Shareholding Company CENTRAL DEPOSITORY AGENCY, PODGORICA

Financial Statements
Year Ended December 31, 2010
and Independent Auditors' Report

Translation in English language of the financial statements originally issued in Montenegrin language

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Central Depository Agency, Podgorica

We have audited the accompanying financial statements (pages 2 to 22) of Central Depository Agency, Podgorica (hereinafter referred to as the "Company"), which comprise the balance sheet as of December 31, 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in Montenegro, as well as for internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Accounting and Auditing Law of Montenegro. 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 entities' 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 solid basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Depository Agency, Podgorica, as of December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with the accounting regulations prevailing in Montenegro.

Other issues

The financial statements for the year ended December 31, 2010 were audited by other auditor, which expressed an unqualified opinion in the report issued as of March 15, 2010.

Deloitte d.o.o., Podgorica
Podgorica, Montenegro
April 8, 2011

Žarko Mionić, Certified Auditor
(Licence No. 062 issued on March 10, 2011)

Translation in English language of the financial statements originally issued in Montenegrin language

CENTRAL DEPOSITORY AGENCY, PODGORICA
Company number: 02320924
Activity code: 72400

INCOME STATEMENT
For the Year Ended December 31, 2010
(In €s)

No. of standard form	Category/Position	Notes	Current 2010	*(Audited by another auditor)* Previous 2009
	OPERATING INCOME		644,653	1,033,627
1	Sales of goods and services	4	616,154	1,020,525
2	Other operating income	5	28,499	13,102
	OPERATING EXPENSES		(728,593)	(785,460)
5	Cost of commercial goods sold, materials, fuel and energy consumed	6	(8,882)	(10,972)
6	Staff costs	7	(549,048)	(524,334)
7	Depreciation	11, 12	(41,099)	(43,560)
9	Other operating expenses	8	(129,564)	(206,594)
	(LOSS) / PROFIT FROM OPERATIONS		(83,940)	248,167
10	Finance income, net	9	68,743	60,334
	(LOSS) / PROFIT BEFORE TAXATION		(15,197)	308,501
12	Income taxes	10	(4,264)	(30,056)
13	**NET (LOSS) / PROFIT**		(19,461)	278,445

The accompanying notes on the following pages
are an integral part of these financial statements.

These financial statements were adopted by the management of Central Depository Agency, Podgorica on January 31, 2011.

Signed on behalf of Central Depository Agency, Podgorica:

Preparer of the Financial Statements	Executive Director
(Tatjana Blagojević)	(Vladimir Kašćelan)

BALANCE SHEET
As of December 31, 2010
(In €s)

No. of standard form	Category/Position	Notes	December 31, 2010	*(Audited by another auditor)* December 31, 2009
	ASSETS			
	Non-Current Assets		120,548	132,367
3	Intangible assets	11	60,423	73,114
7	Equipment	12	59,553	57,350
	Deferred taxes	10	572	1,903
	Current assets		1,299,415	1,400,266
9	Accounts receivable	13	153,594	179,240
	Short-term financial investments	14	1,050,000	880,000
11	Cash and cash equivalents	15	93,129	341,026
	Prepaid expenses		2,692	-
	Total assets		1,419,963	1,532,633
	EQUITY AND LIABILITIES			
	Equity		1,390,383	1,409,844
15	Subscribed capital – shares	16	255,646	255,646
	Other reserves		50,228	50,228
19	Retained earnings		1,084,509	1,103,970
	Non-current liabilities		8,466	31,046
	Provisions	17	3,466	21,046
	Deferred income	18	5,000	10,000
	Current liabilities		21,114	91,743
26	Short-term accounts payable	19	7,795	72,281
	Short-term financial liabilities		4	-
27	Tax and contribution payables	20	13,315	19,044
29	Accrued liabilities		-	418
	Total equity and liabilities		1,419,963	1,532,633

The accompanying notes on the following pages
are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2010
(In €s)

Content / Description	Subscribed Capital – Shares	Other reserves	Retained Earnings	Total
(Audited by another auditor)				
Balance, January 1, 2009	255,646	50,228	825,525	1,131,399
Net profit for the year	-	-	278,445	278,445
Balance, December 31, 2009	255,646	50,228	1,103,970	1,409,844
Balance, January 1, 2010	255,646	50,228	1,103,970	1,409,844
Net loss for the year	-	-	(19,461)	(19,461)
Balance, December 31, 2010	255,646	50,228	1,084,509	1,390,383

The accompanying notes on the following pages
are an integral part of these financial statements.

CASH FLOW STATEMENT
For the Year Ended December 31, 2010
(In €s)

Category/Position	Current 2010	*(Audited by another auditor)* Previous 2009
Operating activities		
Cash receipts from customers	643,889	987,070
Payments to suppliers and employees	(740,235)	(683,672)
Cash (used in) / generated from operating activities, net	(96,346)	303,388
Interest paid	(3)	(2)
Income taxes paid	-	(4,400)
Cash (used in) / generated from operating activities, net	(96,349)	298,986
Investing activities		
Short-term financial investments – placed deposits	(170,000)	(80,000)
Interest received	68,553	62,373
Acquisition of equipment	(30,610)	(16,909)
Development expenses	-	(21,400)
Net cash used in investing activities	(132,057)	(55,936)
Financing activities		
Dividends payments	(19,491)	-
	(19,491)	-
Net (decrease)/increase in cash and cash equivalents	(247,897)	243,050
Cash and cash equivalents, beginning of the year	341,026	97,976
Cash and cash equivalents, end of the year	93,129	341,026

The accompanying notes on the following pages
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

1. FOUNDATION AND BUSINESS ACTIVITY

The shareholding company Central Depository Agency, Podgorica (hereinafter: the “Agency” or the “Company”) was established on May 24, 2000 and was duly inscribed in the Central Register of the Commercial Court in Podgorica under the Decision number 5-0443640/001.

The Agency’s founders are the Ministry of Finance of Montenegro, Central Bank of Montenegro, and seven commercial banks and financial companies.

As at May 28, 2001, the Montenegrin Securities Exchange Commission issued to the Agency a license to perform the activity of Central Registry (license number 03/3-1/2-01), and as at February 26, 2002, the the license for Clearing and Settlement activities (license number 03/3-2/2-01).

The Agency performs its activities in accordance with the Securities Law (Official Gazette of Montenegro, No. 59/00, 10/01, 43/05, 28/06, 53/09), rules and regulations of the Montenegrin Securities Exchange Commission, its Articles of Association, and internal rules and procedures adopted by board of directors and approved by the Montenegrin Securities Exchange Commission.

The Agency performs the following services, designed to meet the needs of issuers of securities, investors and professional market participants:

- Registration and maintenance of dematerialized securities,
- Maintaining of issuers' accounts, i.e. securities owners, and isuing extracts from the registry and account statements referring to operations in the personal account
- Transfer, depositing, settlement and clearing of trades concluded on stock exchanges,
- Processing of the corporate actions of the issuer related to distribution of diverse ownership rights,
- Issuance of ISIN numbers (International Securities Identification Numbers) to issuers of securities in Montenegro,
- Any other measures or activities proved to be useful or necessary for acquiring or improvement of Company’s purposes.

As at December 31, 2010, the Company had 19 employees.

The Company performs its primary activity in Podgorica, seated at the following street address: Novaka Miloševa n.n.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Basis of Preparation and Presentation of the Financial Statements

The Agency maintains its accounting records and prepares its financial statements in accordance with the Accounting and Auditing Law of Montenegro (Official Gazette of Montenegro, No. 69/2005 and No. 80/2008) and in accordance with the relevant legal decisions pertaining to the mandatory application of International Accounting Standards (IAS) in Montenegro (Official Gazette of Montenegro, No. 69/2002). Accordingly, International Financial Reporting Standards (IFRS) were applied for the first time as basis for compilation of financial statements as at the period commencing on or after January 1, 2003.

The amendments to IAS and to the newly-issued IFRS enacted after January 1, 2003 have not been published and officially enacted in Montenegro, and accordingly, they have not been applied in the preparation of the accompanying financial statements.

The accounting regulations prevailing in Montenegro differ from the requirements of IFRS and IAS, issued by the International Financial Reporting Interpretations Committee, given that Montenegro does not have at its disposal an official department, in compliance with the Law on Accounting and Auditing of Montenegro, authorized by IFAC to translate and issue the changes of and amendments to both, the existing and newly issued standards. Considering the potentially significant effects of the aforementioned matters on fairness and objectivity of the financial statements of companies in Montenegro, the financial statements of Montenegrin entities cannot be described as having been prepared in accordance with International Financial Reporting Standards and International Accounting Standards.

The financial statements of the Agency are prepared in a format stipulated by Article 3 of the Accounting and Auditing Law of Montenegro and Article 22 of IV Directive of EU (No.78/660/EEC).

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

In the preparation of these financial statements, the Agency has adhered to the accounting policies described in Note 3 which are in conformity with the accounting and tax regulations prevailing in Montenegro.

The official currency in Montenegro and reporting currency of the Agency is the Euro (EUR).

2.2. Use of Estimates

The presentation of the financial statements requires that the management makes best estimates and reasonable assumptions that affect the assets and liabilities amounts, as well as the disclosure of potential liabilities and receivables as of the preparation date of these financial statements and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the preparation date of the financial statements. However, actual results may vary from these estimates. These estimations mostly refer to impairment of accounts receivables, estimations of equipment useful life and other provisions.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition and Measurement

Income generated from services sold by the Agency in its business operations due course is disclosed at their invoiced amount, net of effective discounts and value added tax. Calculation of fees for services from its activities, the Agency carried out in accordance with the established price list, approved by the Commission for Securities of Montenegro.

At the time when income is recognized, the relating expenditure is also recognized (according to the matching principle). Expenses are recognized in the accounting period to which they relate as of the origination date, where there is no base for their recognition as an assets balance position.

Interest income and expenses are recorded as credited or charged to the accounting period to which they relate.

3.2. Employee Benefits

Social Security Contributions

In accordance with the regulations prevailing in Montenegro, the Agency has an obligation to pay contributions to various State Social Security Funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally prescribed rates. The Agency is also obligated to withhold contributions from gross salaries to employees, and on behalf of the employees, to transfer the withheld portions directly to the respective government funds. These contributions payable on behalf of the employee and the employer are charged to expenses in the period in which they arise.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Employee Benefits (Continued)

Retirement Benefits

The present value of future liabilities stipulated by the Collective Bargaining Agreement of Montenegro, such as retirement benefits for qualifying employees, based on the Agency's management estimation, has an immaterial effect on the Company's financial statements taken as a whole, and therefore, these financial statements do not pomrpise provisions for the aforementioned employee benefits.

3.3. Foreign Exchange Gains and Losses

All assets and liabilities denominated in foreign currencies as of the balance sheet date are translated to EUR by applying the official exchange rates effective as of that date. Foreign currency transactions executed during the year are translated into EUR at the official exchange rates valid on the date of each transaction. Foreign exchange gains and losses arising upon the translation of assets and liabilities, denominated in foreign currencies and upon the translation of transactions, are credited or debited as appropriate the income statement as financial income or financial loss respectively.

3.4. Subsequently Determined Errors

The correction of subsequently identified errors is performed through the account of prior period retained earnings, accompanied by the restatement of comparative information in the manner determined by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors."

A materially significant error is the considered to be an error which individually, or cumulatively with other errors, exceeds 2% of total revenues. Subsequently identified errors that are immaterial are adjusted as charged to income and expenses of the period in which they are identified.

3.5. Taxes and Contributions

Income Taxes

Current Income Tax

Income taxes are calculated and paid in conformity with Article 28 of the Montenegrin Corporate Income Tax Law (Official Gazette of Montenegro, No. 80/04 and No. 40/08). The effective proportionate income tax rate is 9% of tax base.

Taxable income of a tax paying entity is determined based upon the income stated in its income statement following certain adjustments to its income and expenses performed in accordance with the Montenegrin Corporate Income Tax Law (Articles 8 and 9, regarding the adjustment of income and Articles 10 to 20 pertaining to the adjustment of expenses).

The Montenegrin tax regulations do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, any current year losses reported in the annual corporate income tax returns may be carried forward and used to reduce or eliminate taxes to be paid in future accounting periods, but only for an ensuing period of a maximum of five years.

Income tax payer is obligated to calculate, withhold and pay withholding tax to the income paid based on dividend and profit share paid to resident and non-resident legal and retail customers. Withholding taxes are paid at the 9% rate to the base comprised of gross revenue.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Taxes and Contributions (Continued)

Deferred Income Tax

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

Taxes, Contributions and Other Duties Not Related to Operating Results

Taxes, contributions and other duties that are not related to the Company's operating results, include property taxes, fees and contributions, as well as various other taxes and contributions paid pursuant to republic and municipal regulations.

3.6. Intangible Assets

Intangible assets comprise license for financial activities and salaries calculation software, application and system software. The intangible assets are recognized at their cost less total accumulated amortization and possible accumulated losses due to decrease of the value.

Costs directly attributable to the acquisition of a software for which it is probable that the future economic benefits attributable to the asset will flow to the entity over a period exceeding one year, are recognized within intangible assets. Costs incurred in computer software maintenance and development are disclosed as an expense of the period to which they relate.

3.7. Property and Equipment

An item is classified as property and equipment item if its useful life is longer than one year.

Property and equipment are stated at cost net decreased for total of accumulated depreciation and possible accumulated losses due to value impairment, if any. Cost represents the price billed by suppliers increased for all customs duties, unrecoverable taxes and all other costs incurred in bringing new fixed assets into functional use.

Subsequent expenditures are recognized as an increase to cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Agency, and when the cost can reliably be measured, if its useful life is longer than one year, i.e. if the subsequent expenditure exceeds 200 EUR. Subsequent expenditure that does not meet the above criteria and expenditure incurred mainly based on labor, consumables and minor spare parts are stated as maintenance cost.

3.8. Depreciation and Amortization

Amortization of Intangible Assets

The amortization of intangible assets is performed by applying the straight-line method over the period of three years, as determined by the useful life assessment. The amortization is calculated to the estimated value or fair value as decreased by the residual value.

The accrual of intangible assets is performed from the beginning of the month following the month when the intangible asset was placed in use.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Depreciation and Amortization (Continued)

Depreciation of equipment

The depreciation of equipment is calculated on a straight-line basis. The estimated useful life of certain groups of equipment used as the base for the deprectiation accrual and applied rates are the following:

Major Classes of Depreciation/Amortization Items	Useful usage (year)	Depreciation/Amortization rate (%)
Computers and computer equipment	3 - 5	33.33 – 20.00
Office furniture, business premises equipment	6 - 8	16.66 – 12.5
Vehicles	7	14.28
Air conditioners	5	20.00
Telecommunication equipment	5	20.00
Other equipment	3 - 10	33.33 – 10.00

The depreciation is charged to cost or the fair value net of residual value. The calculation of depreciation for property and equipment is performed from the beginning of the month following the month when the asset was placed in use.

3.9. Impairment of Assets

As of balance sheet date, the Agency's management reviews the carrying amounts of the Agency's fixed assets in order to determine the indications of impairment loss. 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 impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Agency assess the recoverable value of the cash generating unit to the asset belongs.

An impairment loss is recognized as an expense of the current period under operating expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years

3.10. Deferred income from donations

Deferred income generated from donations represents the value of donated software based on agreement concluded between USAID Montenegro and the Government of Montenegro stipulating the support of the establishment of the Agency, signed on April 22, 2003, free of charge, which are amortized in an amount that represents the amount of annual depreciation expense.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments

Financial assets are associated with accounts receivable. Their classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Accounts Receivable

Accounts receivable that have fixed or determinable payments that are not quoted in an active market are measured at amortized value using the effective interest method, less any impairment based on the management's estimation of their collectability. Interest income is recognized at effective interest rate, excluding short-term accounts receivable where the interest recognition will be immaterial.

Impairment of Financial Assets

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

Objective evidence of financial assets impairment could include the following:

- significant financial difficulty of the legal entity - counterparty; or
- delay or default in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The book value of accounts receivable is reduced through the allowance account. When an account receivable is not collectible, it is written off through the impairment account. Subsequent collections of the previously written off amounts are disclosed as a decrease in the allowance for impairment. Changes in the book value on the impairment account are recognized in the income statement.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Derecognition of Financial Assets

Financial assets cease to be recognized when the Agency loses control of the contractual rights governing such instruments, or if it transfers financial assets along with all the risks and rewards of ownership to another entity.

In case when the Agency neither transfers nor substantially retains any of the risks or returns arising from property, and it retains control over financial assets, it continues to recognize financial assets.

Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents comprise cash and balances on current bank accounts and deposits placed with commercial banks for the period of up to three months maturities, which could be easily converted into familiar amounts followed by an insignificant risk of value changes.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

Accounts Payable and Borrowings

The liabilities to customers and those arising from received borrowings are initially measured at the amount of the disbursements received (at nominal value), and are subsequently stated at the amortized cost that is computed based on the contractual interest rate which approximate to effective interest rate.

Derecognition of Financial Liabilities

The Agency ceases to recognize a financial liability when the obligations of the Agency have either been dismissed, cancelled or has expired.

3.12. Provisions

A provision should be recognized when, and only when the Agency has a present obligation (legal or contractually stipulated) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.13. Fair Value

It is a policy of the Agency to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In Montenegro, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables, investments and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot be reliably determined in the absence of an active market.

The Agency's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its business books could not be realized and may have suffered an impairment loss, it forms adequate provisions. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

4. SALES OF GOODS AND SERVICES

	(In €s) Year Ended December 31, 2010	2009
Sales of registry services	317,617	328,932
Depositary accounts maintenance	156,987	166,206
Services sold to brokers	141,550	525,387
	616,154	1,020,525

5. OTHER OPERATING INCOME

	(In €s) Year Ended December 31, 2010	2009
Other operating income	10,143	2,715
Written-off receivables collected (Note 13)	1,744	5,387
Release of deferred income for the amount of depreciation of donated equipment (Note 18)	5,000	5,000
Release of long-term provisions (Note 17)	11,612	-
	28,499	13,102

6. COST OF RAW MATERIALS AND FUEL AND ENERGY CONSUMED

	(In €s) Year Ended December 31, 2010	2009
Electricity expenses	2,906	3,461
Fuel expenses	1,664	1,347
Cost of small tools and other overhead material	1,515	1,766
Cost of office supplies	2,797	4,398
	8,882	10,972

7. STAFF COSTS

	(In €s) Year Ended December 31, 2010	2009
Net salaries	270,305	255,381
Taxes on salaries and benefits	35,378	40,753
Contributions paid by the employer	87,407	57,884
Contributions paid by the employees	38,406	46,592
Business trip transport and accommodation	15,157	13,149
Board of directors payments	81,168	94,318
Other staff costs	21,227	16,257
	549,048	524,334

8. OTHER OPERATING EXPENSES

	(In €s) Year Ended December 31, 2010	2009
Rent	9,824	9,569
Fees paid to the Montenegrin Securities Exchange Commission	4,500	4,500
Entertainment	4,583	4,323
Software maintenance	2,074	28,724
Equipment maintenance	1,990	2,631
Telecommunication, internet link and postal services	18,779	18,040
Insurance	1,334	1,156
Bank charges	2,157	2,876
Fees paid to Central bank of Montenegro	25,904	27,402
Professional services	14,605	15,688
Sponsorships	1,900	1,700
Membership fees	12,040	22,000
Professional trainings	4,747	2,157
Local fees paid	7,452	10,405
Non-production costs	8,676	9,338
Receivables impairment (Note 10)	8,999	9,685
Long-term provisions (Note 17)	-	15,000
Costs of improvement services	-	21,400
	129,564	206,594

9. FINANCE INCOME, NET

	Year Ended December 31, 2010	(In €s) 2009
Interest income	(3)	-
Interest expenses	68,746	60,334
	68,743	60,334

10. INCOME TAXES

a) Income tax components

Reconciliation of the income tax amount and the results of operations before taxation is as follows:

	2010	(In €s) 2009
Current tax expenses	(2,933)	(30,813)
Deferred tax expense / (income)	(1,331)	757
	(4,264)	(30,056)

The tax rate used for 2010 and 2009 amounts to 9% and applies to taxable income incurred by legal entities in Montenegro, which is stipulated under the provisions of Income Tax Law.

b) Numerical reconciliation between tax expense and the product of the accounting results multiplied by the statutory tax rate

	2010	(In €s) 2009
Profit disclosed in income statement before taxation	(15,197)	308,501
Income taxes at 9% of the statutory tax rate	(1,386)	27,765
Tax effect of expenditures not recognized for tax purposes	2,564	945
Impairments not recognized for tax purposes	-	1,350
The equipment worth up to EUR 300	226	-
Correction of previously recognized tax assets	2,842	(4)
	4,264	30,056

10. INCOME TAXES (Continued)

c) Deferred tax assets

	2010	(In €s) 2009
Balance at the beginning of the year	1,903	1,146
Deferred tax during the year disclosed in the income statement	(1,331)	757
Balance at the end of the year	572	1,903

11. INTANGIBLE ASSETS

Movements on intangible assets as of and for the years ended December 31, 2009 and 2010 are as follows:

(In €s)

	Licenses	Softwares	Intangible assets under construction	Total
Cost				
Balance as at January 1, 2009	11,297	119,085	-	130,382
Additions	2,382	3,296	40,000	45,678
Balance as at December 31, 2009	13,679	122,381	40,000	176,060
Cost				
Balance as at January 1, 2010	13,679	122,381	40,000	176,060
Additions	2,492	1,800	-	4,292
Balance as at December 31, 2010	16,171	124,181	40,000	180,352
Accumulated Depreciation				
Balance as at January 1, 2009	6,701	79,180	-	85,881
Charge for the year	464	16,601	-	17,065
Balance as at December 31, 2009	7,165	95,781	-	102,946
Accumulated Depreciation				
Balance as at January 1, 2010	7,165	95,781	-	102,946
Charge for the year	-	16,983	-	16,983
Balance as at December 31, 2010	7,165	112,764	-	119,929
Net Book Value				
December 31, 2010	9,006	11,417	40,000	60,423
December 31, 2009	6,514	26,600	40,000	73,114

Intangible assets under construction, disclosed as of December 31, 2010 in the amount of EUR 40,000, refer to the Agency's investments in the information system. Taken into consideration that the mentioned investment is in progress, management of the Agency expects that the new information system will be brought into operation by the end of 2011.

12. PROPERTY AND EQUIPMENT

Movements on property and equipment for 2009 and 2010 are as follows:

(In €s)

	Equipment	Vehicles	Prepayments for tangible assets	Works of art	Total
Cost					
Balance, January 1, 2009	161,099	27,882	-	1,563	190,544
Acquisitions	11,231	-	-	-	11,231
Balance, December 31, 2009	172,330	27,882	-	1,563	201,775
Cost					
Balance, January 1, 2010	172,330	27,882	-	1,563	201,775
Acquisitions	1,844	-	24,475	-	26,319
Disposals	(11,487)	-	-	-	(11,487)
Balance, December 31, 2010	162,687	27,882	24,475	1,563	216,607
Accumulated Depreciation					
Balance, January 1, 2009	97,920	20,010	-	-	117,930
Charge for the year	22,000	4,495	-	-	26,495
Balance, December 31, 2009	119,920	24,505	-	-	144,425
Accumulated Depreciation					
Balance, January 1, 2010	119,920	24,505	-	-	144,425
Charge for the year	20,739	3,377	-	-	24,116
Disposals (Note 8)	(11,487)	-	-	-	(11,487)
Balance, December 31, 2010	129,172	27,882	-	-	157,054
Net Book Value					
December 31, 2010	33,515	-	24,475	1,563	59,553
December 31, 2009	52,410	3,377	-	1,563	57,350

13. ACCOUNTS RECEIVABLE

(In €s)

	December 31, 2010	December 31, 2009
Receivables from customers:		
- domestic	192,083	220,537
	192,083	220,537
Less: Allowance for impairment	(47,332)	(55,272)
	144,751	165,265
Payables for wages paid to be refunded	-	1,283
Receivables for prepaid taxes and contributions	5,707	8,654
Approved advances	-	599
Interest receivables	1,549	1,773
Other receivables	1,587	1,666
	8,843	13,975
	153,594	179,240

The movements on the account of allowance for impairment of accounts receivable for 2010 and 2009 are shown in the following table:

(In €s)

	Year Ended December 31, 2010	2009
Balance, January 1, 2010	55,272	50,975
Impairment (Note 8)	8,999	9,685
Charge for the year (Note 5)	(6,744)	(5,387)
Receivables write-off	(10,195)	(7,941)
Balance, December 31, 2010	47,332	47,332

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

14. SHORT-TERM INVESTMENTS

(In €s)

	Period	Annual interest rate	December 31, 2010	December 31, 2009
Crnogorska komercijalna banka A.D., Podgorica	6	6.15%	200,000	200,000
Crnogorska komercijalna banka A.D., Podgorica	12	6.50%	100,000	80,000
Crnogorska komercijalna banka A.D., Podgorica	12	6.50%	100,000	100,000
Crnogorska komercijalna banka A.D., Podgorica	12	6.50%	100,000	100,000
NLB Montenegro banka A.D., Podgorica	12	6.75%	100,000	100,000
NLB Montenegro banka A.D., Podgorica	6	6.50%	100,000	100,000
Atlas Mont banka A.D., Podgorica	12	7.50%	100,000	100,000
Atlas Mont banka A.D., Podgorica	12	7.50%	100,000	100,000
Atlas Mont banka A.D., Podgorica	6	5.50%	150,000	-
			1,050,000	880,000

15. CASH AND CASH EQUIVALENTS

(In €s)

	December 31, 2010	December 31, 2009
Cash in hand	1,900	2,091
Gyro account	91,229	338,935
Other cash equivalents	-	-
	93,129	341,026

16. SHARE CAPITAL

(In €s)

	December 31 2010			December 31 2009		
	Shares	%	Amount	Shares	%	Amount
Hrvatska Poštanska Banka d.d., Zagreb	-	-	-	35	35%	89,476
Centralna Banka Crne Gore	35	35%	89,476	35	35%	89,476
Crnogorska komrcijalna banka A.D., Podgorica	15	15%	38,347	15	15%	38,347
Fin invest d.o.o., Podgorica	7	7%	17,895	7	7%	17,895
Podravska banka d.d., Zagreb	2	2%	5,113	2	2%	5,113
Jugobanka A.D., local office Kotor	2	2%	5,113	2	2%	5,113
Podgorička banka A.D., Podgorica	2	2%	5,113	2	2%	5,113
NLB Montenegro banka A.D:, Podgorica	2	2%	5,113	2	2%	5,113
Collective custody accounts	10	10%	25,565	-	-	-
NDF Aureus private-open investing fund	25	25%	63,911	-	-	-
	100	100%	255,646	100	100%	255,646

Nominal value per share as at December 31 2010 and 2009 amounted to EUR 2.556. All shares of the Company are ordinary shares with voting rights. Company's shares are listed on stock exchanges in Montenegro.

17. PROVISIONS

(In €s)

	Year Ended December 31, 2010	2009
Balance, beginning of the year	21,046	6,046
Charged for the year (Note 8)	-	15,000
Reversed for the year (Note 5)	(11,612)	-
Used for the year	(5,968)	-
Balance, end of the year	3,466	21,046

Provisions as at December 31, 2010 in amount of EUR 3,466 (Note 21) is the provision arising from running claims where management believes that the Agency may be exposed to potential material losses of such basis.

In 2010 the Agency paid the related amount of EUR 5,968.

18. DEFERRED INCOME - DONATIONS

	Year Ended December 31, 2010	(In €s) 2009
Balance, beginning of the year	10,000	15,000
Donated equipment amortization (Note 5)	(5,000)	(5,000)
Balance, end of the year	5,000	10,000

As at December 31, 2010, deferred income amounting to EUR 5,000 (December 31, 2009: EUR 10,000) refers to deferred income generated from application and system software donated according to the Agency Foundation Support Agreement concluded as at April 22, 2003 between Government of Montenegro and USAID Montenegro.

19. SHORT-TERM ACCOUNTS PAYABLE

	December 31, 2010	(In €s) December 31, 2009
Accounts payable to domestic suppliers	2,246	62,923
Other short-term payables	5,549	9,358
	7,795	72,281

20. TAXES AND CONTRIBUTIONS PAYABLES

	December 31, 2010	(In €s) December 31, 2009
Payables on contributions on salaries	30	-
Value added tax payables	13,285	19,044
	13,315	19,044

21. LITIGATIONS

As at December 31, 2010, the Agency was involved in litigations as a defendant and as a plaintiff as a debtor. The total amount of the legal proceedings filed by the Agency amounted to EUR 23,571, and filed against the Agency totalling EUR 38,600, net of effects of eventual penalty interest.

In 2008 and 2009 the Agency recognized provisions for litigation under the recommendation of the legal representative of the Agency, in an amount of 5% -10% of the value of the dispute. As of December 31, 2010 the provision on this basis amounted to EUR 3,466. The Agency has not made any provision for liabilities for litigations in the amount of EUR 35,134 (not including the effects of penalty interest) because the due to the assessment of management and experience to that date (similar disputes in the previous period have been solved in the beneficiary t Agency) the Agency shall not be exposed to material potential losses on this basis.

As at December 31, 2010, the Company filed 15,877 proposals for forced collection of receivables due from post-paid users and WiMax users in the amount of EUR 9,915,438.

22. TAX RISKS

Montenegro currently has several tax laws in effect, as imposed by various governmental agencies. The applicable taxes include: the value added tax, a turnover tax, corporate income tax, and payroll (social) taxes, among other indirect taxes. Following their introduction, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, creating uncertainties and areas of legal contention. Tax declarations, together with other legal compliance matters (e.g., customs and currency control matters) are subject to the review and investigation by a number of authorities that are legally enabled to impose extremely severe fines, penalties and interest charges.

The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant. In accordance with the Law on Tax Authority of Montenegro (Official Gazette of Montenegro, No. 80/04 and No. 40/08), expiration period of the tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability. The afore described situation creates tax risks in Montenegro that are substantially more significant than those typically existing in countries with more developed tax systems.

23. EXCHANGE RATES

The official exchange rates used in the translation of balance sheet components denominated in foreign currencies into EUR as of December 31, 2010 and as of December 31, 2009 are as presented below::

(In €s)

	December 31, 2010	**December 31, 2009**
USD	0.7530	0.6974

Translation in English language of the financial statements originally issued in Montenegrin language