

«*Mont Audit Plus*»

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Zeljeznicka infrastruktura Crne Gore

AD PODGORICA

REPORT

ON AUDIT OF THE ANNUAL FINANCIAL STATEMENTS FOR 2010

Podgorica, March 2011

AUDITOR REPORT

We have audited the accompanying Balance Sheet of the Company “Zeljeznicka infrastruktura Crne Gore” AD Podgorica as of December 31st and the corresponding Income Statement, Statement of Changes in Capital and Cash Flow Statement for the year ending on the referred date, as well as the summary of significant accounting policies and other explanatory notes.

The management of the Company is responsible for preparation and fair presentation of these Financial Statements in accordance with the International Financial Reporting Standards. The stated responsibility includes: designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatements resulting from fraud or error; selecting and implementing relevant accounting policies; and accounting estimates that are reasonable in the given circumstances.

An auditor’s responsibility is to express an opinion on the financial statements on the basis of an audit conducted. The audit was performed in accordance with the International Standards on Auditing and International Financial reporting Standards. These Standards require us to perform in accordance with the ethical requirements and to plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves applying procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on auditor’s judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In assessment of those risks, the auditor considers internal controls relevant to the preparation and fair presentation of financial statements in order to design audit procedures applicable in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating appropriateness of the applied accounting policies and reasonableness of accounting estimates made by the management, as well as an evaluation of the overall presentation of financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide *a basis for expressing our audit opinion*.

In our opinion, the Financial Statements give a fair and objective presentation of the financial position of the Company “Zeljeznicka infrastruktura Crne Gore” AD Podgorica as of December 31st 2010, , its performance and the cash flows for the year ending on this date, in accordance with the International Financial reporting Standards.

Without qualifying the opinion, we would like to ***point out*** to the facts expressed in the Notes 10(d); 19(a) and 23.

Podgorica, March 17th 2011

"Mont Audit etus"

Doc. Djordjije Rakocevic, PhD, Licensed Auditor

Zeljeznicka infrastruktura Crne Gore AD Podgorica
Balance Sheet as of December 31st 2010

	Note	2010 (€)	2009 (€)
Fixed Assets			
Subscribed Capital Unpaid		8,327	11,805,507
Intangible Assets	3(f);10(a)	350,885	419,864
Property and Equipment	3(f);10(b,c);	453,497,253	398,637,449
Long-Term Receivables	11; 11(a)	116,775	173,613
Long-Term Financial Placements	3(h); 12	278,001	296,254
		454,251,241	411,332,687
Working Capital			
Supplies	3(i); 12	3,851,257	2,946,900
Trade Receivables	3 (j); 13	2,444,898	3,042,603
Short-Term Financial Placements	3 (l); 12	2,871,185	509,264
Cash and Cash Equivalents	15	5,198,349	4,638,575
Prepaid Expenses	16	167,292	346,737
Accrued Uncollected Revenue	16	4,919,712	5,495,265
		19,452,693	16,979,344
TOTAL ASSETS		473,703,934	428,312,031
Capital			
Subscribed Capital	17	468,663,116	422,236,174
Other Reserves		1,915,818	1,972,656
Retained Earnings	16	(8,851,424)	(6,267,315)
Total Capital		461,727,510	417,941,515
Long-Term Liabilities			
Long-Term Liabilities	18	4,314,482	1,495,885
Long-Term Reservations	19	408,652	415,871
Other Long-Term Liabilities	19	1,726,230	1,429,304
		6,449,364	3,341,060
Short-Term Liabilities			
Short-Term Operating Liabilities	20;21	4,668,861	5,596,301
Tax Liabilities	21	854,005	1,413,054
Accrued Liabilities	21	4,194	20,101
		5,527,060	7,029,456
TOTAL LIABILITIES		473,703,934	428,312,031

Podgorica, March 17th 2011

Zeljeznicka infrastruktura Crne Gore

Branislav Filipovic, CEO

Zeljeznicka infrastruktura Crne Gore AD Podgorica
Income Statement for 2010

	Note	2010	2009
OPERATIONAL INCOME		(€)	(€)
Income	3 (a); 4	1,159,488	426,291
Other Operating Income		14,146,722	16,497,036
Work Done and Capitalized by the Company		482,807	289,684
		15,789,017	17,213,011
OPERATING EXPENSE			
Cost of Materiel Used in the Period	5	(3,069,936)	(3,258,567)
Salaries	6	(8,265,113)	(8,232,690)
Amortization Cost	7	(3,464,805)	(3,509,662)
Other Operating Expense	8	(3,803,064)	(5,405,935)
		(18,602,918)	(20,406,854)
PROFIT FROM OPERATING ACTIVITIES		(2,813,901)	(3,193,843)
Net Financial Income/Expense	3(e); 9	229,791	80,266
NET PROFIT/LOSS		(2,584,110)	(3,113,577)

Podgorica, March 17th 2011

Zeljeznicka infrastruktura Crne Gore

Branislav Filipovic, CEO

“Zeljeznicka infrastruktura Crne Gore” AD Podgorica
Statement of Changes in Capital

(In EUR)

I t e m	Capital	Other Reserves	Loss	Total
Balance as of 01/01/2009	356,913,403	1,636,608	(45,914,579)	312,635,432
Increase	571,945,651	5,075,255	(3,720,413)	573,300,493
Decrease	(506,622,880)	(4,739,207)	42,760,841	(468,601,246)
Balance as of 12/31/2009	422,236,174	1,972,656	(6,874,151)	417,334,679
Balance as of 01/01/2010	422,236,174	1,972,656	(6,874,151)	417,334,679
Increase	46,426,942	251	(2,584,110)	43,843,083
Decrease	-	(57,089)	606,837	549,748
Balance as of 12/31/2010	468,663,116	1,915,818	8,851,424	461,727,510

Podgorica, March 17th 2011

Zeljeznicka infrastruktura Crne Gore

Branislav Filipovic, CEO

Indirect Method	12/31/2009	12/31/2010
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I Cash Flow from Operating Activities

1. Net Result	(3,113,577)	(2,584,110)
2. Amortization	3,509,662	3,464,805
<i>Cash Flow Gross Balance</i>	396,085	880,695
3. Changes in Supplies	(2,946,900)	(904,357)
4. Changes in Accounts Receivable	(3,042,603)	597,705
5. Changes of Obligations towards Suppliers	5,596,301	(927,440)
6. Changes in Pre-Paid Expenses and Tax Assets in Balance Sheet	(5,842,002)	754,998
7. Changes in Unearned Collected Revenue and Other Liabilities	1,433,155	(574,956)
8. Changes in Deferred Taxes in Balance Sheet	-	-
9. Changes in Long-Term Reservations	415,871	(7,219)
<i>Balance of Cash Flows from Changes in Working Capital</i>	(4,386,178)	(1,061,269)
<u>Net Cash from Operating Activities</u>	<u>(3,990,093)</u>	<u>(180,574)</u>

II Cash Flow from Investment Activities

1. Changes in Tangible and Intangible Assets	(402,566,975)	(58,255,630)
2. Changes in Long-Term Financial Assets	(469,867)	75,091
3. Changes in Short-Term Financial Assets	(509,264)	(2,361,921)
<u>Net Cash from Investment Activities</u>	<u>(403,546,106)</u>	<u>(60,542,460)</u>

Indirect Method	12/31/2009	12/31/2010
<u>III Cash Flow from Financing Activities</u>	-	-
1. Changes on Subscribed Capital Unpaid	11,805,507	(11,797,180)
2. Changes on Share Capital	422,236,174	46,426,942
3. Changes in Long-Term Financial Liabilities	2,925,189	3,115,523
4. Changes in Short-Term Financial Liabilities	-	-
5. Distribution of Dividends and of Retained Earnings	(1,181,082)	(56,837)
6. Own Shares Redemption	-	-
<u>Net Cash From Financing Activities</u>	<u>435,785,788</u>	<u>37,688,448</u>
<u>IV Net Cash Flow</u>	<u>28,249,589</u>	<u>(23,034,586)</u>
<u>V. Cash at the beginning of the year</u>	<u>:</u>	<u>4,638,575</u>
<u>VI. Cash at the end of the year</u>	<u>4,638,575</u>	<u>5,198,349</u>