

Independent Auditors' Report

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To the Management of

Deposit Insurance Fund Skopje

We have audited the accompanying financial statements of **Deposit Insurance Fund Skopje** (the "Fund") which comprise of the Balance sheet as at 31 December 2008, and the Statement of income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 22.

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 of the Fund 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 Fund'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.

Opinion

In our opinion the financial statements of the Fund present fairly, in all material respects, the financial position as of 31 December 2008, and its financial performance, change in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Grant Thornton

Skopje,
30 January 2009

Financial statements
31 December 2008

Income Statement

	Note	31 December 2008 000 mkd	Year ended 31 December 2007 000 mkd
Interest income	6	68,080	48,012
Personnel costs	7	(6,650)	(6,315)
Depreciation	10	(1,699)	(1,737)
Other operating expenses	8	(3,755)	(3,307)
Profit before taxation		55,976	36,653
Income tax expense	9	(5,627)	(4,436)
Net profit for the year		50,349	32,217

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Balance Sheet

	Note	At 31 December 2008 000 mkd	At 31 December 2007 000 mkd
Assets			
Non-current assets			
Property, plant and equipment	10	29,278	30,977
		29,278	30,977
Current assets			
Securities held-to-maturity	12	1,142,133	643,843
Interest and other receivables	13	2,629	16,015
Cash and cash equivalents	14	2,738,360	1,857,509
		3,883,122	2,517,367
Total assets		3,912,400	2,548,344
Equity			
Owner's capital		10,300	10,300
Retained earnings		50,349	32,217
		60,649	42,517
Liabilities			
Long-term liabilities			
Insurance reserves	15	3,730,612	2,370,416
		3,730,612	2,370,416
Short-term liabilities			
Liabilities for claims	16	118,933	133,925
Income tax liabilities		2,113	1,417
Trade and other liabilities		93	69
		121,139	135,411
Total equity and liabilities		3,912,400	2,548,344

These financial statements have been approved by the Fund's Board of Directors on 29 January 2009 and signed on its behalf by:



Nina Nasteva
Nina Nasteva

Director

Financial statements
31 December 2008

Statement of Changes in Equity

	Owner's capital 000 mkd	Retained earnings 000 mkd	Total 000 mkd
At 01 January 2007	10,300	23,452	33,752
Profit for the year	-	32,217	32,217
Transferred to insurance reserves	-	(23,452)	(23,452)
At 31 December 2007	10,300	32,217	42,517
At 01 January 2008	10,300	32,217	42,517
Profit for the year	-	50,349	50,349
Transferred to insurance reserves	-	(32,217)	(32,217)
At 31 December 2008	10,300	50,349	60,649

Cash Flow Statement

	Notes	31 December 2008 000 mkd	Year ended 31 December 2007 000 mkd
Operating activities			
Profit before tax		55,976	36,653
Adjusted for:			
Depreciation		1,699	1,737
Interest income		(68,080)	(48,012)
(Loss) before changes in working capital		(10,405)	(9,622)
Changes in working capital			
Proceeds from premiums		711,471	564,966
Proceeds from claims paid in prior years		623,425	760,531
Claims paid in the current year		(17,569)	(1,180,243)
Other receivables		10,255	(10,601)
Trade and other liabilities		23	(6)
Cash generated from operations		1,317,200	125,025
Income tax paid		(4,930)	(5,119)
Net cash flow from operating activities		1,312,270	119,906
Investment activities			
Interest received		66,871	48,111
Purchase of state bills		(2,729,930)	(1,918,843)
Proceeds from state bills sold		2,231,640	1,749,834
Net cash flow from investment activities		(431,419)	(120,898)
Net changes in cash and cash equivalents		880,851	(992)
Cash and cash equivalents at the beginning of the year	14	1,857,509	1,858,501
Cash and cash equivalents at the end of the year	14	2,738,360	1,857,509