

**To the Management of  
Association of citizens "Akcija ZDRUZENSKA"  
Skopje**

## **AUDITOR'S REPORT**

We have audited the accompanying financial statements of the Association of citizens "Akcija Zdruzenska" - Skopje which comprise of the Balance Sheet as of 31<sup>st</sup> December 2006, and the related Statement of Revenues and Expenses, Cash Flow Statement and Statement of Changes in Funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

The Association's 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 of the internal control relevant to the preparation and fair presentation of the 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 Auditing Standards. These standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 judgement, 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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.

### *Auditor's opinion*

**DIMITROV REVIZIJA SKOPJE**

*Correspondent member of DFK International - London*

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In our opinion the financial statements of the Association of citizens “Akcija Združenska” Skopje give a true and fair view of the financial position of the Association as of 31 December 2006, and the results of its operations, its cash flows and changes in funds for the year then ended, in accordance with the Accounting Law for Non-Profit Organizations and accounting standards and principles that apply for the non-government organizations and associations in Republic of Macedonia.

Skopje, 14<sup>th</sup> June 2007

Dragan Dimitrov,  
Certified auditor

Dragan Dimitrov,  
Manager

**BALANCE SHEET**  
**as of 31<sup>st</sup> December**

(In thousands of MKD)

	<i>Notes</i>	<b>2005</b>	<b>2006</b>
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	4	3.806	1.804
Accounts receivable	5	211	6
Prepayments and accruals		16	-
<b>Total current assets</b>		<b>4.033</b>	<b>1.810</b>
NON-CURRENT ASSETS			
Property, plant and equipment	6	1.533	1.281
Intangible assets	7	8	6
<b>Total non-current assets</b>		<b>1.541</b>	<b>1.287</b>
<b>TOTAL ASSETS</b>		<b>5.574</b>	<b>3.097</b>
<b>LIABILITIES AND OPERATING FUND</b>			
CURRENT LIABILITIES			
Accounts payable	8	19	22
Other short- term liabilities		11	-
Accruals and deferred income	9	4.003	1.788
<b>Total current liabilities</b>		<b>4.033</b>	<b>1.810</b>
ASSETS FOUNDATION			
Operating fund	10	1.541	1.287
<b>Total assets foundation</b>		<b>1.541</b>	<b>1.287</b>
<b>TOTAL LIABILITIES AND OPERATING FUND</b>		<b>5.574</b>	<b>3.097</b>

Notes to the financial statements on pages 7 - 12 are part of the financial statements

**STATEMENT OF REVENUES AND EXPENSES**  
**for 2005 and 2006**

**DIMITROV REVIZIJA SKOPJE**  
Correspondent member of DFK International - London

(In thousands of MKD)			
	<i>Notes</i>	<b>2005</b>	<b>2006</b>
Revenues	11	6.990	6.108
Operating expenses	12	(7.055)	(6.132)
<b>Difference between revenues and expenses</b>		<b>(65)</b>	<b>(24)</b>
 <i>Other revenues:</i>			
Financial revenues		65	7
Other revenues		-	17
<b>Total other revenues</b>	13	<b>65</b>	<b>24</b>
 <b>Net differ. between revenues and expenses</b>		 -	 -
Income tax		-	-
<b>Difference between revenues and expenses after tax</b>		 -	 -

Notes to the financial statements on pages 7 - 12 are part of the financial statements

**CASH- FLOW STATEMENT**  
**For 2005 and 2006**

(In thousands of MKD)		
	<b>2005</b>	<b>2006</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Difference between revenues and expenses	-	-
<i>Adjustments for:</i>		
Purchased fixed assets	49	76
 <i>Increases (decreases) of current assets</i>		
Accounts receivable	(211)	205
Prepayments and accruals	(16)	15
 <i>Increases (decreases) of current liabilities</i>		
Accounts payable	2	3
Other short- term liabilities	5	(11)
Accruals and deferred income	3.753	(2.215)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3.582</b>	<b>(1.927)</b>

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### CASH FLOW FROM INVESTING ACTIVITIES

Purchase (sale) of property, plant and equipment	(49)	(75)
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<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(49)</b>	<b>(75)</b>
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<b>NET INCREASE (DECREASE) IN CASH</b>	<b>3.533</b>	<b>(2.002)</b>
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Cash at the beginning of the year	273	3.806
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Cash at the end of the year	3.806	1.804
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Notes to the financial statements on pages 7 - 12 are part of the financial statements

### STATEMENT OF CHANGES IN FUNDS For 2005 and 2006

(In thousands of MKD)

	Operating Fund	Total
<b>Balance at 01.01.2005</b>	<b>1.806</b>	<b>1.806</b>
Purchased fixed assets	49	<b>49</b>
Depreciation for 2005	(314)	<b>(314)</b>
<b>Balance at 31.12.2005</b>	<b>1.541</b>	<b>1.541</b>
<b>Balance at 01.01.2006</b>	<b>1.541</b>	<b>1.541</b>
Purchased fixed assets	76	<b>76</b>
Depreciation for 2006	(330)	<b>(330)</b>
<b>Balance at 31.12.2006</b>	<b>1.287</b>	<b>1.287</b>

Notes to the financial statements on pages 7 - 12 are part of the financial statements

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1. ESTABLISHMENT AND ACTIVITY OF THE ASSOCIATION

The Association of citizens "Akcija Zdruzenska" - Skopje (in the following text "the Association") is an association registered in the Register of the Citizen Association and Foundation at Basic court 1 in Skopje, under Reg. No. 46/04, from 05.07.2004.

The main objectives of the Association are: straightening and development of the women movement in Macedonia which refers to human rights of the woman, issues referring to the gender equality according to the global urgings and needs; straightening of the knowledge, skills and abilities for identification and meeting the specific requirements in Macedonia for the gender equality.

**NOTE 2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements of the Association have been made in accordance with the Accounting Law for Non-Profit Organizations, accounting regulation and accounting principles used in Republic of Macedonia.

**NOTE 3. BASIC ACCOUNTING POLICIES**

The basic accounting policies used for preparation of the financial statements are listed in the following text.

**Cash and cash equivalents**

Monetary assets and their equivalents consist of cash on hand, cheques, current accounts and foreign current accounts in commercial banks.

The Cash-Flow Statement is prepared using the indirect method.

**Material and non-material investments**

Material and non-material investments (fixed assets) are stated at their cost. According to the accounting policy for fix assets applicable for non-profit organizations (associations, foundations and etc.) a purchase of fixed assets is recognized as an expense in the acquisition period i.e. at receipt of the assets (cash or fixed) from the donor. The expense for the purchased fixed assets is recognized at the moment of acquisition through increase of the operating fund. Consequently, in respect of the fixed assets usage period, assets will be depreciated through decrease of operating fund, which means that depreciation would not be recognized as expense for the period. This policy of fixed assets meets the requirements of the accounting policy for matching the revenues and the expenses.

**Depreciation**

Material and non-material investments (fixed assets) are depreciated using the proportionate method, and official depreciation rates prescribed in the Nomenclature for depreciable assets in non-governmental organizations. Calculation of the depreciation is performed for each item separately.

As previously stated, the depreciation is not recognized as an expense for the period, but at the moment of purchase fixed assets are recognized as an expense, and depreciation (valuation allowance) is entered through decrease of the operating fund.

Official depreciation rates used by the Association are prescribed in the Nomenclature for depreciable assets for non-governmental organizations.

According to the Nomenclature, fixed assets are classified in 8 groups, and the prescribed rates are as follows:

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<b>Assets</b>	<b>Annual rate</b>
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Buildings	1%
Vehicles	15%
Furniture	12%
Computer and telecommunication equipment with software	20%
Air-conditioners	16%
Printing equipment	20%
Other equipment (radio, TV sets, DVD's, telephone, photo equip.)	14%
Long-term intangible assets	20%

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### Recognition of revenues and expenses

The recognition of the revenues and expenses for non-profit organizations is based upon the accounting principle for modified presentation of the operating transactions.

The accounting principle for modified presentation of the operating transactions means recognition of the revenues and the expenses during the period of their appearance according to the criteria of measurement and disposal. Revenues, i.e. expenses are measurable when they can be stated at value. Revenues, i.e. expenses are on disposal when they are realized, i.e. when they appear (when collected, i.e. paid) during the accounting period or within 30 days after this period, given the revenues refer to the reporting period and are used for covering this period's liabilities, i.e. the payment liability arisen during this period.

### Amounts stated in foreign currency

The transactions in foreign currency are stated in MKD according to the Official exchange rate of NBRM at the date of transaction.

Foreign exchange assets and liabilities of the Balance Sheet are stated in MKD according to the official exchange rates on the Balance Sheet date.

The net foreign exchange gains and losses, which resulted from the conversion of foreign currency amounts, are included in the Statement of Revenues and Expenses in the period when they appeared.

The average (closing) exchange rates of the denar related to foreign currencies (for one unit of foreign currency) as of 31 December are as follows:

Currency	2005	2006
EUR	61,1779	61,1741
USD	51,8589	46,4496

### Preparation of the Cash Flow Statement

The Cash Flow Statement is prepared by using the indirect method, according IAS 7.

#### NOTE 4. CASH AND CASH EQUIVALENTS

	(In thousands of MKD)	
	2005	2006
Current account	1	441
Cash on hand	89	114
Foreign exchange accounts	3.716	1.249

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<b>Total</b>	<b>3.806</b>	<b>1.804</b>
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The cash and cash equivalents stated in the preview above are the most liquid assets of the Association and they consist of cash on hand, current account and foreign exchange accounts.

**NOTE 5. ACCOUNTS RECEIVABLE**

(In thousands of MKD)		
	2005	2006
Domestic accounts receivable	131	-
Advances	80	6
<b>Total</b>	<b>211</b>	<b>6</b>

**NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

(In thousands of MKD)		
	Equipment	
	2005	2006
<b>Cost</b>		
<b>Balance at 1 January</b>	<b>1.807</b>	<b>1.856</b>
Additions in the year	49	76
<b>Balance at 31 December</b>	<b>1.856</b>	<b>1.932</b>
<b>Valuation allowances</b>		
<b>Balance at 1 January</b>	<b>11</b>	<b>323</b>
Depreciation	312	328
<b>Balance at 31 December</b>	<b>323</b>	<b>651</b>
<b>Carrying amount at 31 December</b>	<b>1.533</b>	<b>1.281</b>

During 2006 the fixed assets are increased for a total amount of 75 thousands of MKD. The new purchases refer to acquisition of computer equipment at the amount of 57 thousands of MKD and office inventory at the amount of 18 thousands of MKD.

**NOTE 7. INTANGIBLE INVESTMENTS**

*The intangible investments with carrying value of 6 thousands of MKD consist of software at cost of 10 thousands of MKD received as equipment grant from FOSIM at the end of 2004. The decrease in carrying value of the intangible investments refers to calculated depreciation for 2006.*

**NOTE 8. ACCOUNTS PAYABLE**



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	(In thousands of MKD)	
	2005	2006
Accounts payable	19	22
<b>Total</b>	<b>19</b>	<b>22</b>

The accounts payable refer to current liabilities toward Makedonski Telekomunikacii (14 thousands of MKD), Elektro Skopje (5 thousands of MKD) and Natural Komunikatio (3 thousands of MKD).

### NOTE 9. ACCRUALS AND DEFERRED INCOME

	(In thousands of MKD)	
	2005	2006
Deferred income	4.003	1.788
<b>Total</b>	<b>4.003</b>	<b>1.788</b>

Accruals and deferred income refer to received assets as a grant during 2006, for projects that will be realized in the next year.

### NOTE 10. OPERATING FUND

The operating fund of the Foundation is at the amount of 1.287 thousands of MKD. The changes in the operating fund refer to the purchased fixed assets and the depreciation.

The changes in the operating fund are stated in the Statement of Changes in Funds shown on page 6.

### NOTE 11. REVENUES

	(In thousands of MKD)	
	2005	2006
Revenues from donations	5.874	6.055
Revenues from services rendered	1.106	46
Revenues from membership fees	10	8
<b>Total</b>	<b>6.990</b>	<b>6.108</b>

The biggest part of the revenues refers to the revenues from donations and sponsorships.

The revenues from services rendered at the amount of 46 thousands of MKD mostly refer to services provided to Evrobalkan Skopje (renting LCD projector).

During 2006 the following revenues from donations were realized:

	(In thousands of MKD)			
Donor	2005	%	2006	%
FOSIM	4.088	42,46%	3.661	95,36%

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II A V OBIPLN 4 109	1.326	13,77%	-	0,00%
ECS Electronic Comm	551	5,73%	-	0,00%
Stiftung Open Society	253	2,62%	178	4,64%
Udruzenje Gradanke	159	1,65%	-	0,00%
UNDP	3.251	33,76%	-	0,00%
<b>Total donations</b>	<b>9.628</b>	<b>100,00</b>	<b>3.839</b>	<b>100,00</b>
<i>Revenues from the previous year</i>	249	-	4.003	-
<i>Deferred revenues for the next year</i>	(4.003)	-	(1.787)	-
<b>Total revenues</b>	<b>5.874</b>	<b>100,00</b>	<b>6.055</b>	<b>100,00</b>

The revenues from donations and sponsorships during 2006 are increased according to the previous year as a result of the increased activity with projects. The biggest part of these revenues refers to Foundation Open Society Institute Macedonia (FOSIM) with 95,36%

**NOTE 12. OPERATING EXPENSES**

(In thousands of MKD)

	<b>2005</b>	<b>2006</b>
Materials	373	277
Energy	94	80
Operating services	822	1.062
Non-operating services	201	652
Purchased fixed assets	49	76
Advertising	42	-
Other material expenses	1.290	1.181
Commissions	38	18
Insurance premiums	31	27
Traveling expenses	137	30
Contributions to employees	135	178
Foreign exchange losses	5	245
Other expenses related to employees	2.712	1.414
Other expenses	160	24
Salaries	901	755
Taxes and contributions	65	113
<b>Total</b>	<b>7.055</b>	<b>6.132</b>

*In the structure of the operating expenses the biggest part refers to other expenses, operating services and other material expenses.*

The biggest part of the other expenses related to employees refers to expenses for author's

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contributions and engaged staff on part-time basis. The other material expenses at total amount of 1.181 thousands of MKD mostly refers to expenses for hotel services for the participants in the workshops and consultant meetings. The operating services at total amount of 1.062 thousands of MKD refer to expenses for printing, travel expenses, expenses for telephone and internet.

*The Association has four permanently employed persons (2005 - 2 employees) and consequently it has expenses for salaries and contributions on salaries.*

### **NOTE 13. OTHER REVENUES**

	(In thousands of MKD)	
	2005	2006
Foreign exchange gains	60	1
Interest revenues	5	6
Other revenues	-	17
<b><i>Total</i></b>	<b>65</b>	<b>24</b>