

CENTRAL
DEPOSITORY
AGENCY OF MONTENEGRO
2000-2010

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Introductory remarks

Dear reader,

You have before you the 2000-2010 Report of the Central Depository Agency (CDA), featuring operational statistics since the establishment of this single most important institution within the capital market infrastructure in Montenegro.

We aim to develop an efficient framework enabling reliable tools for registration of securities, as well as protection of proprietary rights of share-holders and prospective investors. Putting in place a control mechanism for investment flows within clearing and settlement of securities transactions, fosters investments in Montenegrin companies and maximises the benefit for our clients and share-holders. It is imperative to develop into a highly professional, impartial and independent institution. Lawful and reliable transfer of titles on securities is the best way to ensure protection of our members and clients.

CDA offers support to the capital market as a technical services provider for keeping securities holder's accounts, registering issuers, issues and securities holders, processing non-market transactions, as well as clearing and settlement of market transactions made on stock exchange. In late 2010 CDA kept the register of 429 issuers with some 255,000 shareholders, and nominally keeps the capital somewhat exceeding €5.1 bn. Apart from the share register, CDA is also a register of long-term bonds and treasury bills.

The basic CDA activity is developing a database. In this respect, over the previous year a project for developing the new CDA IT system was launched aiming to enhance our operation and respond to growing demands of the domestic and international capital markets. Its implementation is expected during 2012 year. Also, we plan to address the issue of the CDA system back-up location, as envisaged by international standards.

CDA is a fully-fledged member of renowned world organisations: ECSDA and ANNA. The former is the European Central Securities Depositories Association, seated in Brussels, and the latter gathers national numbering agencies worldwide for assigning unique codes to dematerialised securities (ISIN and CFI codes) in line with the ISO standards.

The stable operation of CDA is indubitably of huge interest for the development of Montenegrin capital market. Over the forthcoming period we intend to introduce a number of new products as a step forward towards overcoming the financial crisis and better financial performance. This will improve efficiency of the overall financial market by maximising satisfaction of all our stakeholders.

Vladimir Kaščelan, CEO

CDA PROFILE

- CDA was established in 2000.
- CDA is a profit joint stock company.
- It was founded by: the Ministry of Finance, the Central Bank of Montenegro, and seven commercial banks and financial companies.
- CDA bodies are: the Assembly, the Board of Directors, the Chief Executive Officer (CEO) and the Secretary
- CDA operation is governed by the Securities Law, the rules and regulations of the Montenegrin Securities Commission (MSEC), the CDA Statute, internal rules and procedures adopted by the Board of Directors, and approved by the Securities Commission.
- CDA consists of two divisions: the Central Register, and the Clearing and Settlement Depository.
- At this moment, the CDA's Central Register keeps records of 400 companies and services accounts of more than 250,000 shareholders.
- Depository Clearing and Settlement System operates on:
 - delivery versus payment principle, (money to the seller and securities to the buyer are transferred concurrently, thus eliminating the main settlement risk);
 - trade for trade settlement (TFT) - each trade settles separately as per a gross principle (BIS Model 1) and continuous trade settlement (CNS) using the Guarantee Fund – funds transfers occur on a net basis, while security transfer is done as per a gross principle (BIS Model 2);
 - T+3 settlement cycle (rolling settlement on third business day after the conclusion of trade).
- The Central Register offers services to securities issuers and holders as follows:

- Services rendered to issuers:

- Compile and keep securities holders registry;
- Issue list of securities holders to the issuer (as of any date);
- Prepare customer defined reports;
- Assist with the preparation and holding of shareholders' general meeting, e.g. prepare and distribute notifications, prepare and publish press releases, etc.
- Calculation of dividends and payment to shareholders;
- Process corporate actions of issuers (fragmentation, consolidation, division, merging, pre-emptive rights, change of issue date, etc).
- Register new issue of securities.

- Services rendered to security holders:

- Opening and maintaining personal accounts in the registry; changing personal account information at the request of security holder.
- Re-registration of proprietary rights in case of civil transactions;
- Transfer of securities to nominal and securities (to street name) account.
- Blocking of securities;

- Ensure safekeeping of pledged securities;
 - Issue excerpts from the registry and account statements referring to operations in the personal account;
 - Preparation of a list of security holders upon request of a security holder or a group of security holders entitled to obtain such a list.
- Depository Clearing and Settlement System offers services to certified participants in the market (brokers, dealers and custodian participants) and stock exchanges as follows:

Services rendered to participating members:

- Open proprietary accounts, custody accounts (joint and to the name) and customer accounts in the Depository for Clearing and Settlement;
- Maintain customer accounts in the depository for clearing and settlement system;
- Clearing and settlement of trades concluded on stock exchanges, pursuing delivery vs. payment principle, trade-for-trade settlement, contractual settlement with fund transfers on a net basis and the Guarantee Fund, based on T+3 settlement cycle principles.
- Processing of trade applications and confirmation instructions for institutional investors;
- "to street" and "from street" security transfer and security transfer to and from custody account;
- Regular reporting to participants of clearing and settlement activities performed.

VISION

Our aim is to develop an efficient framework enabling protection of proprietary rights of shareholders and prospective investors. We pursue constant development and upgrading of investment flow control mechanisms with a view of fostering investment into Montenegrin companies by offering highly proficient services for registry keeping and introducing enhanced electronic technology covering all stages from primary placement of securities to the transfer at the secondary securities market.

MILESTONE EVENTS IN CDA HISTORY 2000-2010

2000.

The founding meeting of CDA was held in May, and the CDA commenced its operation on 17 November 2000.

2001.

In May CDA was granted the operation licence by the Securities Commission (www.scmn.me), for performing the tasks of a Central Register. Since the procurement of the licence, we worked intensively on the development of the CDA rules and instructions.

2002.

In February we were granted the licence for clearing and settlement activities. Some of major CDA responsibilities were as follows: acceptance of the results of Mass Voucher Privatisation leading this process to its successful closure, the beginning of registration of T-bills, the privatisation of Jugopetrol. In June, at the annual meeting of CEECSDA held in Budapest, CDA became an associate member.

2003.

Commence with registering old foreign currency savings bonds, i.e. the procedure for indemnification of citizens by the state of Montenegro.

2004.

In addition to regular business, HK Željezara Nikšić and "Livnica" ad Nikšić were privatised.

2005.

Privatisation of "Telekom Crne Gore" and "Aluminijumski kombinat" (KAP). The Interactive Voice Messaging (IVM) based on Windows platform put in operation. CDA enabled its customers to use IVM for procuring information on the state of the account and monitor changes on proprietary accounts.

2006.

CDA became a full member of ECSDA (European Central Securities Depository Association) (www.ecsda.eu).

2007.

CDA became a full member of ANNA (Association of National Numbering Agencies) (www.ana-web.com). The IVM system greatly upgraded both in terms of hardware and software. Amendments to the CDA Rules of Operation.

2008.

CDA made the necessary preparations for setting up the Guarantee Fund and introducing contractual settlement. The CDA Rules were amended accordingly.

2009.

Since June, the application software for clearing and settlement and brokers and custodian participants put in use, based on the NET technology which significantly changed with the introduction of the Guarantee Fund into the Clearing and settlement system. The IVM system used for confirmation "to street" transfers made by brokers. CDA distributed PIN codes by Montenegro Postal Services and in CDA offices and put into operation the broker application and IVM.

2010.

Activities on the development of the new IT system commenced, expected to be put to use in 2012.

PARTICIPANTS:

3m Broker Diler A.D. Podgorica

Bull and Bear Broker, Dealer, Inv. Adviser A.D. Podgorica

Cg Broker-Diler A.D. Podgorica

Crnogorska Komercijalna Banka A.D. Podgorica – custodian participant

First Financial Bank A.D. Podgorica

Global Broker Diler A.D. Podgorica

Hipotekarna Banka A.D. Podgorica – Broker/Dealer

Hipotekarna Banka A.D. Podgorica – custodian participant

Hypo Alpe Adria Bank A.D. Podgorica – custodina participant

Hypo Alpe Adria Bank A.D. Podgorica – Broker/Dealer

Invest Banka Montenegro A.D. Podgorica - custodian participant

Invest Banka Montenegro A.D. Podgorica - Broker/Dealer

Market Broker Diler A.D. Bijelo Polje

Marketiva Broker Diler A.D. Podgorica

Monte Adria Broker Diler A.D. Podgorica

Monte Broker A.D. Berane

NK Broker A.D. Nikšić

NLB Montenegrobanka A.D. Podgorica - custodian participant

Nove Broker A.D. Podgorica

Partner Broker A.D. Podgorica

Podgorički Broker Diler A.D. Podgorica

Prva Banka CG osnovana 1901 A.D. Podgorica - custodian participant

Vip Broker Diler A.D. Podgorica

LEGAL FRAMEWORK AND CDA ORGANISATIONAL CHART

The Central Depository Agency is a joint stock company with its rights, duties and responsibilities envisaged in law, secondary legislation, CDA Articles of Association and the Statute.

The legal framework for CDA operation is composed primarily of the Securities Law (Official Gazette of the Republic of Montenegro 59/00, 10/01, 43/05, 28/06) and the CDA rules and instructions.

In line with the Securities Law, the Central Depository Agency performs the tasks of registering dematerialised securities, clearing and settlement of transactions made with such securities and other tasks related to dematerialised securities.

The method of CDA operation is defined by the CDA Rules (Official Gazette of Montenegro 28/2001, 53/2007, 36/2008). These Rules stipulate the types of membership to the Central Depository Agency a.d. Podgorica; requirements for membership; acceptance procedure; rights, duties and responsibilities of members; cessation of membership; types and method of providing services and the rights and duties of CDA and its members in relation to such services.

Apart from the Securities Law, as the umbrella law, the Central Depository Agency also applies a whole set of other laws and pieces of secondary legislation: the Company Law (Official Gazette of the Republic of Montenegro 17/07, 80/08), the Privatisation Law (Official Gazette of the Republic of Montenegro 23/96, 6/99, 59/00, 42/04), the Law on Ownership and Management Restructuring (Official Gazette of the Republic of Montenegro 2/92, 17/92, 59/92, 4/93, 27/94, 30/94, 23/96), the Law on Joint Stock Company Take Over (Official Gazette of the Republic of Montenegro 81/05), the Law on Obligations (Official Gazette of Montenegro 47/08), the Inheritance Law (Official Gazette of Montenegro 74/08), the Law on Lien as a Security for Claims (Official Gazette of the Republic of Montenegro 38/02), the Decree on Conversion of Old Foreign Currency Savings into Bonds (Official Gazette of the Republic of Montenegro 42/04, 70/04, 56/06), the Rules on the Right to Procure Information on Shares Listed with the Central Depository Agency (Official Gazette of the Republic of Montenegro 10/02), the Rules for Conducting Custody Business (Official Gazette of the Republic of Montenegro 57/07), the Rules on the Method of Trading with Block Shares (Official Gazette of the Republic of Montenegro 57/06, 66/08), etc.

The purpose of the CDA existence is to keep securities registers pursuant to the Securities Law and the regulations and acts governing the method of handling dematerialised securities, performing services referring to securities trading, thus improving and developing the capital market in Montenegro and enabling the capital market participants regular, reliable, fast and efficient calculation and payment in securities trading, for which the CDA is both obliged and authorised to take all measures and tasks helpful and necessary for attainment and improvement of its legal function, purpose and aim.

In the ten years of its operation, in line with its role on the capital market, the CDA gave a substantial contribution to the upgrading and alignment of pertinent legislation, in order to keep pace with the market demands.

The CDA Statute governs its organisation and management. The organisational parts reflect the professional orientations, the specifics of CDA activity and operation with the aim of functionally meeting the goals and tasks set and the envisaged development.

The CDA units include the executive management, Operation Division of the Central Register and the Clearing and Settlement Depository, IT implementation and maintenance, legal, staff and general matters, organisational matters, accounting and financial matters, development and marketing activities, etc.

CDA is organised in 4 divisions, 3 of which provide logistic support to its core business.

I Operation Division

- *Central Register and*
- *Clearing and Settlement Depository*

II Information Technology (IT) Division

III General and Legal Matters Division

IV Accounting and Finance Division

CDA pays particular attention to training of staff, given that it performs the tasks which require constant adaptation to client demands and international standards, alignment of procedures with national legislation, etc. Training includes participation to professional events, attendance of specialised courses and seminars, and continuous updating of operational procedures, with full engagement of staff.

OVERVIEW OF ACTIVITIES (2000-2010)

CENTRAL REGISTER

The Central Register is one of the two CDA components playing a substantial role in securities operations. It constitutes single records of security holders and security titles, as well as third party rights on securities. The acceptance of issuers into membership, safekeeping of securities, entry of changes on holders' accounts, submission of reports and corporate activities are the services making the fundamental tasks of the Register. Over the past ten years, the Central Register has been successfully servicing the capital market, meeting the needs and demands of issuers and share-holders.

Among the Central Register's activities, the following stand out:

- initial registration of Montenegrin share-holding companies;
- registration of data from Mass Voucher Privatisation, which constitutes the closure of the process. The process itself conditioned the development of funds which, by investing vouchers, acquired a substantial share in the capital of Montenegrin companies, and are ranked quite highly as regards the scope of performed non-market transactions;
- the period after MVP was a challenge for the Central Register. The number of non-market transactions grew each year to reach its peak in 2009 when the nominal value of non-market transactions was €371,559,901.79. In 2002 and 2009 the nominal values of corporate activities performed reached their maximum values of €4,727,612 (due to the initial registration of issuers) and €4,189,057 (due to reductions and increase in the capital of issuers) respectively. The number of issuers accepted as members increases, but also the number of issuers deleted from the register.
- privatisation of major companies: "Jugopetrol" (2002), "Željezara" (Steel Plant) Nikšić (2004), "Montenegro Telecom" (2005), "Aluminium Plant" Podgorica (KAP) (2005), "Crnogoraput" (2006), "Electric Power Supply Company" (EPCG) (2009), etc;
- registration of old foreign currency savings bonds (since 2003), bonds for indemnification of title holders of Pension and Disabilities Insurance (PIO) (2008) and restitution bonds (since 2006) by which the state took actions related to indemnification of its citizens;
- client consulting – the Central Register is fully aware that only a well-informed client, who understands the processes, procedures and scope of own rights, may truly exercise them.

Table 1: Number of registered and deleted issuers from the CDA/s Register

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of issuers as members	173	346	379	395	395	401	409	414	418	429
Number of issuers deleted from the Register	-	-	-	19	24	46	58	77	87	119

2. Keeping records of proprietary positions and entry of changes in proprietary positions

Table 2.1: Number of transfers: to street and from street

No		2001		2002		2003		2004		2005	
		No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €
1.	To street	-	-	5.368	104.601	21.633	233.544	61.224	347.844	105.706	687.578
2.	From street	-	-	887	17.270	2.904	184.731	5.364	223.558	9.709	372.453
	Total	-	-	6.255	121.871	24.537	418.275	66.588	571.402	115.415	1.060.031

No		2006		2007		2008		2009		2010	
		No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €
1.	To street	66.963	509.210	77.134	631.236	52.364	386.257	39.553	566.986	9.576	292.418
2.	From street	5.202	325.992	16.866	436.585	9.409	353.723	13.890	587.123	13.776	392.837
	Total	72.165	835.202	94.000	1.067.821	61.773	739.979	53.443	1.154.109	23.352	685.255

Table 2.2. Number and value of registered holders' position as a consequence of non-market (lawful) legal transfer or change

	2001		2002		2003		2004		2005	
	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €
Inheritance	6	35	89	465	284	2.631	818	3.190	1.845	3.807
Donation	-	-	328	3.132	303	45.286	556	4.165	1.524	3.219
Priv. Agreem.	-	-	4	36.951	3	4.018	9	29.581	14	83.594
Court & out-of-court settl.	-	-	-	-	3	7.222	4	2.468	12	909
Pledge	-	-	-	-	-	-	235	121	104	46.377
Fiduciary	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	35	21.025	938	9.724
Total	6	35	421	36.955	593	59.157	1.657	182.157	3.325	147.632

2006		2007		2008		2009		2010	
No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €	No of transf	Nom.value 000 €
4.934	9.584	6.145	11.367	7.288	9.621	12.959	9.699	3.795	6.526
1.063	7.067	1.767	46.231	865	14.763	687	19.078	428	5.445
22	34.808	22	55.687	14	54.693	2	87.651	10	15.681
13	15.439	2	23.471	-	-	1	3.308	29	33.195
461	90.558	1.001	188.615	987	244.714	589	251.824	309	198.648
4	5.670	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	98	74.889
6.497	163.126	8.937	325.371	9.154	323.791	14.238	371.560	4.669	334.384

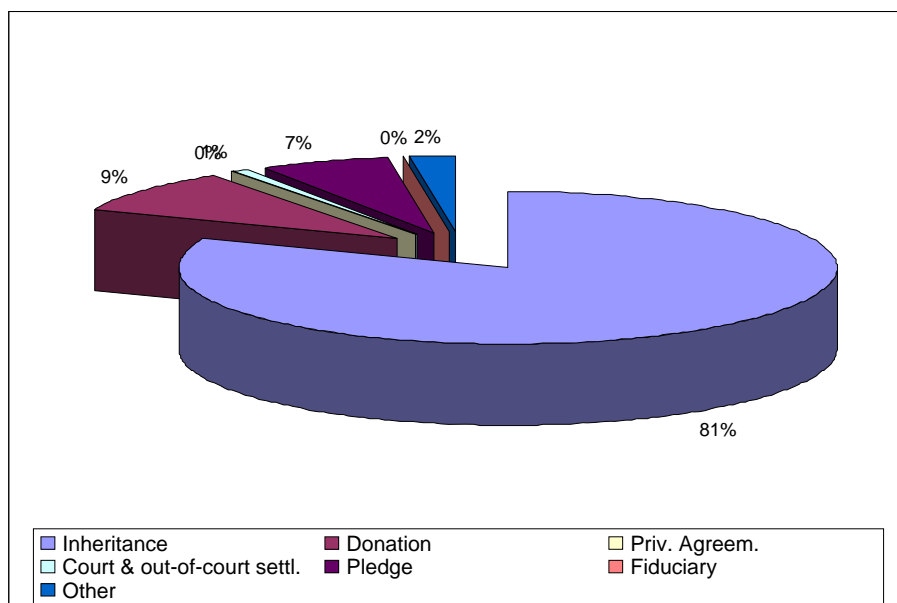


Figure 1. Overview of non-market transactions, 2010

3. Safekeeping of securities

The total nominal value of securities kept at the Central Register as per security category and type:

Table 3. Number and value of registered securities

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Shares (000 €)	1.154.460	4.738.378	4.870.785	3.863.858	3.383.492	3.496.354.205,10	3.626.326.881,49	3.626.326.881,49	4.029.951.230,52	4.143.153.647,82
Old foreign currency savings bonds (000 €)	-	-	-	95.713	98.874	103.509.194,00	99.300.591,00	99.300.591,00	183.453.895,00	142.475.057,00
Investment units PF (000 €)	-	1.321.866	1.387.959	767.997	700.069	700.069.379,47	712.737.329,47	712.737.329,47	718.509.330,25	718.509.330,25
Treasury bills (000 €)	33.000	9.794	19.733	39.380	26.017	38.000,00	49.433.945,00	78.441.066,00	122.389.126,00	49.592.000
Total	1.187.460	4.749.493	6.278.477	4.766.949	4.208.453	4.299.965.778,54	4.487.798.746,96	5.089.383.697,63	5.054.303.581,77	5.053.730.035,07

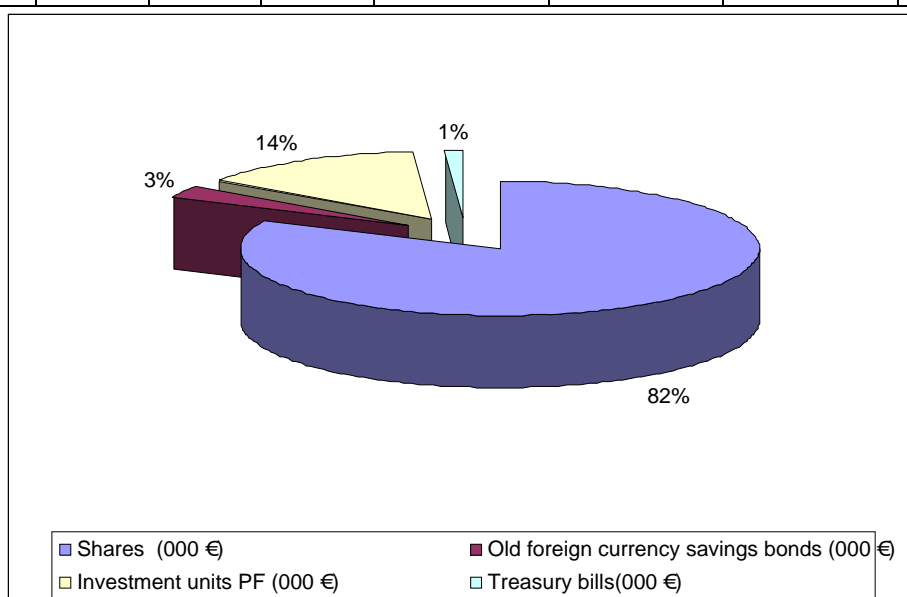


Figure 2. Overview of registered types of securities, 2010

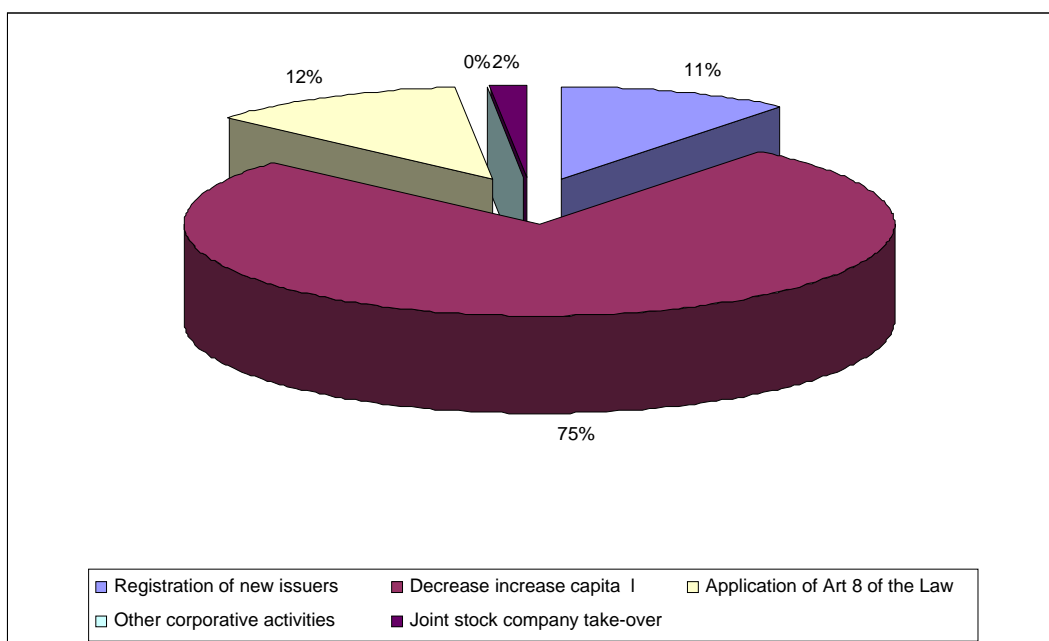
Table 4. Overview of reports submitted

Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Extract from CDA	277	208	356	356	451	1.009	2.038	1.862	1.951	557
Reports to issuers	277	181	326	382	215	678	302	754	485	534
Lists of foreign capital share-holders	23	42	216	308	294	349	395	732	965	215
T- bills report		-	-	37	23	15	2	-	7	8
TOTAL	577	431	898	1.083	983	2.051	2.737	3.348	3.308	1.314

Table 5: Overview of corporate actions conducted in CDA

	2001		2002		2003		2004		2005	
	No of transfers	Nom.val . 000 €	No of transfers	Nom.val. 000 €	No of transfers	Nom.val . 000 €	No of transfers	Nom.val . 000€	No of transfers	Nom.val . 000€
Registration of new issuers	56.531	410.233	451.927	4.717.631	5.451	119.699	73.115	428.799	2.304	112.786
Decrease, increasecapital	-	-	-	-	8.677	13.583	38.793	179.167	12.539	490.343
Application of Art 8 of the Law	-	-	3.732	9981	4.447	9.005	2.246	3.492	2.082	6.732
Other corporative activities	-	-	-	-	-	-	24.916	8.312	-	-
Joint stock company take-over	-	-	-	-	-	-	-	-	2244	
Total	56.531	410.233	455.659	4.727.612	18.575	142.287	139.070	619.770	19.169	609.861

	2006		2007		2008		2009		2010	
	No of transfers	Nom.val. 000 €	No of transfers	Nom.val. 000 €	No of transfers	Nom.val . 000 €	No of transfers	Nom.val . 000€	No of transfers	Nom.val. 000€
Registration of new issuers	5.690	180.816	3.972	308.195	19.980	576.182	5.252	429.918	1.387	325.519
Decrease, increasecapital	10.965	35.503	1.690	98.725	9850	634.387	26.460	3.687.608	9.919	547.753
Application of Art 8 of the Law	5.054	12.211	6.675	12.191	434	580	96	146	1.525	3.209
Other corporative activities										
Joint stock company take-over	175	1.375	250	1.571	272	2.755	64	71.385	215	5.850
Total	21.884	229.905	12.587	420.682	30.536	1.213.904	31.872	4.189.057	13.046	882.331

**Graph 3. Overview of corporate activities, 2010.**

CLEARING AND SETTLEMENT SERVICES

Table 6. Clearing and settlement services for market transactions

year	2002	2003	2004	2005	2006	2007	2008	2009	2010
No of trades	3.759	20.742	56.782	108.138	112.861	223.001	83.712	59.620	19.723
Value (000 €)	5.758	21.570	35.965	175.792	312.234	711.073	161.189	402.870	51.901

Table 5: Overview of the number of trades and values of settled transactions in CDA

Since the beginning of e-trade on Montenegrin stock-exchanges (March 2002), CDA has played a pivotal role in the process of ownership transfer on securities. Figuratively speaking, our system is the beginning and the end of each stock-exchange transaction and over the previous period CDA has performed clearing and settlement of stock-exchange transactions timely and in strict adherence to the rules. We have constantly improved this segment of our operation with the aim of increasing the speed and efficiency, as well as raising the security at highest levels. Starting from the initial several dozens of transactions daily (2002 and 2003), we reached the level of smooth handling of settlement (simultaneous transfer of money and securities) of up to 1,000-2,000 transactions a day (2007 and 2008). It is noteworthy that, mostly thanks to the CDA IT support, the process of partial privatisation of EPCG (September 2009) was carried out over a tremendously short period of time – over 5,000 shareholders sold their securities within the span of a single day, with full transparency, reliability and respect for specific contractual terms of participants in the process. Over the upcoming period we will work on additional improvements of existing services, risk management, further alignment with the EU regulations and recommendations, as well as the implementation of new products to make our market more appealing for investments – securities borrowing, trade in financial derivatives...

IT DIVISION

CDA is primarily a technical institution, whose existence and development is based on good quality technical infrastructure as a support to all business processes from within its scope of activities. The first days in the CDA development are linked with the installing of an IT system which in the first stage was aimed at registering all share-holding companies from within Montenegrin territory. The software solution used on the occasion was the product of a Canada-based company "Pragma", through an USAID grant. After the initial registration of issuers, the Mass Voucher Privatisation process (MVP process) and the software customisation for clearing and settlement, on 04 March 2002 the e-trade was introduced in Montenegrin stock-exchanges. From then onwards, the CDA IT has been the backbone of overall technical infrastructure in Montenegrin capital market. In its further development, the software solution sustained substantial improvements, to accommodate legal changes and capital market demands. Further improvements also followed the development of hardware solutions, security systems and application development tools.

The most significant improvements include:

- introduction of confirmation of "to street" transfers via Interactive Voice Messaging,
- development of application for brokerage and clearing and settlement as a web-based application in .NET technology, and
- introduction of contractual settlement and a Guarantee Fund into the Clearing and settlement system.

All improvements of the CDA IT, as well as its maintenance, are carried out by the IT Division independently and with the assistance of renowned partners in this field.

Having set the constant system upgrading as its imperative, in 2010 the CDA started the implementation of the IT design and implementation project, based on technological solutions of the latest generation, aligned with standards and functionalities applied in developed securities markets. The project is expected to be implemented by March 2012. In addition to a fully new hardware and software solution, by the end of the project implementation stage it is expected also to introduce the disaster recovery centre, as an important segment for data protection and safety. With its new IT system, the CDA will fully meet the set of its present functionalities, with substantially increased possibilities for keeping pace with the new developments and international standards pertinent to securities business.

CDA'S FINANCIAL PERFORMANCE (2000-2010)

Table 7. Profit and Loss Account 2001-2010 (comparative overview)

No	Budget line	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1.	Income	132 892	270 330	405 984	504 645	694 271	771 042	1 213 022	864 914	1 020 525	616 154
2.	Other operating income		247	12 660	36 980	31 719	8 179	7 306	24 671	13 102	28 499
3.	Cost of commercial goods sold, materials, fuel and energy consumed	(3 884)	(4 825)	(16 711)	(6 966)	(9 159)	(10 893)	(15 756)	(9 531)	(10 972)	(8 882)
4.	Staff costs	(54 213)	(111 105)	(178 863)	(207 930)	(262 357)	(350 660)	(426 663)	(525 244)	(524 334)	(549 048)
5.	Depreciation	(686)	(3 563)	(20 575)	(33 019)	(36 515)	(41 830)	(35 339)	(52 589)	(43 560)	(41 099)
6.	Other operating expenses	(42 308)	(93 551)	(190 199)	(147 950)	(168 555)	(143 201)	(171 859)	(240 819)	(206 594)	(129 564)
7.	Operating income	31 801	57 533	27 366	145 760	249 404	232 638	570 711	61 402	248 167	(83 940)
8.	Financial income	7 889	12 877	8 155	10 383	16 146	15 674	34 931	57 536	60 334	68 743
9.	Income taxes	-	-	(1 385)	(18 271)	(25 030)	(26 684)	54 101	12 279	(30 056)	(4 264)
10.	Net profit/ loss	39 690	70 410	34 106	137 872	240 520	221 627	551 541	106 479	278 445	(19 461)
11.	Contingency	-	-	(1 596)	-	-	-	-	-	-	-

*Independent auditor 2010 report***Deloitte**o.
ia Crnojevića 107
orica) 20 664-017
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s.com/me**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

Zarko 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	<i>(Audited by another auditor)</i>	
			Current 2010	Previous 2009
	OPERATING INCOME		<u>644,653</u>	<u>1,033,627</u>
1	Sales of goods and services	4	616,154	1,020,525
2	Other operating income	5	28,499	13,102
	OPERATING EXPENSES		<u>(728,593)</u>	<u>(785,460)</u>
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		<u>(83,940)</u>	<u>248,167</u>
10	Finance income, net	9	68,743	60,334
	(LOSS) / PROFIT BEFORE TAXATION		<u>(15,197)</u>	<u>308,501</u>
12	Income taxes	10	<u>(4,264)</u>	<u>(30,056)</u>
13	NET (LOSS) / PROFIT		<u>(19,461)</u>	<u>278,445</u>

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 Kaščelan)

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

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				
3	Intangible assets	11	120,548	132,367
7	Equipment	12	60,423	73,114
	Deferred taxes	10	59,553	57,350
			572	1,903
Current assets				
9	Accounts receivable	13	1,299,415	1,400,266
	Short-term financial investments	14	153,594	179,240
11	Cash and cash equivalents	15	1,050,000	880,000
	Prepaid expenses		93,129	341,026
			2,692	-
Total assets			<u>1,419,963</u>	<u>1,532,633</u>
EQUITY AND LIABILITIES				
Equity				
15	Subscribed capital – shares	16	1,390,383	1,409,844
	Other reserves		255,646	255,646
19	Retained earnings		50,228	50,228
			1,084,509	1,103,970
Non-current liabilities				
	Provisions	17	8,466	31,046
	Deferred income	18	3,466	21,046
			5,000	10,000
Current liabilities				
26	Short-term accounts payable	19	21,114	91,743
	Short-term financial liabilities		7,795	72,281
27	Tax and contribution payables	20	4	-
29	Accrued liabilities		13,315	19,044
			-	418
Total equity and liabilities			<u>1,419,963</u>	<u>1,532,633</u>

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

YOU CAN CONTACT US AT

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