair value of investments available for 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 effects of the changes in the accounting estimates and judgements 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 near future. The management of the Company has no intention or need to liquidate or restrict significantly the scope of its operations.

2.5 Revenue recognition

Sale of services

Revenues from rendering services are recognized in the income statement according to stage of completion of servicies at the financial position date and when the amount of the revenue can be measured reliably, as it is probable that the economic benefits associated with the transaction will flow to the entity, transaction costs and costs for completion of the transactions can be measured reliably and there is an adequate evidence for the existence of the transaction.

2.6 Finance income

Finance income calculated during the year, is presented as income regardless of their collection. They are consisted of interest income and foreign exchange gains. Finance income is recognized on a time proportion basis that reflects the effective yield on the assets.

Interest is recognized on an accrual basis for the period in which it relates.

2.7 Expenses

Finance expenses

Finance expenses, are presented as expenses, regardless of their payment. They are consisted of interest expenses and foreign exchange losses. Finance expenses are recognized on a time proportion basis that reflects the effective yield on the assets.

Interest is recognized as an expense in accordance with the time period for which it relates.

Other operating expenses

Other operating expenses are recognized on the basis of the principle of matching the revenue and costs and they are recognized and recorded on the basis of actual costs reported in reliable accounting documents.

2.8 Exchange rate differences

Business transactions in foreign currency are presented in Denars by applying the exchange rate of NBRNM at the date of the transaction. All monetary assets and liabilities in foreign currencies are denominated into Denars at the middle foreign exchange rate of NBRNM valid at the statement of financial position date.

Foreign exchange gains and losses arising on the translation of receivables and liabilities in foreign currencies in denars are presented in profit and loss as finance income or expenses in the period in which they arose. The average foreign exchange rates of the NBRNM on 31 December 2018 and 2017, are follows:

	2018	2017
1 EUR =	61.4950	61.4907
1 GBP =	68.1234	69.3087
1 USD =	53.6887	51.2722

2.9 Income tax (current and deferred)

Income tax is consisted of current and deferred income tax. The income tax is presented in the Income Statement of the Company.

Income tax is calculated in accordance with the statutory regulations in Republic of North Macedonia. According to Income Tax Law, current tax expense at 10% rate is paid to profit for the year which is determined as the difference between total revenues and total expenses for the period, increased with the non – recognized expenses for tax purposes adjusted for tax credit and less declared revenue. The current income tax is calculated by applying income tax rate on the date of Statement of financial position at rate of 10% (2017: 10%).

Deferred tax expense is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using income tax rates valid at the statement of financial position date.

As at 31 December 2018 and 31 December 2017 the Company has no deferred income tax receivables and payables.

2.10 Finance assets

The Company classifies its assets in the following categories: loans and receivables and financial assets available for sale. Classification depends on the purpose for which the assets were accuired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that are due in a period longer than 12 months from the date of the statement of financial position. Loans and advances to the Company at the reporting date are comprised of cash and cash equivalents, deposits, trade receivables and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are classified in this category or are not classified in any of the other categories. They are included in non-current assets unless the Management intends to dispose of the investment within 12 months of the date of the statement of financial position. The Company does not have assets classified in this category at the date of the Statement of Financial Position.

Financial assets held to maturity

Held-to-maturity investments are non-derivative financial instruments with fixed repayment periods and a fixed maturity that the Company does not have assets classified in this category at the date of the Statement of Financial Position.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried out at nominal value in the statement of financial position. For the purposes of these financial statements, cash and cash equivalents are comprised of cash in hand, cash in banks in denar and foreign currency accounts, demand deposits and time deposits in denar and foreign currency shown after maturity.

2.12 Trade receivables

Trade receivables arise from sales of 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 recognized as expenses in the income statement for all receivables from companies that are in bankruptcy in the amount of 100% of their nominal value and write-off for all companies in the current year that have been liqudated from the Central register of RM. Besides the 100% provision for receivables from companies that are in bankruptcy or liquidation and removal of the companies that has been previously removed from the trade register annually recognized provision for all outstanding receivables in accordance with their age structure. 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 from 2 years to 3 years, 50% from the nominal value for all receivables that are due from 1 year to 2 years and 0% for all receivables that are due up to 1 year.

2.13 Investments 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 of the Republic of North Macedonia and which the Company is intended to hold them to maturity for interest earned.

Initially, investments are stated at cost, for the amount of cash and cash equivalents paid for their acquisition.

Subsequently, investments available-for-sale are stated at their fair value that is their last market value at the date of the statement of financial position for all securities which have active market, except for those for which active market does not exist and are stated at cost less for any impairment loss (entities in bankruptcy or in liquidation).

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

Gains and losses arising from changes in the 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 previously reported in the equity is included in net profit or loss.

2.14 Impairment of financial assets

Assets carried at amortized cost

At each reporting date, the Company assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets.

The financial asset or group of financial assets is impaired and impairment loss is recorded only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and that the event has an impact on the expected future cash flows of a financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment can be taken into account when the debtor or the group of debtors has significant financial difficulties, delay in payment of principal and interest, probability to enter into bankruptcy or other reorganization, and where there are visible indications for decreased future cash flows which changes in the economic conditions that correspond with the loss.

For the category of loans and receivables, the amount of the impairment loss is the difference between the recorded amount of the asset and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The recorded amount of the asset is decreased and the amount of the loss is recognized at the same time in the Statement of comprehensive income.

If, in a subsequent period, the amount of the impairment is decreased and that decrease can be objectively related to an event occuring after the recognition of the impairment (such as an improvement in the debtor's credit rating), the previously recognized loss will be restored by a correction in the Statement of Comprehensive Income.

2.15 Netting of financial instruments

Financial assets and liabilities are offset and the net value is presented in the statement of financial position when there is a statutory executive right to offset the recognized values and there is a possibility to settle on a net basis or at the same time to realize the funds and pay off the liabilities.

2.16 Property, plant and equipment (PPE)

(1) Basic presentation

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

Subsequently, PPE were revalued in the past years 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 revaluations and to the accumulated depreciation. This kind of revaluation of PPE is no more recorded. The effect of revaluation is the revaluation reserve, presented in the statement of financial position as part of the equity which until 2001 were allocated in proportion to the shareholders' capital, statutory reserves and retained earnings.

Property, plant and equipment (PPE) (continued)

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

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

(2) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life. 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 2018 compare to 2017 are as follows:

	2018	2017	2018	2017
Property	2,5 %	2,5 %	40 years	40 years
Vehicles	25 %	25 %	4 years	4 years
Computers	25 %	25 %	4 years	4 years
Fire station	10%	10%	10 years	10 years
Office furniture	20%	20%	5 years	5 years

2.17 Intangible assets

An asset 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. Intangible assets should be amortized over the best estimate of their useful life. The basic amortization rate used in 2018 for the intangible assets is 20% per year (2017: 20% per year).

2.18 Impairment of non-financial assets

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 assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.19 Financial liabilities

Financial liabilities are classified in accordance with the substance of the contract. Financial liabilities at amortized cost comprise liabilities to suppliers and other liabilities.

Trade and other payables

Liabilities to suppliers are recorded at their fair value and subsequently measured at amortized cost using the effective interest method. Obligations towards suppliers are derecognized at the moment they are settled, canceled or expired.

2.20 Capital

(1) Share capital

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

(2) Purchased treasury 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 (stock exchange) for current stock prices with previously made decisions for their acquisition by the Company's management. The acquired treasury shares are recognized at cost including all transaction costs (fees).

Treasury shares are disposed through the process of re-selling (public or private offer) as well as by non-trading transfers (gifts, mortgages, etc.) according to the provisions of the Law on securities. The difference between the cost and the disposal price is recognized as share premium and it is presented in the equity.

(3) Legal reserves

Legal reserves are formed from profit based on legal provisions and schedule of revaluation reserves, and can be used to cover the loss. Under the local statutory legislation, the Company is required to set aside 5% of its year net profit in the reserves until the level of this reserve reaches 10% of the registered share capital. Until reaching the minimum required level reserve could be used only for loss recovery. If the reserve exceeds 10% of the Company's equity capital, it may be used for payment of dividends by a prior decision of the Shareholders' Assembly.

(4) Revaluation reserve

The revaluation reserve was formed on the basis of the performed annual revaluation, as stated in point 2.16 of these notes. In accordance with the legal regulations, the balance of the revaluation reserve after the annual calculation is recorded within the equity. This reserve is not subject to distribution.

2.21 Donations

Donations are recorded as income systematically and rationally over the useful life of assets. The received donations are treated as a separate income in the accompanying financial statements. Revenues from donations are recognized in current profit and losses as other operating revenues.

2.22 Employee benefits

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

(1) Short-term employee benefits

Short-term employee benefits are 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 expense for the undiscounted amount.

(2) Post-employment benefits

The Company calculates and pays pension insurance contributions of its employees according to the domestic legislation. The contributions, based on the employee's salaries are paid in the domestic Government and Private Funds. 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.

2.23 Provisions

Provisions (uncertain liabilities) are recognized when the Company has a present obligation (legal or constructive) 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 the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized 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 recognized 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.

2.24 Contingent assets and liabilities

Contingent liabilities a possible obligation arising from past events, the existence of which will be confirmed by the occurance or failure of one or more uncertain future events that are not entirely under the control of the Company. Contigent liabilities are not recognized in the financial statements, but are only disclosed.

Contingent assets are possible assets arising from past events, the existence of which will be confirmed by the occurence or failure of one or more uncertain future events that are not entirely under the control of the Company. Uncertain assets are recognized only when the inflow of economic benefits is likely.

3 Financial Risk Management

The Company's business activities are exposed to various risks of financial nature. Financial risk management activities include the analysis, assessment, acceptance and management of risks. The Company strives to achieve an appropriate balance between risk and compensation and minimize potential adverse effects on the Company's financial performance.

The Risk Management policies of the Company are aimed at identifying and analyzing these risks, establishing appropriate limits and risk control, as well as monitoring risks and adherence to limits through reliable and up-to-date information systems. The Company regularly reviews policy and established risk management systems in accordance with market changes, product changes and best practices. The Risk Management policies are carried out by the Company's Management in accordance with the policies of the Board of Directors. The Management identifies and assesses financial risks in close cooperation with the Company's business units.

3.1 Market risk

Foreign exchange risk

The Company does not enter in transactions denominated in foreign currencies and therefore the Company is not exposed to foreign currency risk, except for the bank deposits in foreign currency.

The balance of the foreign currency amounts of the assets and liabilities denominated in Denars as at 31 December 2018 and 2017 by currency is the following:

In thousand Denars	Assets		Liabilities	
	2018	2017	2018	2017
EUR	10,802	10,841	-	-
Others	-	-	-	-
	10,802	**10,841**	**-**	**-**

The following table shows the sensitivity analysis of an increase or decrease of 10% of the Macedonian denar against foreign currencies. The analysis was made on the foreign exchange balances of the assets and liabilities at the balance sheet date. The positive amounts are profits increase, and the negative are profits cuts for the respective period.

In thousand Denars	Increases by 10%		Reductions by 10%	
	2018	2017	2018	2017
EUR	1,080	1,084	(1,080)	(1,084)
Others		-		-
Net effect	**1,080**	**1,084**	**(1,080)**	**(1,084)**

Equity price risks

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of the investments in shares and other instruments that derive their value from a particular investment in shares or index of equity prices. The primary exposure to equity prices arise from investments in securities. The Company is not exposed to this kind of risk as it does not own any securities.

3.2 Credit risk

The company is exposed to credit risk in the event where its customers fail to meet their payment obligations. The Company does not have significant concentration of credit risk exposure as all of the main customers are domestic brokerage houses and shareholders entities in the Republic of North Macedonia. 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 at their fair and recoverable amount.

As at 31 December 2018 and 2017, the maximum exposure to credit risk is as follows:

In thousand Denars	2018 000 MKD	2017 000 MKD
Classes of financial assets – book value:		
Cash and cash equivalents	927	5,130
Deposits in banks	69,906	56,936
Trade receivables	6,765	6,686

Credit risk for cash and cash equivalents and deposits is materially insignificant because the funds are deposited in renowned banks with a high credit rating.

The structure of trade receivables according to their maturity on 31 December 2018 is as follows:

In thousand Denars	Gross amount	Impairment	Net amount
Not past due receivables	4,679	(186)	4,493
Past due receivables			
- in 2018	1,931	-	1,931
- in 2017	805	(547)	258
- in 2016	556	(473)	83
- before 2016	22,611	(22,611)	-
	30,582	**(23,817)**	**6,765**

The structure of trade receivables according to their maturity on 31 December 2017 is as follows:

In thousand Denars	Gross amount	Impairment	Net amount
Not past due receivables	3,730	-	3,730
Past due receivables			
- in 2017	2,261	-	2,261
- in 2016	888	(444)	444
- in 2015	1,003	(752)	251
- before 2015	22,407	(22,407)	-
	30,289	**(23,603)**	**6,686**

3.3 Interest rate risk

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

3.4 Liquidity risk

Liquidity risk includes the risk of being unable to fund its liabilities at appropriate maturities with its cash. This kind of risk is managed by maintaining sufficient cash for regular funding of its committed credit facilities. The Company has no such liquidity issues. As of 31 December 2018 and 2017, all financial liabilities of the Company are short-term.

3.5 Taxation risk

According to local legislation in Republic of North Macedonia, 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 2018 is not yet executed and therefore additional taxes or contributions are possible. Accordnigly, additional taxes in the event of future control by the tax authorities at this point can not be determined with reasonable certainty.

3.6 Risk of financing

The Company finances its operations exclusively with its own funds and therefore does not use short-term or long-term loans from banks and other companies. The Company continuosly monitors its indebtedness through an appropriate analysis which as of 31 December 2018 and 2017 is as follows:

In thousand Denars	2018	2017
Cash and cash equivalents	(927)	(5,130)
Net liabilities (cash)	**(927)**	**(5,130)**
Total equity	**96,130**	**86,899**
% of gearing ratio	**0%**	**0%**

4 Fair value estimation

The Company has financial assets and liabilities that include the receivables from customers , deposits in banks, liabilities to suppliers, as well as non-financial assets for which a number of accounting policies and disclosures require the determination of their fair value.

The fair value of finacial assets and liabilities approximates their carrying amount, given the fact that they have a relatively short maturity within a maximum of one year from the date of the statement of financial position.

5 Segment reporting

According to its size and activities, the Company is not obliged to report under segments, neither as business segments, nor as geographical segments.

(All amounts expressed in thousands of Denars, unless otherwise stated)

6 Revenues

	2018	2017
Revenue from compensation for settlement of stock exchange transactions	21,750	10,490
Revenue from annual fee for keeping records of shareholding companies	14,182	14,383
Income from fees from legal entities and individuals according to Tariff of CDHV	7,246	7,681
Revenue from annual fee for the recording of debt securities	2,211	2,056
Revenues from the entry of new issues of securities	1,520	1,664
Income from annual membership fee of brokerage companies	608	950
Revenue from initial access of joint stock companies	96	176
Income from membership of brokerage houses	-	-
	47,613	**37,400**

7 Other operating income

	2018	2017
Income from donation	1,570	1,235
Income from released impairment due to collected receivables (Note 16)	365	198
Income from depreciation of donations (Note 20)	301	-
Income from insurance premiums	277	-
Revenues from collected bad and doubtfull receivables (Note 16)	115	18
Other income	97	175
	2,725	**1,626**

During 2018, activities related to the Grant-donation of the European Bank for Reconstruction and Development were realized with the purpose of establishing of a Distribution system of the Company, whereby donations in the amount of 1,570 thousand of Denars (2017: 1,235 thousand Denars) were realized and related expenditures for the same amount.

8 Used materials

	2018	2017
Spent materials	99	114
Used spare parts	61	50
Small inventory write-off	136	56
	296	**220**

9 Employees expenses

	2018	2017
Net-wages of employees	10,057	9,268
Contributions from wages	4,067	3,742
Wage personal income tax	939	847
Net rewards of the management	300	-
Contributions from rewards of the management	135	-
Personal Tax from rewards of the management	57	-
Other employees-related expenses	377	339
	15,932	**14,196**

Notes to the separate financial statements (continued)
As of and for the year ended 31 December 2018
(All amounts expressed in thousands of Denars, unless otherwise stated)

10 Other operating expenses

	2018	2017
Charge for Supervision of the CSV Depository	10,841	10,506
Impairment of trade receivables (Note16)	1,109	875
Expenses for donations (Note 7)	1,570	1,235
Expenses for NBRSM	1,146	1,136
Cost recovery for members of management bodies	1,033	600
Post, telephone and Internet services	961	917
Costs for marketing, representation and donation	942	268
Public utility expenses	828	980
Business services for business activities	663	68
Allowances for business trips and travel costs	504	285
Impairment of receivables from companies in bankruptcy and liquidated shareholding companies from the trade register (Note16)	374	365
Allowances for temporary work	200	612
Insurance expenses	99	13
Other expenses	2,233	1,755
	22,503	**19,615**

11 Finance income

	2018	2017
Foreign exchange gains	35	139
Interest received on bank deposits	767	818
	802	**957**

12 Finance expenses

	2018	2017
Foreign exchange expense	41	141
	41	**141**

13 Income tax expense

	2018	2017
Profit before taxation	**10,052**	**4,507**
Profit tax incentives	-	-
Non-recognized expenses:	**2,203**	**1,948**
Impairment of receivables	1,417	934
Write-off of receivables	62	42
Reimbursements of members of governing bodies	-	12
Representation and sponsorships	554	241
Other	170	719
Tax basis	**12,255**	**6,455**
Reducing the tax base	**1,050**	**6,455**
Other relief (tax credit)	1,050	**6,455**
Calculated income tax	**1,121**	**-**
Tax incentives for a given donation	300	-
Profit before taxation	**821**	**-**
Effective tax rate	**8.17%**	**0.00%**

(All amounts expressed in thousands of Denars, unless otherwise stated)

14 Cash and cash equivalents

	2018	2017
Cash at bank accounts	725	4,997
Cash on bank cards	37	10
Cash in hand-Denars	2	5
Foreign currency cash at bank accounts	163	118
	927	**5,130**

15 Bank deposits

	2018	2017
Long-term deposits		
Eurostandard Bank AD Skopje	-	2,000
Short-term deposits		
Eurostandard Bank AD Skopje	13,525	11,524
Sparkasse Bank AD Skopje	15,214	11,214
Komercijalna Bank AD Skopje	11,000	9,000
Stopanska Bank AD Skopje	6,000	6,000
Ohridska Bank AD Skopje	3,000	5,000
TTK Bank AD Skopje	8,000	5,000
NLB Bank AD Skopje	7,000	3,000
Halk Bank AD Skopje	4,000	2,000
UNI Bank AD Skopje	2,000	2,000
	69,739	**54,738**
Interest receivables	167	198
	69,906	**54,936**
Total bank deposits	**69,906**	**56,936**

As of 31 December 2018, the deposits with banks in the amount of Denar 69,739 thousand (2017: Denar 54,738 thousand) include term deposits for a period of up to one month in the amount of 19,000 thousand denars (2017: 3,000 thousand denars) of the Cash Flow Statement are included in cash and cash equivalents (Note 26).

Deposits in banks are time deposits for a period of one to twelve months with an annual interest rate from 1.0% to 2.9% (2017: term for a period of three to thirteen months with annual interest rate from 0.1% to 2.9% per year).

(All amounts expressed in thousands of Denars, unless otherwise stated)

16 Trade receivables

	2018	2017
Broker companies receivables	1,318	808
Shareholders companies receivables	26,507	26,913
Receivables from the Government	2,757	2,568
Total gross trade receivables	**30,582**	**30,289**
Impairment of shareholders companies receivables	(23,817)	(23,603)
Total net trade receivables	**6,765**	**6,686**

Changes in impairment for bad and doubtful receivables:

	2018	2017
Balance as of 1 January	**23,603**	**22,897**
Impairment of receivables from companies in bankruptcy and liquidated companies from the trade register (Note 10)	374	365
Write-off receivables from deleted companies	(740)	(290)
Impairment of past due receivables (Note 10)	1,109	875
Collected bad and doubtful receivables (Note 7)	(115)	(18)
Released provisions for receivables (Note 7)	(365)	(198)
Final write-off of receivables	(49)	(28)
Balance as at 31 December	**23,817**	**23,603**

The total impairment of receivables in the amount of Denar 23,817 thousand (2017: Denar 23,603 thousand) comprised of: impairment of receivables from companies in bankruptcy in the amount of Denar 17,595 thousand (2017: Denar 17,290 thousand), impairment of receivables from companies that are late with their payments in the amount of Denar 1,678 thousand (2017: Denar 6,313 thousand), impairment of receivables for the companies for which, according to established criteria, impairment was made due to the uncertainty of their payments in the amount of Denar 4,544 thousand (2017: none). For the receivables from joint stock companies that were deleted during the year from the Central Registry of the Republic of North Macedonia, a final write-off of claims in the amount of Denar 740 thousand was carried out.

17 Other receivables

	2018	2017
Prepaid expenses	391	137
Assets taken from bankruptcy	110	110
VAT refund receivables	10	-
	511	**247**

18 Investments available for sale

Income from investments presented in the Income statement and Statement of cash flows arising from sale of investments in shares in open cash funds in 2018 , in amount of Denar 282 thousand (2017: Denar 92 thousand). As at 31 December 2018, the Company has no investments in shares in open cash funds (2017: none).

Also, the Company has investments in amount of Denar 76 thousand in ANNA (European Association of Numerical Agencies). The investment is recognized at its cost.

(All amounts expressed in thousands of Denars, unless otherwise stated)

19 Property, Equipment and Intangible assets

	Construction buildings	Equipment	Investments in progress-equipment	Intangible assets	Investments in progress-intangible assets	Total
Cost or valuation						
At 01 January 2017	26,630	45,856	-	61,885	-	134,371
Additions during the year	-	152	-	9	-	161
Investments in progress	-	-	4,310	-	1,391	5,701
At 31 December 2017/ 01January 2018	**26,630**	**46,008**	**4,310**	**61,894**	**1,391**	**140,233**
Correction of the opening balance	-	-	(315)	-	-	(315)
At 31 December 2017/ 01January 2018 (corrected)	**26,630**	**46,008**	**3,995**	**61,894**	**1,391**	**139,918**
Additions during the year	-	430	131	13	1,655	2,229
Transfer from investmets in progress	-	4,126	(4,126)	3,046	(3,046)	-
Dispolsals and write-off	-	(2,595)	-	-	-	(2,595)
At 31 December 2018	**26,630**	**47,969**	**-**	**64,953**	**-**	**139,552**
Accumulated depreciation/amortization						
As of 01 January 2017	10,043	43,962	-	61,343	-	115,348
Depreciation/amortization for the year	666	594	-	138	-	1,398
As of 31 December 2017/01 January 2018	**10,709**	**44,556**	**-**	**61,481**	**-**	**116,746**
Depreciation/amortization for the year	666	1,456	-	476	-	2,598
Dispolsals and write-off	-	(2,595)	-	-	-	(2,595)
At 31 December 2018	**11,375**	**43,417**	**-**	**61,957**	**-**	**116,749**
Net carrying value						
As of 01 January 2017	16,587	1,894	-	542	-	19,023
As of 31 December 2017	**15,921**	**1,452**	**4,310**	**413**	**1,391**	**23,487**
As ofAt 31 December 2018	**15,255**	**4,552**	**-**	**2,996**	**-**	**22,803**

The property is used for the regular business activities of the Depositary. The Company is in procedure of obtaining property deed for its properties. In the implementation of the distribution system of the Central Securities Depository-second phase, they are activated as intangible assets from investments in the amount of Denar 3,046 thousand, equipment in the amount of Denar 4,126 thousand, or a total of Denar 7,172 thousand.

Intangible assets consist entirely of computer software used for the performance of the Depository activities. The Company has no pledge over its own real estate, plant and equipment and intangible assets.

(All amounts expressed in thousands of Denars, unless otherwise stated)

20 Donations

As of 31 December 2018, the Company has deferred donations consisting of equipment and intangible assets in a total amount of Denar 2,369 thousand (2017: Denar 495 thousand).

The changes to the deferred donations during 2018 and 2017 are as follows:

	2018	2017
As at 1 January	495	-
Increases	2,175	495
Depreciation of equipment and intangible assets (Note 7)	(301)	-
As of 31 December	**2,369**	**495**

21 Trade payables

	2018	2017
Other domestic trade payables	607	863
	607	**863**

22 Other liabilities

	2018	2017
Payables for value added tax (VAT)	590	467
Payables for awards of the management	492	-
Received advances	-	3,860
Other payables	4	3
	1,086	**4,330**

23 Shareholders capital

Shareholders capital

The Company's share capital in amount of Denar 48,306 thousand consisted of 6,000 common shares with par value of 131.67 EUR for one share.

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

	2018	2017
Sparkasse Bank AD Skopje	19.98%	19.98%
Komercijalna Bank AD Skopje	15.00%	15.00%
Eurostandard Bank AD Skopje	14.83%	14.83%
TTK Bank AD Skopje	9.98%	9.98%
NLB Bank AD Skopje	9.03%	9.03%
Stopanska Bank AD Skopje	7.03%	7.03%
Halk Bank AD Skopje	5.03%	5.03%

The common shares are authorized, issued and fully paid. The owners of the shares have right to dividend when declared and right to vote in the Shareholders' Assembly.

As of 31 December 2018, the shares of the Company are owned by 17 shareholders (2017: 17 shareholders).

Shareholders capital (continued)

Reserves

As of 31 December 2018 and 2017, the reserves consist of:

	2018	2017
Statutory reserves	13,882	23,882
Other reserves	666	666
Revaluation reserves	2,710	2,710
Reserves for reinvested earnings	1,507	-
	18,765	**27,258**

24 Earningsper share

	2018	2017
Net profit attributable to shareholders of ordinary shares	9,231	4,507
Dividend of priority shares	-	-
Corrected net profit	**9,231**	**4,507**
Number of shares		
Weighted average number of ordinary shares		
Ordinary shares issued on 1 January	6,000	6,000
Converted priority shares in ordinary shares	-	-
Weighted average number of ordinary share at December 31	**6,000**	**6,000**
Basic earnings per share (in MKD)	**1,539**	**751**

25 Related party transactions and compensation to management

None of the shareholders of the Company has the status of a related entity, since none of them has significant influence over the activities of the Company.

Compensation for key management is as follows:

	2018	2017
Executive Directors		
Gross wages	2,178	2,886
Gross awards	492	
	2,670	**2,886**

26 Cash and cash equivalents for the purposes of the Cash Flow Statement

For the purposes of the Cash Flow Statement, the cash and cash equivalents of the Company for 2018 and 2017 are as follows:

in thousands of denars	Note	2018	2017
Cash and cash equivalents	14	927	5,130
Time deposits in Denar for up to one month	15	19,000	3,000
		19,927	**8,130**

27 Commitments and contingencies

The Company is involved in several lawsuits against Central Depository arising from its ordinary operations. The total amount of claims against the Company as of 31 December 2018 amounts to Denar 41,801 thousand (2018: Denar 39,903 thousand). These amounts do not include the penalty interest. The management believes that there are no significant future obligations arising from these lawsuits.

There are no potential liabilities on the basis of given guarantess for other companies or mortgages on the property.

28 Events after the reporting date

After 31 December 2018 – the reporting date until the approval of these financial statements, there are no other events that would cause a correction of the financial statements, nor events that are material to the disclosure in these financial statements.