

Independent Auditors' Report

To the Management of Deposit Insurance Fund Skopje

We have audited the accompanying financial statements of Deposit Insurance Fund Skopje (further referred to as "the Fund") as of and for the year ended 31 December 2006 , consisting of Balance sheet, Income statement, Statement of changes in equity, Statement of cash flows and related Notes to the financial statements. These financial statements, included on pages 2 to 15, are responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements of the Fund as of and for the year ended 31 December 2006, were audited by another auditor whose report dated 20 April 2006 expressed unqualified opinion on those financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Fund at 31 December 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the laws and accepted accounting policies for preparation and presentation of financial statements in the Republic of Macedonia.

Grant Thornton

Skopje,
April 12 2007

Income statement

		(000 mkd)	
	Notes	Year ended 31 December 2006	2005
Interest income	4	38,657	26,667
Employees' costs	5	(5,763)	(6,009)
Depreciation	8	(1,787)	(1,798)
Other operating expenses	6	(3,438)	(3,474)
Profit before taxation		27,669	15,386
Income tax expense	7	(4,217)	(2,260)
Profit for the year		23,452	13,126

See accompanying notes to the financial statements

Balance sheet

	Note	2006	(000 mkd) At 31 December 2005
Assets			
Non – current assets			
Property and equipment	8	32,714	34,466
		32,714	34,466
Current assets			
Held - to – maturity financial assets	9	474,834	306,698
Interest and other receivables	10	1,172	1,479
Cash and cash equivalents	11	1,858,501	1,556,488
		2,334,507	1,864,665
Total assets		2,367,221	1,899,131
Equity			
Owner's capital		10,300	10,300
Retained earnings		23,452	13,126
		33,752	23,426
Liabilities			
Non – current liabilities			
Insurance reserves	12	2,322,458	1,863,917
		2,322,458	1,863,917
Current liabilities			
Liabilities for claims	13	8,836	10,443
Income tax liabilities		2,100	1,257
Trade and other liabilities	14	75	88
		11,011	11,788
Total equity and liabilities		2,367,221	1,899,131

The financial statements have been approved by the Board of Directors of the Fund on 27 February 2007 and signed on its behalf by:

Nina Nasteva

Director

Statement on changes in equity

	Owner's capital	Retained earnings	(000 mkd) Total
At 01 January 2005	10,300	4,871	15,171
Profit for the year	-	13,126	13,126
Transferred to insurance reserves	-	(4,871)	(4,871)
At 31 December 2005 / 01 January 2006	10,300	13,126	23,426
Profit for the year	-	23,452	23,452
Transferred to insurance reserves	-	(13,126)	(13,126)
At 31 December 2006	10,300	23,452	33,752

Statement of cash flows

	Notes	(000 mkd)	
		Year ended 31 December 2006	2005
Operating			
Profit before taxation		27,669	15,386
Adjusted for:			
Depreciation		1,787	1,798
Interest income	4	(38,657)	(26,667)
Loss before changes in working capital		(9,201)	(9,483)
Proceeds from premiums		444,993	364,081
Proceeds from claims paid in prior years		450	200
Claims paid in the current year		(1,635)	(70,542)
Changes in other assets		509	(426)
Changes in trade and other liabilities		(13)	(3,431)
Cash generated from operations		435,103	280,399
Income tax paid		(3,374)	2,985
		431,729	283,384
Investing			
Purchase of property and equipment		(35)	-
Interest received		38,455	22,173
Purchase of state bills		(1,461,738)	(591,816)
Proceeds from state bills sold		1,293,602	290,000
		(129,716)	(279,643)
Net changes in cash		302,013	3,741
Cash at the beginning of the year	11	1,556,488	1,552,747
Cash at the end of the year	11	1,858,501	1,556,488