

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

**Financial Statements
December 31, 2007
and Independent Auditors' Report**

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

CONTENTS

	Pages
Independent Auditors' Report	1 - 2
Income Statement	3
Balance Sheet	4
Statement of Changes in Equity	5
Cash Flow Statement	6
Notes to the Financial Statements	7 - 16

Translation of the auditors' report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Managing Board and the Shareholder of the Central Securities Depository and Clearing House a.d., Beograd

We have audited the accompanying financial statements (pages 3 to 16) of the Central Securities Depository and Clearing House a.d., Beograd (the "CSD"), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of the 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 the accounting regulations of the Republic of Serbia. 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 and the Law on Accounting and Auditing of the Republic of Serbia. 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 Managing Board and the Shareholder of the Central Securities Depository and Clearing House a.d., Beograd (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Central Securities Depository and Clearing House a.d., Beograd as of December 31, 2007, and its financial performance, changes in equity and its cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the accompanying financial statements, disclosing that these financial statements were prepared by applying International Accounting Standards (IAS) which were in effect as of December 31, 2002 and the accounting regulations of the Republic of Serbia based on them. The CSD's management assesses IAS, IFRS and interpretations the application of which was prescribed pursuant to the February 12, 2008 Decision enacted by the Minister of Finance of the Republic of Serbia and once the standards and interpretations with reference to the CSD's activities have been established, the CSD intends to apply them in preparing the financial statements for the period beginning January 1, 2008. With regards to the provisions contained in the newly-adopted and amended standards and interpretations which relate to the application date and the provisions with reference to the disclosure of comparative figures, upon their adoption and application by the CSD, certain reclassification of data presented in the accompanying financial statements for the year 2007 might be required, as these will represent the comparative figures in the CSD's financial statements for the year 2008.

Belgrade, March 28, 2008

Miroslav Tončić
Certified Auditor

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

INCOME STATEMENT
Year Ended December 31, 2007
(thousands of RSD)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
OPERATING INCOME			
Fee and commission income	3.1,4	315,120	257,913
Income from membership fees	3.1	<u>24,320</u>	<u>23,964</u>
		339,440	281,877
OPERATING EXPENSES			
Cost of materials	3.1	(5,084)	(5,975)
Staff costs	3.1,5	(115,209)	(100,306)
Depreciation and amortization	3.5	(11,372)	(11,758)
Other operating expenses	3.1,6	<u>(38,821)</u>	<u>(42,950)</u>
		(170,486)	(160,989)
PROFIT FROM OPERATIONS		168,954	120,888
Finance income	3.1,3.2	3,926	1,129
Finance expenses	3.2	(73)	(230)
Other income	3.1	231	100
Other expenses	3.1	<u>(523)</u>	<u>(805)</u>
PROFIT BEFORE TAX		172,515	121,082
Income tax expense	3.3,7 a)	(8,908)	(6,356)
Deferred tax expense	3.3,7 a)	<u>(1,091)</u>	<u>(355)</u>
		9,999	6,711
PROFIT FOR THE YEAR		<u>162,516</u>	<u>114,371</u>
Earnings per share (in RSD)			
Basic earnings per share		<u>22,993</u>	<u>43,678</u>

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

These financial statements were approved by the Managing Board of the Central Securities Depository and Clearing House a.d., Beograd on February 25, 2008.

Signed on behalf of the Central Securities Depository and Clearing House A.D., Beograd:

Vida Uzelac
General Manager

Ljiljana Knežević
Director of Finance and General
Department

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

BALANCE SHEET
As of December 31, 2007
(thousands of RSD)

	<u>Notes</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
ASSETS			
Non-current assets			
Intangible assets	3.4,8	29,368	5,589
Equipment	3.4,8	64,703	39,840
		<u>94,071</u>	<u>45,429</u>
Current assets			
Inventories		14	29
Accounts receivables	3.6,9	23,215	30,607
Receivables for prepaid income taxes		3,020	3,500
Cash and cash equivalents	10	220,574	147,971
		<u>246,823</u>	<u>182,107</u>
Total assets		<u><u>340,894</u></u>	<u><u>227,536</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	92,740	47,000
Other capital		24,308	24,308
Reserves		26,804	21,086
Retained earnings		180,399	132,254
		<u>324,251</u>	<u>224,648</u>
Current liabilities			
Accounts payable	3.6,12	14,137	1,623
Value added tax and other taxes payable		1,217	1,067
		15,354	2,690
Deferred tax liabilities	7 c)	<u>1,289</u>	<u>198</u>
Total equity and liabilities		<u><u>340,894</u></u>	<u><u>227,536</u></u>

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

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2007
(thousands of RSD)

	<u>Share Capital</u>	<u>Other Capital</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2006	3,500	23,026	21,086	104,922	152,534
Effects of equipment transfer from the National Bank of Serbia	-	1,282	-	-	1,282
Profit for the year	-	-	-	114,371	114,371
Distribution of profit:					
- increase in share capital	43,500	-	-	(43,500)	-
- payment of dividend to a shareholder	-	-	-	(43,539)	(43,539)
Balance, December 31, 2006	<u>47,000</u>	<u>24,308</u>	<u>21,086</u>	<u>132,254</u>	<u>224,648</u>
Balance, January 1, 2007	47,000	24,308	21,086	132,254	224,648
Distribution of profit:					
- increase in share capital	45,740	-	-	(45,740)	-
- payment of dividend to a shareholder	-	-	-	(56,050)	(56,050)
- payment to employees	-	-	-	(6,863)	(6,863)
- transfer to reserves	-	-	5,718	(5,718)	-
Profit for the year	-	-	-	162,516	162,516
Balance, December 31, 2007	<u>92,740</u>	<u>24,308</u>	<u>26,804</u>	<u>180,399</u>	<u>324,251</u>

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

**CENTRAL SECURITIES DEPOSITORY
AND CLEARING HOUSE A.D., BEOGRAD**

CASH FLOW STATEMENT
Year Ended December 31, 2007
(thousands of RSD)

	2007	2006
OPERATING ACTIVITIES		
Cash receipts from customers	323,737	263,968
Interest received	3,843	1,067
Other cash receipts from operating activities	23,173	27,146
Cash paid to suppliers	(33,414)	(48,078)
Cash paid to, and on behalf of employees	(115,233)	(100,306)
Income taxes paid	(14,588)	(13,115)
Other public duties payable	(6,380)	(819)
<i>Net cash provided by operating activities</i>	<i>181,138</i>	<i>129,863</i>
INVESTING ACTIVITIES		
Purchases of intangible assets, property, plant and equipment	(47,039)	(28,617)
<i>Net cash used in investing activities</i>	<i>(47,039)</i>	<i>(28,617)</i>
FINANCING ACTIVITIES		
Dividends paid	(61,506)	(43,539)
<i>Net cash used in financing activities</i>	<i>(61,506)</i>	<i>(43,539)</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,593	57,707
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	147,971	90,431
Foreign exchange gains on translation of cash and cash equivalents	83	62
Foreign exchange losses on translation of cash and cash equivalents	(73)	(229)
CASH AND CASH EQUIVALENTS, END OF YEAR	220,574	147,971

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

1. ESTABLISHMENT AND PRINCIPAL ACTIVITIES OF THE CSD

The Central Securities Depository and Clearing House a.d., Beograd (hereinafter: the "CSD") was established pursuant to the Commercial Court of Belgrade Decision numbered Fi. 13518-03 of December 10, 2003. In accordance with the provisions of the Law on Business Entities ("Official Gazette of the Republic of Serbia," No. 125-2004), the CSD was inscribed in the Register maintained by the Serbia Business Registers Agency under the number BD 152/2005, on January 24, 2005.

The CSD was founded based on the Law on Securities' Markets and Other Financial Instruments (the "Law"). In accordance with the aforementioned Law and its Statutes, the CSD performs the following activities:

- Maintains the register of securities;
- Records securities on issuers' accounts;
- Records and manages the accounts of securities of the Central Securities Depository members;
- Records third-party rights to securities;
- Safekeeps materialized securities;
- Maintains the monetary accounts of the CSD members;
- Records the materialized securities in a dematerialized form;
- Clears and settles receivables and payables in securities and cash originating in transactions executed in securities;
- Transfers and re-enters securities on the accounts of the CSD members and holders of securities;
- Creates and maintains securities' databases; and
- Performs other operations associated with securities.

Until the establishment of the CSD, the National Bank of Serbia ("NBS") conducted all operations with respect to the registration, depositing, clearance and settlement of securities. Pursuant to the Article 260 of the previously-enacted Law on Securities' Markets and Other Financial Instruments (effective until the Law on Securities' Markets and Other Financial Instruments published in the Official Gazette of the Republic of Serbia no. 47/2006 came into force), from the date of its foundation, the CSD assumed all documentation pertaining to the aforementioned operations involving securities, equipment and information system of the National Bank of Serbia, as well as the employees of the NBS performing such activities until the date of the CSD establishment.

The CSD's whole owner is the Government of the Republic of Serbia. In accordance with the Law, the share of state-owned capital may not be under 51%.

The CSD's tax identification number is 103154145.

At December 31, 2007 the CSD's Head Office is situated in Belgrade, at Trg Nikole Pašića number 5.

At December 31, 2007, the Central Register had 33 employees (2006: 35 employees).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of Financial Statements

Pursuant to the Law on Accounting and Auditing (Official Gazette of the Republic of Serbia no. 46 of June 2, 2006), legal entities and enterprises incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards.

Pursuant to its Decision numbered 011-00-738-2003-01 of December 30, 2003, the Republic of Serbia Ministry of Finance determined and issued the Framework and IAS that were applied as of December 31, 2002, and upon which both the previous and the newly-enacted Law on Accounting and Auditing were based.

The amendments to the IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, upon the aforementioned date, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia with reference to the issuance of International Financial Reporting Standards (number 401-00-11/2008-16) and published in the Official Gazette of the Republic of Serbia number 16 of February 12, 2008 and, therefore could not be applied in the preparation of the accompanying financial statement of the CSD for the year 2007.

The CSD's management assesses the standards and interpretations the application of which is required under the February 12, 2008 Decision of the Ministry of Finance, and once the standards and interpretations relevant to the CSD's activities have been adopted, intends to apply them in the preparation of the financial statements for the period beginning January 1, 2008.

The accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (See Official Gazette of the Republic of Serbia, no. 114 of December 22, 2006). The CSD distributed profit from 2006 in accordance with the Article 14 of the Labor Law ("Official Gazette of RS," number 24/2005), and based on the Decision of the CSD Assembly regarding the 2006 profit distribution prescribed under Article 195, paragraph 1, items 5, 6 and 7 of the Law on Securities' Markets and Other Financial Instruments ("Official Gazette of RS," number 47/2006) and Articles 20 and 21 of the CSD Statute ("Official Gazette of RS," number 113/2006), in the manner presented in the statement of changes in equity.

In the preparation of the accompanying financial statements, the CSD has adhered to the accounting policies described in Note 3 which are in conformity with the accounting and tax regulations prevailing in the Republic of Serbia.

The CSD's financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.2. Comparative Figures

In order to conform the presentation of 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, 2006.

2.3. Use of Estimates

The presentation of the financial statements requires from the CSD's management to make best estimates and reasonable assumptions that effect the: assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition

Fee and commission income and other income are measured at the fair value of the consideration received or receivable, net of value added tax.

Fee and commission income and income earned for membership fees are computed in accordance with the Tariff Code Book, which is subject to the prior approval of the Securities Commission of the Republic of Serbia. In accordance with the Tariff Code Book, the annual membership fee for the members of the CSD amounts to RSD 240 thousand, while other fees are computed in fixed amounts or in a defined percentage of the value of the transaction, depending upon the type of service provided and the amount of the transaction.

Interest income and interest expense is recognized on an accrual basis.

At the time when income is recognized, the related expenditure is also recognized (as per the "matching principle").

3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at official exchange rates, as determined on the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates, as determined on the Interbank Market, that are prevailing at the balance sheet date.

Foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Income Taxes

Current Income Taxes

Current income tax represents an amount that is calculated and paid in accordance with the effective Republic of Serbia Income Tax Law.

Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes the profit shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules.

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for duration of no longer than ten ensuing years.

Deferred Income Taxes

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.

Deferred income taxes are either charged or credited to the Income Statement, except in so far as they relate to items that are directly credited or charged to capital, and in that instance, the deferred taxes are then also recognized under equity.

3.4. Equipment and Intangible Assets

Equipment and intangible assets are stated at cost less accumulated depreciation. Additions to equipment and intangible assets are recorded at cost. Cost represents the price billed by suppliers together with all costs incurred in bringing the new assets into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the income statement.

Maintenance and repair costs are recognized as expenses.

3.5. Depreciation and Amortization

The depreciation and amortization of equipment and intangible assets are computed on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives.

The principal annual depreciation and amortization rates in use are as follows:

Intangible assets	20%
Office furniture	10%
Computers and IT equipment	25% - 50%
Vehicles	20%
Other equipment	25%

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments

Financial assets and liabilities are recognized in the CSD's balance sheet when the CSD has become a counterparty to the contractual provisions of a particular financial instrument.

Accounts Receivable

Accounts receivable are stated at their nominal value less any allowance for impairment, based on management's estimate as to the likelihood of their collectibility.

Accounts Payable

Accounts payable are stated at their nominal values.

4. FEE AND COMMISSION INCOME

	Year Ended December 31,	
	2007	2006
Fees on:		
- purchase and sale operations outside the stock exchange	25,269	44,777
- purchase and sale operations on the stock exchange	136,701	50,810
- opening of the account of deposited securities	2,140	1,774
- transfers on the basis of effective contracts on gifts, court orders and other contracts and decisions	5,588	8,842
- transfers on the basis of the sale of securities of the Republic of Serbia Share Fund	6,679	4,622
- transfers of bonds based on share repurchases	288	3,909
- tax on transfer of absolute rights	92,958	104,371
- registration of securities issuances	7,460	8,505
- corporate activities	13,554	10,745
- opening of issuance accounts	1,880	1,669
- issuance and maintenance of the Smart Card	2,340	1,580
- messages with DUPL status	573	622
- installation and maintenance of client applications	5,730	5,220
- other services	13,960	10,467
	315,120	257,913

5. STAFF COSTS

	Year Ended December 31,	
	2007	2006
Gross salaries and compensation	93,520	81,454
Taxes and contributions on salaries payable by employer	11,132	9,206
Considerations payable to private individuals based on other contracts	1,060	2,072
Remunerations to Managing Board members	2,955	642
Other staff costs	6,542	6,932
	115,209	100,306

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

6. OTHER OPERATING EXPENSES

	Year Ended December 31,	
	2007	2006
Rentals	11,967	13,222
Non-production services	5,396	8,377
Entertainment	2,931	3,478
Bank charges and fees	1,059	908
Postal and telecommunication cost	5,098	4,020
Advertising	1,352	2,674
Insurance premiums	1,075	1,163
Maintenance / cleaning of business premises	1,373	1,483
Employee medical examinations	1,964	1,087
Business associations membership fees	970	450
Other expenses	5,636	6,088
	38,821	42,950

7. INCOME TAXES

a) Components of Income Tax

	Year Ended December 31,	
	2007	2006
Current tax expenses	8,908	6,356
Deferred tax expense	1,091	355
	9,999	6,711

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

	Year Ended December 31,	
	2007	2006
Profit before tax	172,515	121,082
Income tax at the statutory tax rate of 10%	17,251	12,108
Tax effect of non-deductible expenses	98	175
Tax credits for capital expenditures	(7,350)	(5,572)
Tax effects disclosed in the income statement	9,999	6,711

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007**

All amounts expressed in thousands of RSD, unless otherwise stated.

7. INCOME TAXES (Continued)

c) Components of Deferred Tax Assets

	December 31, 2007	December 31, 2006
	<u>1,289</u>	<u>198</u>

Deferred tax assets in the amount of RSD 1,289 thousand at December 31, 2007 are associated with the temporary differences arising between the tax base at which property, plant and equipment, and intangible assets are stated in the annual income tax return, and the carrying value of such assets, as recorded in the CSD's financial statements.

8. EQUIPMENT AND INTANGIBLE ASSETS

	Computers and IT Equipment	Other Equipment and Equipment in Progress	Construction in Progress and Advances	Total Equipment	Intangible Assets
Cost					2007
Balance, beginning of year	59,027	16,001	4	75,032	7,878
Advances	-	-	37,436	37,436	-
Direct additions	9,603	-	-	9,603	12,978
Additions paid in advance	17,963	897	-	18,860	12,353
Realized advances for equipment and intangible assets	-	-	(31,213)	(31,213)	-
Other	-	-	(4)	(4)	-
Balance, end of year	<u>86,593</u>	<u>16,898</u>	<u>6,223</u>	<u>109,714</u>	<u>33,209</u>
Accumulated Depreciation and Amortization					
Balance at beginning of year	30,330	4,862	-	35,192	2,289
Charge for the year	7,616	2,203	-	9,819	1,552
Balance, end of year	<u>37,946</u>	<u>7,065</u>	<u>-</u>	<u>45,011</u>	<u>3,841</u>
Net Book Value:					
- at December 31, 2007	<u>48,647</u>	<u>9,833</u>	<u>6,223</u>	<u>64,703</u>	<u>29,368</u>
- at December 31, 2006	<u>28,697</u>	<u>11,139</u>	<u>4</u>	<u>39,840</u>	<u>5,589</u>

9. ACCOUNTS RECEIVABLE

	December 31, 2007	December 31, 2006
Fee and commission receivables	17,466	26,028
Receivables from employees	4,478	4,345
Other	<u>1,271</u>	<u>234</u>
	<u>23,215</u>	<u>30,607</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

10. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
Current accounts in dinars	220,328	146,564
Foreign currency accounts	246	1,407
	220,574	147,971

11. EQUITY

a) Share Capital

The CSD's share capital had the following ownership structure as of December 31, 2007 and 2006:

<i>Shareholder and percentage of its ownership interest</i>	December 31, 2007 Share Capital		December 31, 2006 Share Capital	
	Thousands of RSD	Share Number	Thousands of RSD	Share Number
Republic of Serbia - 100%	92,740	9,274	47,000	4,700
	92,740	9,274	47,000	4,700

The par value of a single share amounts to RSD 10,000 thousand. The CSD's shares are common and voting shares, whereas the CSD is a closed shareholding company the shares of which are listed on the stock exchange.

Pursuant to the Decision of the Central Registry 10 number 1/2-8 as of June 25, 2007, the share capital of the Central Register increased in 2007 by allocating an amount of RSD 45,740 thousand from retained earnings, which was further fragmented into 4,574 shares.

In accordance with the aforementioned Decision, the amount of RSD 56,050 thousand, or 49% of the FY 2006 retained earnings has been paid as a dividend to a shareholder.

The CSD capital registered with the Serbian Business Registers Agency totals EUR 1,122,638.75 and the amount relates to the dinar countervalue denominated in EUR as of the initial capital payment and the Decision on the next capital increase which is to be executed through allocation of profit.

In accordance with the Law on Securities' Markets and Other Financial Instruments, the ownership interest of the state-owned capital may not decrease below 51%. The monetary portion of the CSD capital can not be lower than EUR 50,000 in the dinar equivalent effective as of the payment date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

11. EQUITY (Continued)

b) Other Capital

Other capital of the Central Register as of December 2007 and 2006 was as follows:

	December 31, 2007	December 31, 2006
Other capital	24,308	24,308
	24,308	24,308

Other capital relates to the worth of equipment transferred to the Central Register by the National Bank of Serbia at no charge, and pursuant to the Article 260 of the previously-enacted Law on Securities' Markets and Other Financial Instruments (effective until the Law on Securities' Markets and Other Financial Instruments published in the Official Gazette of the Republic of Serbia no. 47/2006 came into force), prescribing that the CSD is to assume all documentation with regards to the securities' operations, equipment and information system of the National Bank of Serbia, as well as the NBS employees performing such activities, until the date of the CSD's establishment.

The aforementioned amount of capital was neither registered with the Serbian Business Registers Agency, nor had there been a share issuance thereof prior to December 31, 2007.

c) Retained Earnings

Pursuant to the relevant CSD Assembly Decision, the 2006 profit distribution was executed in the manner presented in the statement of changes in equity. The aforementioned profit distribution includes the employee participation in profit amounting to RSD 6,863 thousand executed based on the professional interpretation of the Law on Business Companies.

12. ACCOUNTS PAYABLE

	December 31, 2007	December 31, 2006
Domestic accounts payable	13,911	1,453
Advances from customers	226	170
	14,137	1,623

13. TAXATION RISKS

The Republic of Serbia tax legislation is subject to varying interpretations and changes occur frequently. Limitation period for the tax liabilities is five years, which means that tax authorities may perform verification of the accuracy of calculated tax liabilities in the period of five years from the moment of tax liability origination. Since the CSD performed computation of tax liabilities in accordance with the effective tax regulations, the management is not aware of any additional tax liabilities that might arise with respect to the aforementioned matter.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

All amounts expressed in thousands of RSD, unless otherwise stated.

14. EXCHANGE RATES

The average exchange rates, as determined on the Interbank Market, and used in the translation of the balance sheet components denominated in foreign currencies as of December 31, 2007 and 2006, were as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
USD	53.7267	59.9757
EUR	79.2362	79.0000
GBP	107.308	117.857
CHF	47.8422	49.1569