

Financial Statements and Independent Auditor's Report

Fondi Sllloveno Kosovar i Pensioneve Sh.a.

31 December 2007

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Independent Auditor's Report

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To the Management and Participants of

the Fondi Slloveno Kosovar i Pensioneve Sh.a.

We have audited the accompanying financial statements of the Fondi Slloveno Kosovar i Pensioneve Sh.a. (further referred as "the Company" or "FSKP") which comprise of the Balance sheet as at 31 December 2007, 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 18.

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.

Opinion

In our opinion the financial statements of the Company present fairly, in all material respects, the financial position as of 31 December 2007, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton,

Skopje,

25 March 2008

Statement of Income

		(In Euro)	
		Year ended 31 December	
	Notes	2007	2006
Fee and commission income	4	12,821	-
Fee and commission expense		-	-
Net fee and commission income		12,821	-
Interest income	5	141,957	20,210
Interest expense		(5,164)	-
Net interest income		136,793	20,210
Other operating income		1,113	49
Other operating expenses	6	(552,757)	(34,672)
Loss before income tax		(402,030)	(14,413)
Income tax expense		-	-
Loss for the year		(402,030)	(14,413)

See accompanying notes to the financial statements

Balance Sheet

	Notes	2007	(In Euro) At 31 December 2006
Assets			
Cash and cash equivalents	7	51,865	4,028,417
Securities available for sale	8	3,190,644	-
Placements with banks	9	65,000	70,000
Prepaid insurance		800	1,000
Management fee receivable	10	1,365	-
Receivables from interest on securities		38,052	
Property, plant and equipment	11	687,872	28,535
Intangible assets	12	95,128	71,550
Other receivables		-	6,332
Total assets		4,130,726	4,205,834
Liabilities			
Trade and other liabilities	13	42,742	20,247
		42,742	20,247
Equity			
	14		
Share capital		4,000,000	4,000,000
Share premium		400,000	200,000
Reserves		104,476	-
Accumulated (loss)		(416,492)	(14,413)
Total equity		4,087,984	4,185,587
Total liabilities and equity		4,130,726	4,205,834

These financial statements have been approved by the Supervisor Board and signed on its behalf by,

Mr. Dardan Sejdiu,
President of the Executive Board

FONDI
SILLOVENO-KOSOVAR
I PENSIONEVE
Shoqëri Aksionare - Prishtine

Mr. Bostjan Mikulic,
Member of the Executive Board

Statement of Changes in Equity

	Share capital	Share premium	Reserves	Retained Earnings	(In EUR) Total
At 01 January 2006	-	-	-	-	-
Additions	4,000,000	200,000	-	-	4,200,000
Loss for the year	-	-	-	(14,413)	(14,413)
At 31 December 2006	4,000,000	200,000	-	(14,413)	4,185,587
At 01 January 2007	4,000,000	200,000	-	(14,413)	4,185,587
Additions	-	200,000	-	-	200,000
Revaluation of fixed assets	-	-	104,476	-	104,476
Correction	-	-	-	(49)	(49)
Loss for the year	-	-	-	(402,030)	(402,030)
At 31 December 2007	4,000,000	400,000	104,476	(416,492)	4,087,984

Statement of Cash Flows

	Notes	(In EUR)	
		Year ended 31 December 2007	2006
Operating activities			
Loss for the year		(402,030)	(14,413)
Depreciation		56,595	3,013
Loss from securities available for sale sold		129,367	-
Unrealized loss from securities available for sale, net		2,676	-
NPV of disposed equipment		83	-
Interest and commission income, net		(149,614)	(20,210)
<i>(Loss) before changes in operating assets</i>		<i>(362,923)</i>	<i>(31,610)</i>
<i>Changes in operating assets</i>			
Loans and advances to Banks		5,000	(70,000)
Other assets		5,167	(7,332)
Other liabilities		22,449	20,247
<i>Gain(Loss) after changes in operating assets</i>		<i>(330,307)</i>	<i>(88,695)</i>
Interest and commission received		116,726	20,210
Interest and commission paid		(5,164)	-
		(218,745)	(68,485)
Investment activities			
Purchase of buildings and equipment		(635,120)	(103,098)
Investment in available-for-sale securities		(3,322,687)	-
		(3,957,807)	(103,098)
Financial activities			
Capital increase		200,000	4,200,000
		200,000	4,200,000
Net change in cash and cash equivalents		(3,976,552)	4,028,417
Cash and cash equivalents at beginning	7	4,028,417	-
Cash and cash equivalents at end	7	51,865	4,028,417

See accompanying notes to the financial statements

Notes to the financial statements

1 Establishment and general information

The Fondi Slloveni Kosovar i Pensioneve Sh.a. (hereinafter “the Company” or “FSKP”) was constituted as a joint-stock company as of 29 August 2006 with business registration number 70378739. The Company started its operations as of 04 September 2006.

The principal shareholders of the Company are Prva Pokojninska Druzba, Slovenia and Corporation Dukagjini, Kosovo.

The main operations of the Company are as follows: management of pension funds, their representation in front of third parties and all other activities connected to the pension funds. The Company is located at Nëna Terezë Nr.33, 10000 Prishtina, Kosovo.

At 31 December 2007, the Company performed its business activities with 7 employees (2006: 9).

2 Accounting policies

The principal accounting policies adopted in preparation of these financial statements are set out below:

2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

The financial statements have been prepared as of and for the years ended 31 December 2007 and 2006. Current and comparative data stated in these financial statements are expressed in Euros. Where necessary, comparative figures have been reconciled to conform with changes in presentation for the year.

Notes to the financial statements (continued)
Accounting policies (continued)

Basis of preparation (continued)

(a) Standards, amendments and interpretations effective in 2007

- IFRS 7 - Financial instruments: Disclosures and the complementary amendment to IAS 1 Presentation of financial statements – Capital disclosures, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.
- IFRIC 8 - Scope of IFRS 2 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Company's financial instruments financial statements.
- IFRIC 10 - Interim financial reporting and impairment, prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- IFRS 4 - Insurance contracts,
- IFRIC 7 - Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies, and
- IFRIC 9 - Re-assessment of embedded derivatives.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment) - Borrowing costs (effective from 1 January 2009). The Company will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Bank as there are no qualifying assets.
- IFRS 8 - Operating segments (effective from 1 January 2009). The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- IFRIC 11 - IFRS 2 – Group and treasury share transactions (effective from 1 March 2007). This interpretation does not have an impact on the Company's financial statements.
- IFRIC 12 - Service concession arrangements (effective from 1 January 2008). IFRIC 12 is not relevant to the Company's operations because the Company does not provide for public sector services.
- IFRIC 13 - Customer loyalty programs (effective from 1 July 2008). IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programs.
- IFRIC 14 - IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's accounts.

The application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

Notes to the financial statements (continued)
Accounting policies (continued)

2.2 Foreign exchange translation

Transactions in foreign currencies are recorded in accordance with the valid exchange rate as of the date of the transaction. The differences are recorded in the income statement as gains/losses.

2.3 Offsetting

Financial assets and liabilities are offset and reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

2.4 Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing financial assets and liabilities using the effective interest method.

2.5 Fee and commission income

Fee and commission income is recognized in the income statement on an accrual basis when the service has been provided.

2.6 Dividend income

Dividends are recognized in the income statement when the entity's right to receive payment is established.

2.7 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. The company has no assets classified in this category.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets, continued

Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described further in this note.

2.8 Intangible assets

Computers software

Costs associated with development or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with identifiable and unique software products controlled by the Company that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognized as assets are amortized using the straight-line method over a period of four years.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method over a period of four years.

Notes to the financial statements (continued)
Accounting policies (continued)

2.9 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes all expenses directly attributable to acquisition of the items.

Depreciation is charged on a straight-line basis at prescribed rates in order to allocate the revalued cost of property, plant and equipment over their useful lives.

The following are approximations of the annual depreciation rates applied to significant items of property, plant and equipment:

Buildings	5%
Furniture and equipment	20%

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition and comprise only cash and placements with banks.

2.11 Employee benefits

The Company contributes to its employees' post retirement plans as prescribed by the social security legislation enacted by UNMIK. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions. There is no additional liability regarding these plans and thus such schemes are considered as defined contribution plans. The Company has no post retirement benefits to its employees.

2.12 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated and paid in accordance with UNMIK regulation No. 2002/3. Final tax on profit at a rate of 20% are payable based on the annual profit shown in the statutory statement of income as adjusted for items, which are non-assessable or disallowed. According to the current tax legislation, Tax losses may be carried forward to be set of the next five years following the year in which the tax loss was incurred.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred income tax. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the financial statements (continued)
Accounting policies (continued)

Income tax (continued)

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company has not recognized any deferred tax liability or asset at 31 December 2007 and 2006, as there are no temporary differences existing at those dates.

2.13 Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

2.14 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(c) Treasury shares

Where the Bank purchases equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.15 Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2.16 Transactions with related parties

Related parties are defined as those parties which have control over each other or have an influence on the financial and operational decisions of each other.

The Company's related parties are Prva Group from Ljubljana, Slovenia and Corporation Dukagjini from Peja, Kosovo, which are the shareholders of the Company.

Notes to the financial statements (continued)

3. Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Risk Management Department under policies approved by the Supervising Board. This department identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

3.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business activities. Therefore, the Company's management carefully manages its exposure to credit risk.

3.2 Market risks

The Company is exposed to market risks. Market risks arise from the open position of the Company to the effect of fluctuation in the prevailing level of market interest rates, as well as from the effect of fluctuation in the foreign exchange rates. The Company's management sets limits of the value of risk that may be accepted, which is mainly based on a day – by – day monitoring.

Interest rate risk

The Company takes on exposure to effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as of 31 December 2007 and 31 December 2006 (in Euros).

	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	51,865	-	-	-	-	-	51,865
Securities available for sale	-	-	3,190,644	-	-	-	3,190,644
Placements with banks	-	-	65,000	-	-	-	65,000
Accounts receivable (other assets)	-	-	-	-	-	40,217	40,217
	51,865	-	3,255,644	-	-	40,217	3,347,726
Liabilities							
Trade and other liabilities	-	-	-	-	-	42,742	42,742
	-	-	-	-	-	42,742	42,742
Net liquidity gap	51,865	-	3,255,644	-	-	(2,525)	3,304,984
31 December 2006							
Total assets	4,028,417	-	70,000	-	-	7,332	4,105,749
Total liabilities	-	-	-	-	-	20,247	20,247
Net liquidity gap	4,028,417	-	70,000	-	-	(12,915)	4,085,502

Notes to the financial statements (continued)
Financial risk management (continued)

Foreign currency risk

The Company takes on exposure to effects on fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The following tables summarize the net foreign currency risk position of the Company at 31 December 2007 and 2006 (in Euros).

	In EUR	in USD	Other currencies	Total
Assets				
Cash and cash equivalents	51,865	-	-	51,865
Securities available for sale	2,933,613	212,830	44,201	3,190,644
Placements with banks	65,000	-	-	65,000
Accounts receivable (other assets)	40,217	-	-	40,217
Total assets	3,090,695	212,830	44,201	3,347,726
Liabilities				
Trade and other liabilities	42,742	-	-	42,742
Total liabilities	42,742	-	-	42,742
Net foreign currency risk	3,047,953	212,830	44,201	3,304,984
31 December 2006				
Total assets	4,105,749	-	-	4,105,749
Total liabilities	20,247	-	-	20,247
Net liquidity gap	4,085,502	-	-	4,085,502

Liquidity risk

The Company is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan draw downs and other cash calls.

The tables below analyses assets and liabilities of the Company as of 31 December 2007 and 2006 into relevant maturity based on the remaining period at balance sheet date to the contractual maturity date (in Euros).

	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	51,865	-	-	-	-	51,865
Securities available for sale	-	-	3,190,644	-	-	3,190,644
Placements with banks	-	-	65,000	-	-	65,000
Accounts receivable (other assets)	40,217	-	-	-	-	40,217
Total assets	92,082	-	3,255,644	-	-	3,347,726
Liabilities						
Trade and other liabilities	42,742	-	-	-	-	42,742
Total liabilities	42,742	-	-	-	-	42,742
Net liquidity gap	49,340	-	3,255,644	-	-	3,304,984
31 December 2006						
Total assets	4,035,749	-	70,000	-	-	4,105,749
Total liabilities	20,247	-	-	-	-	20,247
Net liquidity gap	4,015,502	-	70,000	-	-	4,085,502

Notes to the financial statements (continued)
As of and for the year ended 31 December 2007 and 2006
(All amounts are expressed in Euro, unless otherwise stated)

4 Fee and commission income

	2007	2006
Entrance fee	11,456	-
Management fee	1,365	-
	12,821	-

During the year 2007, the Company charged entrance fee equal to 3% from the total amount of contributions paid.

At the same time, the management fee set was different, ranging from 2.25% in the first months of the year to 1.5% from September, 2007 onwards. The period March-September was with no management fee charged by the Company.

5 Interest income

	2007	2006
Income from transactions with securities available-for-sale	100,494	-
Interest income on deposits	41,463	20,210
	141,957	20,210

6 Other operating expenses

	2007	2006
Salaries and other personnel costs	143,476	10,581
Loss from securities available for sale sold	129,367	-
Unrealized loss from securities available for sale, net (Note 8)	2,676	-
Administrative expenses	118,352	11,741
Depreciation (Note 11,12)	56,595	3,013
Communication expenses	33,074	2,157
Material expenses	22,545	950
Taxes and contributions	9,764	-
Marketing and advertising	5,201	-
Bank charges	4,915	4,264
Other expenses	26,792	1,966
	552,757	34,672

7 Cash and cash equivalents

	2007	2006
Cash in hand	-	3
Current account - Kasabank	27,045	-
Current account - Raiffeisen Bank Kosovo	838	-
Current account - CBAK	281	4,028,414
Custody account - NLB Slovenia	23,701	-
	51,865	4,028,417

As at 31 December 2007 the Company does not earn any interest on the current accounts with banks.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2007 and 2006
(All amounts are expressed in Euro, unless otherwise stated)

8 Securities available for sale

As of 31 December 2007 securities available for sale consist of the following type of securities:

	2007	2006
<u>Debt securities</u>		
- Corporate bonds	1,477,360	-
- Government bonds	1,200,238	-
<u>Equity securities</u>		
- in Euro	295,674	-
- in foreign currency	217,372	-
	3,190,644	-

Following table provides for the movement of securities available for sale during 2007 and 2006:

	Debt securities	Equity securities	Total
At 31 December 2006 / 01 January 2007	-	-	-
Additions	4,053,725	862,427	4,916,152
Disposals	(1,342,240)	(380,592)	(1,722,832)
Unrealised gains / (losses) (Note 6)	(33,887)	31,211	(2,676)
At 31 December	2,677,598	513,046	3,190,644

During the year ended 31 December 2007 the Company recognized loss from the sales of the securities available for sales in the total amount of Euro 129,367 (Note 6).

9 Placements with banks

	2007	2006
Placement with banks	65,000	70,000
	65,000	70,000

As of 31 December 2007, the total amount of Euro 65,000 is deposit in Kasabanka - NLB Pristina. The deposit is with short-term maturity and bears interest at 3.6% on annual basis.

10 Management fee receivable

At 31 December 2007, the balance of the management fee receivable, amounting Euro 1,365, relates to the FSKP's management fee charged to the fund, which was not paid up to the balance sheet date. Management fee charged by the Company equals 1.5% on fund assets and is charged on daily basis.

At the beginning of year 2007, the Company charged management fee to the Fund amounted 2.25% from total Fund's assets annually. From end-March until end-September, the Company did not charged fee to the Fund. As of September onwards, the fee was set at 1.5% annually, but was charged on a daily basis.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2007 and 2006
(All amounts are expressed in Euro, unless otherwise stated)

11 Property, plant and equipment

	Buildings	Computer and other equipment	Total
At 01 January 2006			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net carrying amount	-	-	-
Movements during 2006			
Opening net book value			
Additions	-	29,081	29,081
Depreciation	-	(546)	(546)
Closing net carrying amount	-	28,535	28,535
At 31 December 2006 / 01 January 2007			
Cost	-	29,081	29,081
Accumulated depreciation	-	(546)	(546)
Net carrying amount	-	28,535	28,535
Movements during 2007			
Opening net book value	-	28,535	28,535
Additions	550,000	51,299	601,299
Revaluation of fixed assets	104,390	-	104,390
Disposals	-	(2,399)	(2,399)
Depreciation	(26,882)	(17,071)	(43,953)
Closing net carrying amount	627,508	60,364	687,872
At 31 December 2007			
Cost	654,390	77,898	732,288
Accumulated depreciation	(26,882)	(17,534)	(44,416)
Net carrying amount	627,508	60,364	687,872

12 Intangible assets

The movement of intangible assets is summarized in the following table:

	Cost	Accumulated depreciation	Net carrying amount
At 01 January 2006			
Additions	74,017	-	74,017
Depreciation		(2,467)	(2,467)
At 31 December 2006	74,017	(2,467)	71,550
At 01 January 2007			
Additions	36,220	-	36,220
Depreciation	-	(12,642)	(12,642)
At 31 December	110,237	(15,109)	95,128

The intangible assets of the Company consist entirely of the information system.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2007 and 2006
(All amounts are expressed in Euro, unless otherwise stated)

13 Trade and other liabilities

	2007	2006
Suppliers	26,209	14,421
Employees		
- Salaries	11,509	1,367
- Contribution and other mandatory	4,404	1,630
Other liabilities	620	2,829
	42,742	20,247

14 Share capital

At 31 December 2007, according to the Shareholder's Book at the balance sheet date, total share capital amounts Eur 4,000,000.

Share capital structure of the Bank as of 31 December 2007 and 2006 is as follows:

	2007	2006
Prva Pokojninska Druzba D.D., Ljubljana, Slovenia	76.825%	76.825%
Dukagjini Sh.p.k., Peja, Kosovo	23.175%	23.175%
	100.00%	100.00%

15 Transactions with related parties

The significant related party balances and transactions are presented as follows:

	2007	2006
Receivables	-	-
Liabilities	2,294	-
Income	-	-
Expenses	72,675	-



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