

**MAKEDONSKA BERZA NA
HARTII OD VREDNOST AD, SKOPJE**

**Financial Statements
December 31, 2008 and
Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF MAKEDONSKA BERZA NA HARTII OD VREDNOST AD, SKOPJE

We have audited the accompanying financial statements (page 3 to 31) of Makedonska berza na hartii od vrednost AD, Skopje (hereinafter referred to as the "the Stock Exchange"), which comprise the balance sheet as of December 31, 2008 and the income statement, statement of changes in equity and cash flow statement for the year than ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

(Continued)

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF MAKEDONSKA BERZA NA HARTII OD VREDNOST AD, SKOPJE (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Makedonska berza na hartii od vrednost AD, Skopje as of December 31, 2008, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our report, we draw attention to Note 3.3, which explains that recent developments of the financial markets may affect future cash flows of the Stock Exchange that otherwise would be expected under the regular public interest. As a result, future cash flows associated with ongoing trading revenue are subject to possible fluctuations and whether the fluctuations are significant relative to the previously expected cash flows, remain uncertain.

Deloitte DOO
Skopje
February 5, 2009

INCOME STATEMENT
Year Ended December 31, 2008
(In thousands of Denars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Revenue	4	85,875	336,192
Investment revenue	5	11,657	11,356
Other gains and losses	6	1,308	1,177
Fee and commission expenses	7	(14,360)	(47,452)
Personnel expenses	8	(21,879)	(20,386)
Depreciation and amortization		(5,525)	(2,017)
Other expenses	9	<u>(15,216)</u>	<u>(17,229)</u>
Profit before tax		41,860	261,641
Income tax expense	10	<u>(4,779)</u>	<u>(32,389)</u>
Profit for the year		<u><u>37,081</u></u>	<u><u>229,252</u></u>
Attributable to:			
Equity holders		<u><u>37,081</u></u>	<u><u>229,252</u></u>
Earnings per share			
Basic (Denars per share)	11	<u><u>13,281</u></u>	<u><u>127,805</u></u>

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

BALANCE SHEET
As of December 31, 2008
(In thousands of Denars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Non-current assets			
Property and equipment	13	86,368	88,197
Intangible assets	14	1,099	1,362
		<u>87,467</u>	<u>89,559</u>
Current assets			
Cash and cash equivalents	15	191	2,044
Deposits with banks	16	99,000	222,426
Held-to-maturity investments	17	19,846	65,625
Trade receivables	18	4,988	11,853
Income tax receivable		20,133	-
Other receivables	19	539	1,266
		<u>144,697</u>	<u>303,214</u>
Total assets		<u>232,164</u>	<u>392,773</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	103,498	103,498
Reserves	20	28,449	28,449
Retained earnings	20	93,346	229,252
Total equity		<u>225,293</u>	<u>361,199</u>
Current liabilities			
Trade payables	21	1,697	4,005
Income tax payable		-	20,911
Other liabilities	22	5,174	6,658
Total current liabilities		<u>6,871</u>	<u>31,574</u>
Total equity and liabilities		<u>232,164</u>	<u>392,773</u>

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

These financial statements were adopted and approved by the management of the Macedonian Stock Exchange on February 5, 2009 and shall be proposed for the approval to the Board of Directors on the meeting on February 23, 2009.

Approved by,

Ivan Steriev
Chief Executive Director

Elena Jakimovska Petrovska
Executive Director

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2008
(In thousands of Denars)

	<u>Share capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2007	51,652	10,407	86,848	148,907
Allocation of profit for 2006	51,846	18,042	(69,888)	-
Dividends	-	-	(13,960)	(13,960)
Other	-	-	(3,000)	(3,000)
Profit for the year	-	-	229,252	229,252
Balance at December 31, 2007	103,498	28,449	229,252	361,199
Dividends	-	-	(171,987)	(171,987)
Other	-	-	(1,000)	(1,000)
Profit for the year	-	-	37,081	37,081
Balance at 31 December 2008	<u>103,498</u>	<u>28,449</u>	<u>93,346</u>	<u>225,293</u>

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

CASH FLOW STATEMENT
Year Ended December 31, 2008
(In thousands of Denars)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Profit before tax	41,860	261,641
<i>Adjustments for:</i>		
Depreciation	5,211	1,747
Amortization	314	270
Bad debts provision	300	1,064
Recovery of bad debts	(921)	(856)
Interest income	(10,095)	(11,356)
Operating profit before working capital changes	<u>36,669</u>	<u>252,510</u>
Decrease in trade receivables	7,486	1,835
Decrease /(increase) in other receivables	103	(98)
(Decrease)/increase in trade payables	(2,308)	740
Decrease in other payables	(2,484)	(2,329)
<i>Cash generated from operations</i>	<u>39,466</u>	<u>252,658</u>
Income taxes paid	(45,823)	(22,655)
<i>Net cash flows (used in)/generated from operating activities</i>	<u>(6,357)</u>	<u>230,003</u>
Cash flows from investing activities		
Purchase of property and equipment	(3,382)	(87,352)
Purchase of intangible assets	(51)	(1,062)
Increase in deposits with banks up to six months	(12,000)	-
Interest income received	10,719	10,747
<i>Net cash flows used in investing activities</i>	<u>(4,714)</u>	<u>(77,667)</u>
Cash flows from financing activities		
Dividends paid	(171,987)	(13,960)
<i>Net cash flows used in financing activities</i>	<u>(171,987)</u>	<u>(13,960)</u>
Net (decrease)/increase of cash and cash equivalents	<u>(183,058)</u>	<u>138,376</u>
Cash and cash equivalents at the beginning of the year	<u>290,095</u>	<u>151,719</u>
Cash and cash equivalents at the end of the year	<u>107,037</u>	<u>290,095</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents (Note 15)	191	2,044
Deposits with banks up to three months (Note 16)	87,000	222,426
Held-to-maturity investments (Note 17)	19,846	65,625
	<u>107,037</u>	<u>290,095</u>

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

1. GENERAL INFORMATION

Makedonska berza na hartii od vrednost AD, Skopje (further referred to as “the Stock Exchange”) was registered in Macedonia in 1995 as a joint stock company. The address of its registered office and principal place of business is Orce Nikolov 75, 1000 Skopje. The Stock Exchange conducts its activities in accordance with the provisions of the Securities Law and the Trade Company Law and holds a license no. 00-49/1 dated August 25, 1995 issued by the Securities and Stock Exchange Commission of the Republic of Macedonia to act as a stock exchange.

The primary activities of the Stock Exchange are as following:

- organizing and trading of securities;
- organizing and maintaining the information systems of the securities trading on the Stock Exchange;
- listing of the securities traded on the Macedonian Stock Exchange;
- enabling clearing and settlement of the realized transactions in securities;
- publishing information on the operation of the Macedonian Stock Exchange.

Authorized members licensed for trading with securities are brokerage companies and banks. Each member should be authorized by the Macedonian Securities and Exchange Commission for trading with securities. As of December 31, 2008 the total number of authorized trading members of the Stock Exchange is 27, out of which 20 brokerage companies and 7 banks.

The Securities and Exchange Commission conducts supervision over the work of the Stock Exchange and its members involved in dealing in securities.

As of December 31, 2008, the Stock Exchange’s shareholders comprise 20 legal entities and 7 individuals.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1. Standards and Interpretations effective in the current period

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: *IFRIC 12 Service Concession Arrangements* (effective January 1, 2008); *IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2008); *IFRIC 13 Customer Loyalty Programmes* (effective for accounting periods beginning on or after July 1, 2008); and *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* (effective October 1, 2008). There were also amendments to *IAS 39 Financial Instruments: Recognition and Measurement* and *IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets* (effective on or after 1 July 2008). The adoption of these Interpretations and amendments to existing standards has not led to any changes in the Stock Exchange’s accounting policies.

2.2. Standards in issue not yet adopted

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

- IAS 1 (Revised) *Presentation of financial statements* (effective for accounting periods beginning on or after 1 January 2009);
- IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.2. Standards in issue not yet adopted (Continued)

- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3 (Revised) *Business Combinations* and IAS 27 (Amended) *Consolidated and Separate Financial Statements* (effective for accounting periods beginning on or after 1 July 2009);
- Improvements to IFRSs (2007) (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 1 *First-time Adoption of IFRS* and IAS 27 *Consolidated and separate financial statements* – Cost of Investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 2 *Share-Based Payment* - Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18 *Transfers of Assets from Customers* (effective for transfers of assets from customers received on or after 1 July 2009).

The directors anticipate that all of the above Standards and Interpretations will have no material impact on the financial statements of the Stock Exchange in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2. Basis of preparation

The financial statements have been prepared on a historical cost basis. Current and comparative data are expressed in thousands of Denars. Macedonian Denar is the Stock Exchange functional and the presentation currency for statutory and IFRS purposes.

The presentation of financial statements in accordance with IFRS requires management to make best estimates and reasonable assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as their reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the information available as of the date of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Management plans and estimates

The accompanying financial statements have been prepared under the assumption that the Stock Exchange operates as going concern as of December 31, 2008 and that it will continue its operations in the foreseeable future. The Stock Exchange's operations in 2008 and especially the ongoing operations in 2009 have been significantly impacted by a number of objective circumstances, which in management's view are predominantly driven by the impact of the financial crises on the financial markets worldwide having impact on the investors' willingness for trading with securities on the Stock Exchange. Furthermore, in 2008 the Securities and Exchange Commission imposed to the Stock Exchange a significant reduction of the various types of fees that it collects.

Recent developments of the financial markets may affect future cash flows of the Stock Exchange that otherwise would be expected under the regular public interest. As a result, future cash flows associated with ongoing trading revenue are subject to possible fluctuations and whether the fluctuations are significant relative to the previously expected cash flows, remain uncertain.

Nevertheless, strengthening of the overall global and regional economic environment may contribute greatly for improvement of market trends. Recent shareholders' activities for strategic alliance with well-know international and regional stock exchanges operators aimed for fulfilling the Stock Exchange's strategic goals will also have an important impact in this respect.

3.4. Comparative figures

In order to conform with the presentation of the figures to the current reporting period, certain reclassifications have been made to the amounts reported in the financial statements for the year ended December 31, 2007. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3.5. Revenue recognition

Revenue represents the total amount receivable for the provision of services, excluding value added tax.

Rendering of services

Revenue is recognized in the period when the service is provided:

- Trading fees are recognized when the transaction is effected;
- Admission fees are recognized at the time of admission for trading;
- Annual fees are recognized over the 12 month period to which the fee relates;
- Data and information exchange charges are recognized in the month data and information is provided.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's carrying amount.

Rental revenue

Rental revenue from operating leases is recognized on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date set by the National Bank of Republic of Macedonia. Foreign exchange differences arising on translation are recognized in profit or loss in the period in which they arise.

3.7. Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Stock Exchange's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. There were no taxable or deductible temporary differences for the year ended 31 December 2008 and 2007 and consequently no deferred taxes have been recognized in these financial statements.

VAT

Ongoing trading and other revenue which is part of the ordinary business of the Stock Exchange are exempt from VAT payments. The VAT incurred on a purchase of assets or services are not recoverable from the taxation authority and are recognized as part of the cost of acquisition of the assets or the expense item as applicable. Receivables and payables are stated with the amount of VAT included.

Rental and other revenue which are not part of the ordinary business of the Stock Exchange, are recognized net of the amount of VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other receivables and other liabilities in the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss, if any. The initial cost comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated annual depreciation rates are as follows:

	<u>2008</u>	<u>2007</u>
Buildings	2.5%	2.5%
Computers	25%	25%
Equipment	20%	20%

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts. Any gains or losses on disposal are recognized in profit or loss.

3.9. Intangible assets

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses. Intangible assets include computer software and software that was acquired apart from hardware and other intangibles.

Expenditure on software and other intangibles is amortized on a straight-line basis over the estimated useful life, which is five years.

The estimated useful lives are reviewed at the end of the annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.10. Impairment of tangible and intangible assets

The Stock Exchange's management regularly reviews the carrying amounts of tangible and intangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense of the current period. A reversal of an impairment loss is recognized as income immediately.

3.11. Provisions

Provisions are recognized when the Stock Exchange has a present obligation (legal or constructive) as a result of a past event, it is probable that the Stock Exchange will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Provisions (Continued)

Retirement benefit costs

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Stock Exchange during the year to the national organizations at the statutory rates. Such contributions represent defined contribution plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Stock Exchange is obliged to pay to its employees a termination pay upon retirement equal to two monthly average salaries. The Stock Exchange has not provided for the employees' accrued entitlement to severance pay on retirement as it is considered that the amount that eventually would be included for post-retirement benefits obligations as of December 31, 2008 and 2007 would be not material if an actuarial estimate was completed.

3.12. Financial assets

The classification of the financial assets depends on the nature and purpose of the financial assets and is determined at the time of their initial recognition. Financial assets are classified as cash and cash equivalents, deposits with banks, held-to-maturity investments and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. For the purposes of the statement of cash flows, cash and cash equivalents include government bonds and time deposits with banks that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed and determinable payments and short-term fixed maturities that the Stock Exchange has a positive intent and ability to hold to maturity. This portfolio comprises short-term maturity government bills issued by the Government of the Republic of Macedonia. These securities are measured at amortized cost using the effective interest rate method.

Trade receivables

Trade receivables are recognized at original invoiced amount less an allowance for uncollectible amounts. The provision is calculated as the difference between the carrying amount of the doubtful trade receivables and their recoverable amount.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset and the estimated future cash flows of the investment have been impacted.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Financial assets (Continued)

Impairment of financial assets (Continued)

Appropriate allowance for impairment and uncollectability of trade receivables are made to reflect the decrease in the value of receivables due to objective evidence that financial asset may be impaired.

The management of the Stock Exchange performs an assessment at each balance sheet date about ageing structure of trade receivables in order to identify those trade receivables where there are difficulties in collection. All trade receivables older than one year are fully provided for.

Derecognition of financial assets

The Stock Exchange derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3.13. Financial liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement. There is no equity instruments that should be classified as equity as the Stock Exchange did not entered into any contract that evidences a residual interest in the assets of the Stock Exchange after deducting all of its liabilities.

Financial liabilities are classified as trade and other payables.

Trade and other payables

Trade and other payables are stated at fair value on initial recognition and subsequently measured at amortized cost.

Derecognition of financial liabilities

The Stock Exchange derecognizes financial liabilities when, and only when, the Stock Exchange's obligations are discharged, cancelled or they expire.

3.14. Segment reporting

For the purposes of these financial statements, the primary segment reporting format is determined to be business segments in accordance with the requirements of the shareholders, whose risks and rate of returns are affected predominantly by differences in services Stock Exchange renders.

The Stock Exchange's operating business is organized and managed in only one segment. The Stock Exchange operates in one geographical area – in its home country.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

4. REVENUE

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
<i>Ongoing revenue from:</i>		
Trading	71,478	323,978
Information	5,299	5,008
Listing	3,800	3,900
Membership	3,309	1,980
Annual conference fees	1,497	1,275
Penalties to brokers	230	-
Other post trade revenue	262	51
	<u>85,875</u>	<u>336,192</u>

Ongoing revenue is calculated at the standard rates applied to each service provided, depending on the volume and type of each transaction based on the tariffs approved by the Securities and Exchange Commission.

5. INVESTMENT REVENUE

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Interest revenue:		
Cash and bank balances (including bank deposits)	8,102	9,466
Held-to-maturity investments	1,993	1,703
Penalty interest	-	187
	<u>10,095</u>	<u>11,356</u>
Rental revenue:		
Operating lease rental revenue	1,562	-
	<u>11,657</u>	<u>11,356</u>

Investment revenue earned analyzing by category asset is as follows:

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Financial assets:		
Cash and bank balances (including bank deposits)	8,102	9,466
Held-to-maturity investments	1,993	1,703
Trade receivables	-	187
	<u>10,095</u>	<u>11,356</u>
Non-financial assets:		
Investment income earned on leased property	1,562	-
	<u>11,657</u>	<u>11,356</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

6. OTHER GAINS AND LOSSES

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Recovery of bad debts	921	856
Donation	289	215
Claims recovery	100	71
Foreign exchange gains	4	38
Foreign exchange losses	(6)	(3)
	<u>1,308</u>	<u>1,177</u>

7. FEE AND COMMISSION EXPENSES

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Macedonian Securities and Exchange Commission fees	14,140	47,219
Bank fees	220	233
	<u>14,360</u>	<u>47,452</u>

Stock exchange transactions are subject to Macedonian Securities and Exchange Commission fees, determined on a percentage basis from each realized transaction and approved tariffs.

8. PERSONNEL EXPENSES

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Gross salaries	15,422	12,117
Other personnel expenses	1,196	2,185
Board of Directors remuneration (Executive and non-Executive Directors)	5,261	6,084
	<u>21,879</u>	<u>20,386</u>
Number of employees at the beginning of the year	18	11
Number of employees at the end of the year	<u>18</u>	<u>18</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

9. OTHER EXPENSES

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Telecommunication and postage	2,553	2,695
Maintenance and other services	2,489	2,377
Marketing and public relations	2,381	2,604
Materials	1,898	1,604
Annual conference expenses	1,147	1,111
Travel costs	1,027	1,214
Rent	-	1,786
Intellectual services	519	594
Insurance premium	482	438
Memberships	309	358
Bad debts provision	300	1,064
Court taxes	41	87
Research and development expenses	918	129
Other	1,152	1,168
	<u>15,216</u>	<u>17,229</u>

10. INCOME TAXES

The major components of income taxes in the income statement are as follows:

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Current income tax	4,779	32,389
Deferred income tax	-	-
	<u>4,779</u>	<u>32,389</u>

The total charge for the year can be reconciled to the accounting profit as follows:

	In thousands of Denars	
	Year ended December 31,	
	2008	2007
Profit before tax	41,860	261,641
Income tax at the statutory income tax rate of 10% (2007: 12%)	4,186	31,397
Tax on other expenses not allowed for tax purposes	593	992
Income tax at effective income tax rate of 11.4% (2007: 12.4%)	<u>4,779</u>	<u>32,389</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

11. EARNINGS PER SHARE

Basic earnings per share is calculated when net profit for the year attributable to ordinary shareholders is divided by weighted average number of ordinary shares in issue during the year. There were no dilution effects during the years ended December 31, 2008 and 2007.

The following reflects the net profit and share data in the basic earnings per share computations:

	Year ended December 31,	
	2008	2007
Net profit attributable to shareholders (in thousands of Denars)	37,081	229,252
Weighted average number of shares	<u>2,792</u>	<u>1,794</u>
Basic earnings per share (in Denars)	<u>13,281</u>	<u>127,805</u>

The calculation of weighted average number of shares during the years ended December 31, 2008 and 2007 is as follows:

	Number of issued shares	Number of days from issuance date vs. total number of days	Weighted average number of ordinary shares in issue
From January 1 through September 18, 2007	1,396	261/365	998
From September 19 through December 31, 2007	<u>2,792</u>	<u>104/365</u>	<u>796</u>
Total as of December 31, 2007			<u>1,794</u>
From January 1 through December 31, 2008	<u>2,792</u>	<u>365/365</u>	<u>2,792</u>
Total as of December 31, 2008			<u>2,792</u>

12. DIVIDENDS PROPOSED

	In thousands of Denars
<i>Declared during the year</i>	
Final declared for 2006: (Denars 10,000 per share)	<u>13,960</u>
<i>Declared during the year</i>	
Final declared for 2007: (Denars 61,600 per share)	<u>171,987</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

13. PROPERTY AND EQUIPMENT

2008	(In thousands of Denars)			
	Buildings	Equipment	Assets under construction	Total
Cost				
Balance at January 1, 2008	76,611	21,860	25	98,496
Additions	-	2,744	638	3,382
Transfers	663	-	(663)	-
Disposals	-	(1,145)	-	(1,145)
Balance at December 31, 2008	<u>77,274</u>	<u>23,459</u>	<u>-</u>	<u>100,733</u>
Accumulated depreciation				
Balance at January 1, 2008	298	10,001	-	10,299
Charge for the year	1,929	3,282	-	5,211
Disposals	-	(1,145)	-	(1,145)
Balance at December 31, 2008	<u>2,227</u>	<u>12,138</u>	<u>-</u>	<u>14,365</u>
Net carrying amount				
At December 31, 2008	<u>75,047</u>	<u>11,321</u>	<u>-</u>	<u>86,368</u>
At December 31, 2007	<u>76,313</u>	<u>11,859</u>	<u>25</u>	<u>88,197</u>
2007	(In thousands of Denars)			
	Buildings	Equipment	Assets under construction	Total
Cost				
Balance at January 1, 2007	-	12,698	-	12,698
Additions	76,611	10,716	25	87,352
Disposals	-	(1,554)	-	(1,554)
Balance at December 31, 2007	<u>76,611</u>	<u>21,860</u>	<u>25</u>	<u>98,496</u>
Accumulated depreciation				
Balance at January 1, 2007	-	10,106	-	10,106
Charge for the year	298	1,449	-	1,747
Disposals	-	(1,554)	-	(1,554)
Balance at December 31, 2007	<u>298</u>	<u>10,001</u>	<u>-</u>	<u>10,299</u>
Net carrying amount				
At December 31, 2007	<u>76,313</u>	<u>11,859</u>	<u>25</u>	<u>88,197</u>
At December 31, 2006	<u>-</u>	<u>2,592</u>	<u>-</u>	<u>2,592</u>

The buildings purchased during 2007 relate to new business premises of the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

13. PROPERTY AND EQUIPMENT (Continued)

Commencing from 1st March 2008, part of the building is considered temporarily vacant and was leased out under operating leases terms for a period of one year. The Stock Exchange did not account separately for the above property as an investment property as it consider that leased offices could not be sold separately without reconstruction of the premises and other documentation adjustments. Had the part of the building leased being separable, in directors' estimate it would have a carrying amount of approximately Denar 20 million as of 31 December 2008.

As of December 31, 2008 the Stock Exchange has no mortgage placed over any item of property and equipment.

14. INTANGIBLE ASSETS

2008

(In thousands of Denars)

	Software	Leasehold improve- ments	Other intangibles	Total
Cost				
Balance at January 1, 2008	20,938	-	894	21,832
Additions	-	-	51	51
Write off	(389)	-	(449)	(838)
Balance at December 31, 2008	<u>20,549</u>	<u>-</u>	<u>496</u>	<u>21,045</u>
Accumulated amortization				
Balance at January 1, 2008	19,930	-	540	20,470
Charge for the year	220	-	94	314
Write off	(389)	-	(449)	(838)
Balance at December 31, 2008	<u>19,761</u>	<u>-</u>	<u>185</u>	<u>19,946</u>
Net carrying amount				
At December 31, 2008	<u>788</u>	<u>-</u>	<u>311</u>	<u>1,099</u>
At December 31, 2007	<u>1,008</u>	<u>-</u>	<u>354</u>	<u>1,362</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

14. INTANGIBLE ASSETS (Continued)

2007	(In thousands of Denars)			
	Software	Leasehold improvements	Other intangibles	Total
Cost				
Balance at January 1, 2007	19,876	2,949	894	23,719
Additions	1,062	-	-	1,062
Write off	-	(2,949)	-	(2,949)
Balance at December 31, 2007	<u>20,938</u>	<u>-</u>	<u>894</u>	<u>21,832</u>
Accumulated amortization				
Balance at January 1, 2007	19,762	2,949	438	23,149
Charge for the year	168	-	102	270
Write off	-	(2,949)	-	(2,949)
Balance at December 31, 2007	<u>19,930</u>	<u>-</u>	<u>540</u>	<u>20,470</u>
Net carrying amount				
At December 31, 2007	<u>1,008</u>	<u>-</u>	<u>354</u>	<u>1,362</u>
At December 31, 2006	<u>114</u>	<u>-</u>	<u>456</u>	<u>570</u>

The license for software operating platform for stock trading has been obtained from the Republic of Slovenia as a grant at the beginning of 2001. It is valid until the Stock Exchange requires taking over of the original source code according to the contract concluded with Ljubljana Stock Exchange, Republic of Slovenia. Up to the date of issuing these financial statements taking over of the original source code has not been performed by the Stock Exchange.

15. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	2008	December 31, 2007
Accounts held with banks:		
in Denars	125	1,832
in foreign currency	46	196
Cash on hand in Denars	<u>20</u>	<u>16</u>
	<u>191</u>	<u>2,044</u>

16. DEPOSITS WITH BANKS

	Interest rate	In thousands of Denars	
		2008	December 31, 2007
<i>Deposits with banks:</i>			
Maturity up to three months	5.6% - 6.3% p.a.	87,000	222,426
Maturity up to six months	4.2% p.a.	<u>12,000</u>	<u>-</u>
		<u>99,000</u>	<u>222,426</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

17. HELD-TO-MATURITY INVESTMENTS

	In thousands of Denars	
	December 31,	
	2008	2007
<i>Government bills:</i>		
Nominal amount	20,000	66,000
Un-amortized discount	(154)	(375)
Net amount	<u>19,846</u>	<u>65,625</u>

Government discounted bills are repayable at once with maturity in February 2009 and bear interest at a rate of 5.25% to 7.65% p.a. (2007: 5.1% to 5.25%)

18. TRADE RECEIVABLES

	In thousands of Denars	
	December 31,	
	2008	2007
Trade receivables	8,160	15,646
Less: Allowance for bad and doubtful debts	(3,172)	(3,793)
	<u>4,988</u>	<u>11,853</u>

The movement in allowance for bad and doubtful trade receivable is as follows:

	In thousands of Denars	
	December 31,	
	2008	2007
Balance at the beginning of the year	3,793	3,685
Charge for the year	300	1,064
Recoveries	(921)	(856)
Write-off	-	(100)
Balance at the end of the year	<u>3,172</u>	<u>3,793</u>

19. OTHER RECEIVABLES

	In thousands of Denars	
	December 31,	
	2008	2007
Interest receivables on deposits with banks	285	909
Prepaid expenses	155	317
Advances paid	99	40
	<u>539</u>	<u>1,266</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

20. SHARE CAPITAL AND RESERVES

Share capital

The authorized, issued and fully paid share capital as at December 31, 2008 and December 31, 2007 is as follows:

	<u>Number of shares in issue</u>	<u>In thousands of Denars</u>
Ordinary shares of EUR 607.1 per share	<u>2,792</u>	<u>103,498</u>

The portion of each shareholder in the share capital of the Stock Exchange should not exceed 10% of total shares. The minimum required capital is EUR 500,000. The Stock Exchange is in compliance with the Securities Law regarding the requirements for the share capital.

The Stock Exchange's shareholders and its share capital structure at December 31, 2008 and 2007 are provided below:

Shareholder	<u>2008</u>	<u>2007</u>
Fersped broker AD, Skopje	9.96%	9.96%
TTK banka AD, Skopje	9.96%	9.96%
Bro-dil AD, Skopje	7.74%	7.74%
NLB Tutunska broker AD, Skopje	6.09%	6.09%
Komercijalna banka AD, Skopje	7.23%	6.09%
Investbroker AD, Skopje	5.37%	6.02%
Postel-broker AD, Skopje	6.02%	6.02%
Stopanska banka AD, Skopje	6.02%	6.02%
Centralna kooperativna banka AD, Skopje	5.30%	5.30%
Radobank AD, Skopje	-	5.30%
Mak broker AD, Skopje	5.30%	5.30%
Investbanka AD, Skopje	5.09%	5.30%
Ohridska banka AD, Ohrid	5.30%	5.30%
Unibanka AD, Skopje	5.30%	5.30%
Izvozna i kreditna banka AD, Skopje	3.58%	3.58%
Euro broker AD, Skopje	2.15%	2.15%
Euro siti konsalting DOO, Skopje	5.30%	-
Iirika investments AD, Skopje	2.15%	2.15%
Inovo broker AD, Skopje	0.32%	-
Bitola broker AD, Bitola	0.18%	1.00%
Finvest DOO, Skopje	0.04%	-
Gjorgji Jovanov	1.07%	1.21%
Daniel Velkov	0.07%	-
Milijana Lesik	0.07%	-
Paola Lesik	0.07%	-
Filip Nikoloski	0.07%	-
Todor Ivanovski	0.04%	-
Tihomir Mukaetov	<u>0.21%</u>	<u>0.21%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

20. SHARE CAPITAL AND RESERVES (Continued)

Reserves

Reserves represent statutory reserves regulated by the local Company Law, according to which companies are required to allocate to this reserve not less than 15% of their annual net profit until the balance of the reserve reaches 20% of the Stock Exchange's share capital. The statutory reserve may be used only for covering losses if the balance does not exceed 20% of the Stock Exchange's share capital.

21. TRADE PAYABLES

	In thousands of Denars December 31,	
	2008	2007
Macedonian Securities and Exchange Commission	689	2,307
Other trade payables	1,008	1,698
	<u>1,697</u>	<u>4,005</u>

22. OTHER LIABILITIES

	In thousands of Denars December 31,	
	2008	2007
Board of Directors and Executive Directors payables	3,600	4,201
VAT payable	166	187
Personal tax payable	400	467
Other liabilities and accruals	1,008	1,803
	<u>5,174</u>	<u>6,658</u>

23. FINANCIAL INSTRUMENTS

23.1. Capital risk management

The Stock Exchange manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Stock Exchange consists of cash and cash equivalents, deposits with banks with maturity up to three months and equity attributable to equity holders, comprising of share capital, statutory reserves and retained earnings.

Gearing ratio

The Management reviews the capital structure on an annual basis. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital. The gearing ratio as of December 31, 2008 and 2007 was nil as the Stock Exchange does not have any debt (long-term or short-term borrowings).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.1. Capital risk management (Continued)

Minimum share capital

Pursuant to the Article 75 of the Law on Securities, the Stock Exchange has to maintain at all times a minimum share capital in the amount of EUR 500,000, whereby the amount of the share capital equals the sum of the par value of all shareholders' contributions i.e. of the par value of all shares issued by the Stock Exchange. As of December 31, 2008 the share capital of the Stock Exchange amounts to EUR 1,695,029.

23.2. Categories of financial instruments

	In thousands of Denars	
	December 31,	
	2008	2007
Financial assets		
Cash and cash equivalents	191	2,044
Deposits with banks	99,000	222,426
Held-to-maturity investments	19,846	65,625
Trade receivables	4,988	11,853
Other receivables	539	1,266
	<u>124,564</u>	<u>303,214</u>
Financial liabilities		
Trade payables	1,697	4,005
Other liabilities	5,174	6,658
	<u>6,871</u>	<u>10,663</u>

23.3. Financial risk management objectives

The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risks are monitored on a timely basis, and are mitigated primarily through the reduction of the Stock Exchange's exposure to those risks. The Stock Exchange does not use any special financial instruments to hedge against these risks since such instruments are not in common use in the Republic of Macedonia.

23.4. Market risk

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

23.5. Foreign currency risk management

The Stock Exchange is exposed to foreign currency risk primarily to cash and cash equivalents and trade receivables that are denominated in foreign currencies. The Stock Exchange does not use any special financial instruments to hedge against these risks since such instruments are not in common use in the Republic of Macedonia. According to the management's estimations, the market risk related to possible foreign currency fluctuations has no significant impact on the financial operation of the Stock Exchange due to the fact that transactions in foreign currencies are insignificant in the overall operation of the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.5. Foreign currency risk management (Continued)

The carrying amounts of the Stock Exchange's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	In thousand of Denars		In thousand of Denars	
	2008	2007	2008	2007
EUR currency	198	196	-	-

Foreign Currency Sensitivity Analysis

The Stock Exchange is exposed to EUR. The following table details the Stock Exchange's sensitivity to a 10% increase and decrease in Denar against the EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rate. A negative number below indicates a decrease in profit and equity where Denar strengthens 10% against the EUR. For a 10% strengthening of Denar against the EUR, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	Increase of 10%		Decrease of 10%	
	In thousand of Denars		In thousand of Denars	
	2008	2007	2008	2007
Profit and loss and equity	(20)	(20)	20	20

23.6. Interest rate risk management

The Stock Exchange is exposed to interest rate risk primarily to cash and cash equivalents in Denars and deposits with banks which bear variable interest rates. The risk is managed by Stock Exchange by maintaining an appropriate proportion between fixed and variable rate financial assets.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.6. Interest rate risk management (Continued)

The carrying amount of the financial assets and liabilities at the year-end was as follows:

	In thousands of Denars	
	December 31, 2008	December 31, 2007
Financial assets		
<i>Non-interest bearing:</i>		
Cash and cash equivalents	66	212
Trade receivables	4,988	11,853
Other receivables	539	1,266
	<u>5,593</u>	<u>13,331</u>
<i>Fixed interest rate:</i>		
Held-to-maturity investments	19,846	65,625
<i>Variable interest rate:</i>		
Cash and cash equivalents	125	1,832
Deposits with banks	99,000	222,426
	<u>99,125</u>	<u>224,258</u>
	<u>124,564</u>	<u>303,214</u>
Financial liabilities		
<i>Non-interest bearing:</i>		
Trade payables	1,697	4,005
Other liabilities	5,174	6,658
	<u>6,871</u>	<u>10,663</u>

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the Stock Exchange's exposure to changes in interest rates for the financial instruments outstanding at the balance sheet date. For variable interest rate financial instruments, the analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had been higher/lower for 2% and all other variables were held constant, the Stock Exchange's profit for the year ended December 31, 2008 would increase/decrease by Denar 1,986 thousand (2007: Denar 4,467 thousand). The Stock Exchange sensitivity to the interest rate risk for the year ended December 31, 2008 lessened due to withdrawn deposits from banks.

23.7. Credit risk management

Credit risk relates to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Stock Exchange. The Stock Exchange has no significant concentration of credit risk. Trade receivables consist of a great number of balances. In that way, credit risk management includes policy of reasonable decreasing and dispersion of receivable concentration in the clients' portfolio. The Stock Exchange's receivables are not secured by any bills guarantees or other kind of collateral.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.7. Credit risk management (Continued)

The structure of the trade receivables as of December 31, 2008 is as follows:

	In thousands of Denars		
	Gross exposure	Allowance for impairment	Net exposure
Undue receivables	4,039	-	4,039
Past due but not impaired receivables	949	-	949
Past due and impaired	3,172	(3,172)	-
	<u>8,160</u>	<u>(3,172)</u>	<u>4,988</u>

The structure of the trade receivables as of December 31, 2007 is as follows:

	In thousands of Denars		
	Gross exposure	Allowance for impairment	Net exposure
Undue receivables	11,613	-	11,613
Past due but not impaired receivables	240	-	240
Past due and impaired receivables	3,793	(3,793)	-
	<u>15,646</u>	<u>(3,793)</u>	<u>11,853</u>

Undue receivables

Undue receivables in the amount of Denar 4,039 thousand (2007: Denar 11,613 thousand) entirely relate to receivables on trading commissions dated December 31, 2008. These receivables fall due within 7 days following the invoice date.

Past due but not impaired

The age structure of the past due but not impaired receivables for the years ended December 31, 2008 and 2007 is as follows:

	In thousands of Denars	
	December 31,	
	<u>2008</u>	<u>2007</u>
Up to 30 days	406	-
31 - 90 days	36	-
91 - 180 days	-	40
181 - 365 days	507	200
	<u>949</u>	<u>240</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.8. Liquidity risk management

Liquidity and Interest risk tables

The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

Maturity of financial assets

In thousands of Denars December 31, 2008					
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total
Non-interest bearing	0%	5,593	-	-	5,593
Variable interest rate	5.83%	125	87,230	12,055	99,410
Fixed interest rate	6.81%	-	20,000	-	20,000
		<u>5,718</u>	<u>107,230</u>	<u>12,055</u>	<u>125,003</u>

In thousands of Denars December 31, 2007					
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total
Non-interest bearing	0%	13,331	-	-	13,331
Variable interest rate	5.41%	1,832	223,335	-	225,167
Fixed interest rate	5.16%	-	66,000	-	66,000
		<u>15,163</u>	<u>289,335</u>	<u>-</u>	<u>304,498</u>

The following tables detail the Stock Exchange's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities.

Maturity of financial liabilities

In thousands of Denars December 31, 2008					
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total
Non-interest bearing	0%	<u>5,895</u>	<u>947</u>	<u>29</u>	<u>6,871</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.8. Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

Maturity of financial liabilities (Continued)

	Weighted average effective interest rate	In thousands of Denars December 31, 2007			Total
		Less than 1 month	1-3 months	3 months to 1 year	
Non-interest bearing	0%	8,968	1,695	-	10,663

23.9. Fair value of financial instruments

The fair value of financial assets and financial instruments are determined as follows:

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

Carrying amount to fair value

The following table presents the carrying amount of the financial assets and financial liabilities compared to their fair value as of December 31, 2008 and 2007:

	December 31, 2008		In thousands of Denars December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	191	191	2,044	2,044
Deposits with banks	99,000	99,000	222,426	222,426
Held-to-maturity investments	19,846	19,846	65,625	65,627
Trade receivables	4,988	4,988	11,853	11,853
Other receivables	539	539	1,266	1,266
	<u>124,564</u>	<u>124,564</u>	<u>303,214</u>	<u>303,216</u>
Financial liabilities				
Trade payables	1,697	1,697	4,005	4,005
Other liabilities	5,174	5,174	6,658	6,658
	<u>6,871</u>	<u>6,871</u>	<u>10,663</u>	<u>10,663</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

23. FINANCIAL INSTRUMENTS (Continued)

23.9. Fair value of financial instruments (Continued)

Assumption used in determining fair value of financial assets and liabilities

Considering the fact that sufficient market experience, stability and liquidity do not exist for the purchase and sale of financial assets or liabilities, given that published market information is not readily available for the purposes of disclosure the fair value information of the aforementioned financial assets and liabilities, the Stock Exchange used the valuation technique using discounted cash flow analyses. Such valuation technique applied interest rate for the financial instruments with similar characteristics in order to provide reliable estimates of prices obtained in actual market transactions. The carrying amounts of the receivables approximate their fair value taking into consideration that they will mature shortly.

24. TAXATION RISK

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. The Stock Exchange's management is not aware of any additional circumstances, which may give rise to a potential material liability in this respect.

25. RELATED PARTY DISCLOSURES AND DIRECTORS' REMUNERATION

The Stock Exchange does not consider any of its shareholders as related party since none of them exercise significant influence over the Stock Exchange's operations.

The total compensation paid to key management personnel as follows:

	In thousands of Denars	
	December 31,	
	2008	2007
<i>Executive directors:</i>		
Gross Salaries	5,867	4,632
Bonus	2,000	2,333
	<u>7,867</u>	<u>6,965</u>
<i>Members of the Managing Board:</i>		
Monthly lump sum	1,261	1,418
Bonus	2,000	2,333
	<u>3,261</u>	<u>3,751</u>
	<u>11,128</u>	<u>10,716</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

26. COMMITMENTS AND CONTINGENCES

Operating lease commitments - the Stock Exchange as lessor

The Stock Exchange has entered into commercial lease on part of its business premises. The contract with the lessee is expiring 1st March 2009 and contains a renewal option. Up to the date of approving these financial statements, no agreement to renew the above lease has been concluded with the lessee.

Future expected lease receivables approximate current level of monthly rental income of Denar 156 thousand.

Litigation

As of December 31, 2008, the Stock Exchange is involved in various pending legal proceedings as a plaintiff. The total amount of potential monetary damages contingent on the litigation that the Stock Exchange has initiated against other parties is Denar 1,060 thousand.

One lawsuit has been filed against the Stock Exchange by one of its shareholders. The shareholder (plaintiff) claims for nullifying the Decision for electing a member of the Board of Directors of the Stock Exchange, adopted by the shareholders assembly held on April 23, 2008. The plaintiff estimates the value of the claim on Denar 61 thousand. The legal process is currently ongoing. The Stock Exchange does not consider this amount material and its legal advisors are confident that the claim will successfully be defended, thus outflow of the economic resources is unlikely.

27. POST BALANCE SHEET EVENTS

Tender for strategic partnership

A tender for strategic partnership with leading international and/or regional stock exchange companies, which started in year 2008, is currently ongoing. For this purpose, 16 shareholders who possess 66% of the Stock Exchange share capital have concluded an agreement pursuant to which a controlling interest shall be offered to a strategic buyer. As of the date these financial statements were approved for issue, the tender procedure is ongoing.

28. EXCHANGE RATES

Official exchange rates for major currencies used in the translation of the balance sheet items denominated in foreign currencies are as follows:

	December 31, 2008	In Denars December 31, 2007
EUR	61.4123	61.2016