

# T-Mobile

Годишен извештај  
2006



..... T-Mobile .....

Профил на компанијата

Страна  
4-5

Менаџмент

Страна  
6-7

Задоволни корисници

Страна  
8-9

Најдобра мрежа

Страна  
10-11

Најдобри услуги

Страна  
12-13

Задоволни вработени

Страна  
14-15

Општествена одговорност

Страна  
16-17

Финансиски извештај

Страна  
18-45

Што правиме со цел да ја реализираме нашата мисија да станеме најценетата услужна компанија.

- Ориентираност кон корисниците, градење на единствена култура на услуги
- Најдобра мрежа
- Иновативни услуги коишто се лесни за користење
- Мотивирани вработени

# Профил на компанијата.....

## Компанијата беше првата што воведе GPRS и EDGE

T-Mobile е првиот мобилен оператор во Македонија и лидер на пазарот на мобилната телефонија. Компанијата функционира од септември, 1996 година. Во 2006 година компанијата се преименуваше во T-Mobile Македонија и стана дел од интернационалното семејство на T-Mobile коешто брои повеќе од 112 милиони корисници. T-Mobile International е една од водечките компании на полето на мобилните комуникации. Како една од четирите стратешки деловни единици на Дојче Телеком, T-Mobile International се концентрира на најдинамичните пазари во Европа и во САД.

Благодарение на меѓународното присуство на T-Mobile, корисниците можат да сметаат на достапноста на нивните омилени услуги дури и кога се во странство и можат да ги користат предностите на унифицираните и поволни тарифи за повици.

T-Mobile Македонија е позната во TM International како T-Mobile земја со најдобар квалитет на мрежа. Нашата мрежа покрива 99,9% од населението и над 98,5% од територијата на Република Македонија. Горди сме на квалитетот на нашата мрежа којашто постојано ја надградуваме со цел да обезбедиме висококвалитетни и финансиски достапни услуги.

Довербата на повеќе од 900 000 претплатници во земја со население од 2 000 000 ја потврдува нашата лидерска позиција и нè обврзува да продолжиме со нашата мисија - да станеме најценета услужна компанија.

Во Македонија, T-Mobile е лидер во технолошките иновации. Компанијата беше првата што воведе GPRS и EDGE со што значително се зголеми брзината на пренос на податоци.

Имаме широко распространета продажна мрежа од современо уредени и опремени продавници и продажни места на партнери коишто се подготвени да ги услужат корисниците на најдобар можен начин. Со ова, ние сме блиску до нашите корисници и сме подготвени да ги услужиме секаде каде ним најмногу им одговара.

Корисниците на T-Mobile можат слободно да комуницираат каде и да се во светот, користејќи ја роаминг услугата што се нуди во повеќе од 90 држави.

Како успешна компанија, чувствуваме одговорност кон општеството и инвестираме во Македонија. Преку Фондацијата T-Mobile за Македонија остварени се бројни хуманитарни активности. Се грижиме за заштита на животната средина, со конкретни еколошки акции, за да ја зачуваме Македонија чиста и сигурна.



Зградата на T-Mobile

## Нашата мисија



Оваа година прославивме 10-годишнина од лидерството на македонскиот пазар и 900 000 корисници! Базата на корисници се зголеми за 190 000 корисници а сообраќајот се зголеми за 20%. T-Mobile ги оствари најдобрите финансиски резултати во историјата на компанијата. Ова не се само бројки што го покажуваат успехот. Овие бројки нè обврзуваат во денешното конкурентно опкружување да се трудиме уште повеќе. Во 2006 година, нашите активности беа насочени кон остварување на нашата мисија. Што направивме со цел да ја задржиме позицијата број еден на пазарот? Делувавме според 5 едноставни правила:

- Задоволни корисници
- Најдобра мрежа
- Едноставни услуги со конкурентни цени
- Задоволни вработени
- Општествена одговорност

Мајкл Лоренц - ГОД



Дејан Крстевски  
Главен директор за  
финансии

Ефтим Бетински  
Главен технички  
директор

Мајкл Лоренс  
Главен оперативен  
директор

Душко Кантарциев  
Главен директор за ИТ

Нашата мисија е да станеме најценетата услужна компанија.

# Задоволни корисници

900 000 корисници – 900 000 различни потреби

За нас, корисниците секогаш го заземаат првото место! T-Mobile Македонија има повеќе од 900 000 корисници што претставува половина од целокупното население во Македонија. Наш приоритет е да ги задоволуваме и следиме нивните потреби и да им обезбедуваме индивидуален третман бидејќи секој од нив е посебна индивидуа со специфични потреби. Вложуваме големи напори не само за да привлечеме нови корисници, туку и за да го гарантираме задоволството на постојните.

Задоволството на корисниците честопати зависи од квалитетот на услугите коишто им се обезбедуваат. Контакт центарот на T-Mobile е подготвен да одговори на барањата на корисниците 24 часа во денот, 7 дена во неделата, 365 дена во годината. Нашите оператори се способни да одговорат на сите прашања на 3 различни јазици – македонски, албански и англиски. Во 2006 година, Секторот за кориснички услуги реализираше еден милион кориснички барања преку различни канали за кориснички услуги: IVR, телефон, електронска пошта, итн.

Во 2006 година, T-Mobile ја прослави Неделата на корисничките услуги. Неделата на корисничките услуги се слави низ целиот свет а ова беше нејзиното прво прославување во Македонија – целта на истата е да се прослави професионализмот во давањето на услугите и да се зголеми свеста на ниво на целата организација за клучната улога што ја имаат професионалците за кориснички услуги. Нашето мото „едноставно поблиски“ го



применуваме и во нашите продажни места. Нашите вработени коишто се во директен контакт со корисниците се посветени на обезбедувањето на најдобри прилагодени услуги за нашите корисници. Нашата широко распространета продажна мрежа се состои од 130 продавници и продажни места низ цела Македонија и нуди достапност и лесен пристап до нашите услуги и уреди. Во 2006 година, сите продажни места беа ребрендирани и редизајнирани со што се обезбедија поатрактивни ентериери со плазма екрани и со поголем простор за изложување на телефонски апарати и за овозможување на корисниците да испробаат сè што се нуди.



Цврсто веруваме дека информираноста и разбирањето на корисниците имаат непроценлива вредност ако сакаме да станеме најдобрата услужна компанија.

# Најдобра мрежа

Ние се фокусираме на создавање на врвни искуства во врска со мрежата.

Првите повици во нашата мрежа беа направени пред 10 години, во октомври 1996 година. Изградивме национална мрежа базирана на стабилен мрежен оперативен центар. Овој центар обезбедува непрекината достапност и истиот може да одговори на сите системски пречки во реално време.

Во тоа време мобилниот телефон беше асоцијација за повици, но денес луѓето од својот мобилен телефон очекуваат многу повеќе од обично телефонирање. Бројот на корисници се зголемува, како што се зголемуваат и нивните барања.

Корисниците не се заинтересирани во технологијата што се користи; за нив е важно сè да функционира на едноставен и ефективен начин што ќе им овозможи да го користат својот телефон како средство за работа, забава или добивање информации.

T-Mobile сака корисниците да ги користат придобивките од колку што е можно побрзата конекција. За таа цел, одржувањето на стабилен оперативен систем не е доволно. Постојано го надградуваме и го зајакнуваме капацитетот на нашата мрежа, ја зголемуваме покриеноста со сигнал и воведуваме најсовремени технологии.



Денес, нашата мрежа покрива 99,8% од населението и 96% од територијата на Македонија. Нашите претплатници можат да ги користат GPRS услугите со голема брзина како на пример пребарување на интернет, симнување на фајлови, реален мултимедијален стриминг, праќање на електронска пошта, итн.

Интеграцијата на технологии е една од главните цели на T-Mobile, вклучувајќи и GSM (Global System of Mobile Communications), GPRS (General Packet Radio Service), EDGE (Enhanced Data Rates for GSM Evolution), како и W-LAN (Wireless Local Area Network).

Во 2006 година, ние се фокусираме на: проширување на GSM радио мрежата, проширување на покриеноста на EDGE (зголемување на покриеноста на EDGE до 75%

во Македонија) и подобрување на квалитетот на радио мрежата. Воведовме нови технологии и платформи коишто ќе поддржуваат нови производи и ќе овозможат најбрз пристап преку Интернет.



T-Mobile базна станица

# Најдобри услуги

Во 2006 година ние можеме да се гордееме со нашите услуги и тарифи што им ги понудивме на корисниците.

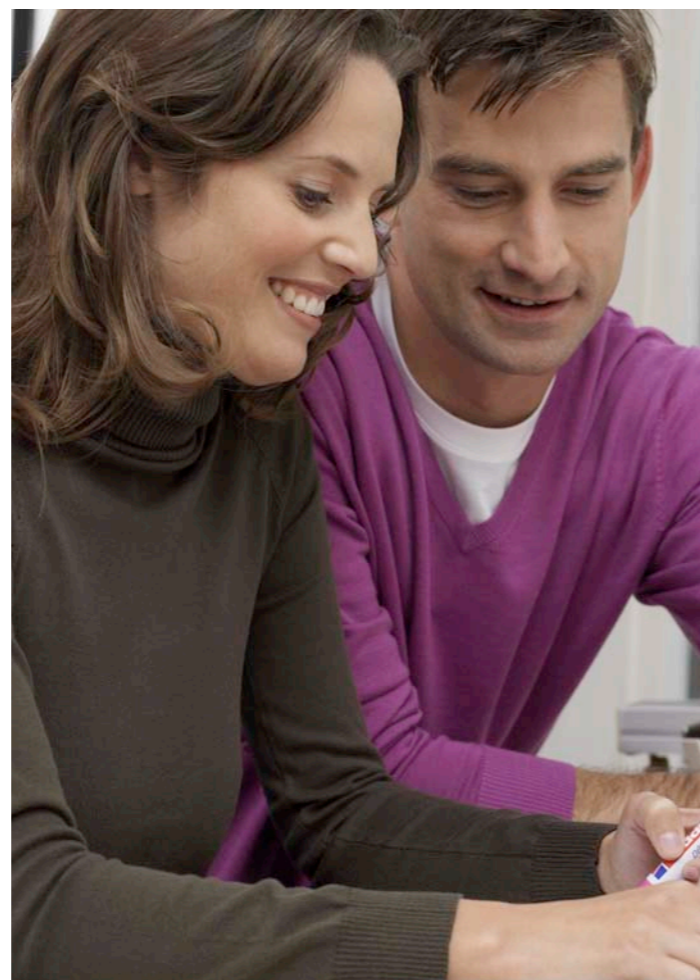
Денес луѓето не ги користат своите мобилни телефони само за зборување. Мобилноста веќе ги трансформираше комуникациите во светот и сега имаме потреба од „експресни“ информации. И пазарот на телекомуникациите и потребите на корисниците секојдневно растат. Сепак, на луѓето им е потребна едноставност во овој свет на сè поголема комплексност.

Ние во T-Mobile сме посветени на исполнување на сè поголемите комуникациски потреби на нашите корисници со проширување на опсегот на нашите услуги, но исто така и со обезбедување на можност за јасен избор. Таквите активности вклучуваат истакнување на вистинските решенија за нивните конкретни потреби и воведување на иновативни идеи коишто инспирираат и стимулираат, но исто така нудење на сето тоа по атрактивни цени. Едноставноста е од суштинско значење за постигнување на нашата главна цел, односно задоволство на корисниците.

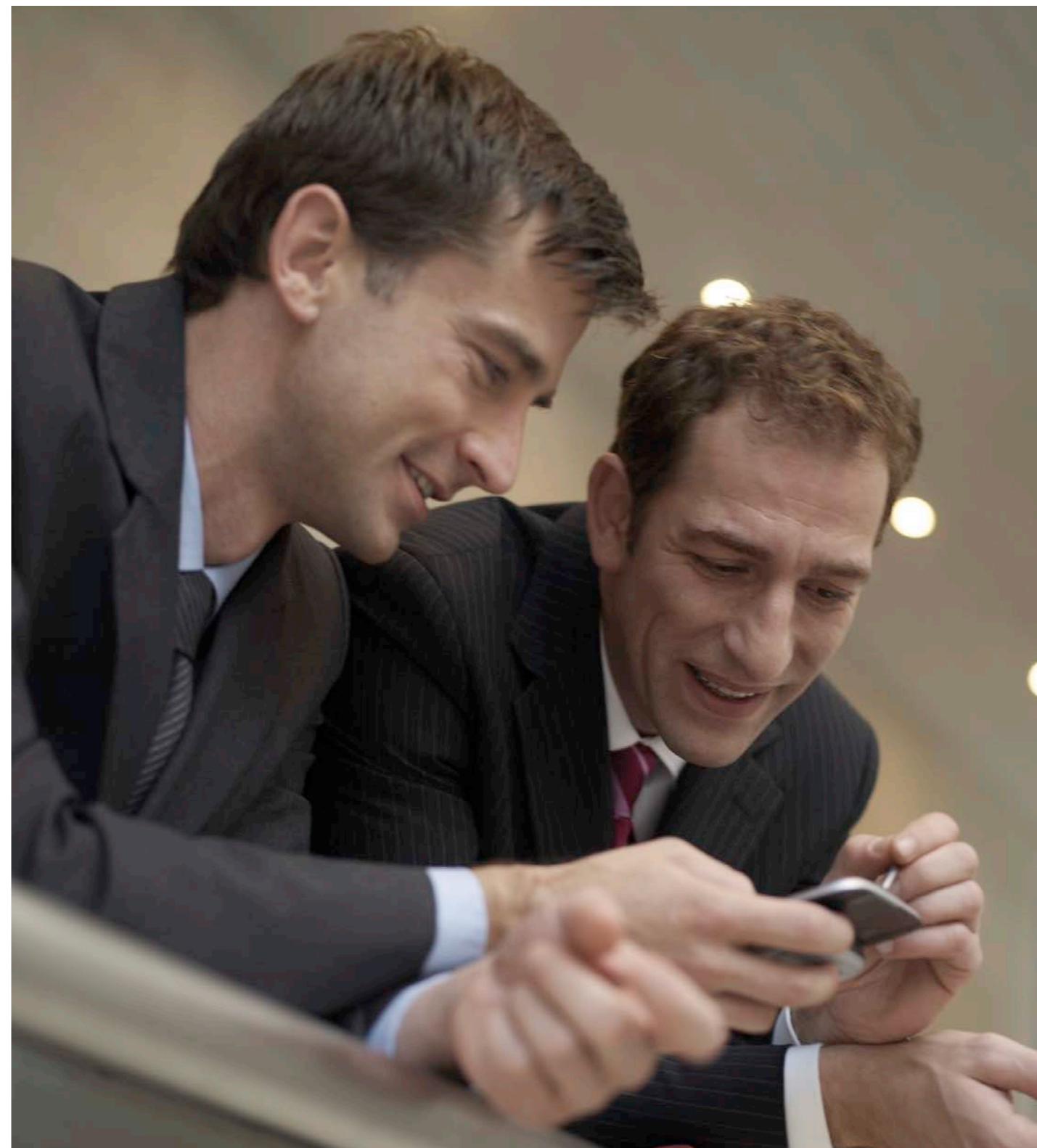
Во 2006 година ние можеме да се гордееме со нашите услуги и тарифи што им ги понудивме на корисниците. Имајќи предвид дека постојат различни сегменти на корисници, ние создадовме и воведовме пакети и придобивки за pre-paid, post-paid и бизнис корисниците.

Ја воведовме Pre-Paid+, првата понуда за лојалност за pre-paid корисниците во Македонија, нудејќи им на pre-paid корисниците бесплатни минути и други придобивки.

Во post-paid сегментот, имаше значително опаѓање на цените, а го создадовме и тарифниот модел Релакс, којшто беше оценет како најдобра понуда во земјата. За бизнис корисниците T-Mobile понуди решенија коишто ја елиминираат разликата помеѓу работењето внатре и надвор од канцеларијата и понудија најсовремени



бизнис мобилни телефони, податочни картички за лаптоп компјутери и др. Во 2006 година, исто така промовиравме и многу ниски цени за MMS услугите и пониски цени и поширок асортиман на мобилни телефони.



Активностите поврзани со животната средина и забавата ја надополнуваат нашата листа на производи и услуги. Во 2006 година, T-Mobile воведо T-зони – портал којшто нуди забава и на којшто корисниците можат да преземаат слики, анимации, видеа, мелодии или игри или пак да

добиваат информации – вести, спорт, музика, филмови, бизнис, економија, наука и др.

# Задоволни вработени.....

T-Mobile е добро запознаен со фактот дека задоволни и мотивирани вработени го претставуваат темелот на успехот на компанијата. Првенствено, токму благодарение на нив ние можеме да станеме најценета компанија којашто обезбедува услуги и да бидеме во контакт со нашите корисници. Поради тоа, ние инвестираме во учење и развој со цел да го подобриме задоволството и работната ефикасност на вработените.



Човечките ресурси се една од нашите највредни инвестиции.

Земајќи го предвид фактот дека секој вработен има различни потреби и карактерни особини, организираме обуки и активности за градење на тимови насочени кон лична ефикасност, тимска ефикасност, деловно и оперативно управување, ориентираност кон корисниците и менаџерски способности. Корпоративната

на компанијата.

Ние исто така се фокусираме и на други активности насочени кон подобрување на задоволството на вработените, како што е организирање на забави и семејни денови за вработените и нивните семејства, организирање на новогодишни прослави за вработените и нивните деца, доделување на награди за најдобрите вработени во годината, нудење на



култура не само што е една од клучните стратешки области во 2006 година, туку таа е исто така и прашање од долгорочен интерес. Ние ги идентификуваме способностите и можностите на секој вработен и организираме семинари за подобрување на професионалните вештини релевантни за конкретното работно место. Покрај тоа, организираме настава по странски јазици, настава за презентациски способности и др. Земајќи го предвид фактот дека секој вработен има различни потреби и карактерни особини, ние организираме обуки и активности за градење на тимови со цел воспоставување на соработка помеѓу вработените во различни сектори, помеѓу секторите и помеѓу сите функционални единици

ниски цени и специјални пакети на мобилни телефонски апарати, нудење на попусти за патувања, организирање на хуманитарни активности и активности за заштита на животната средина и др.

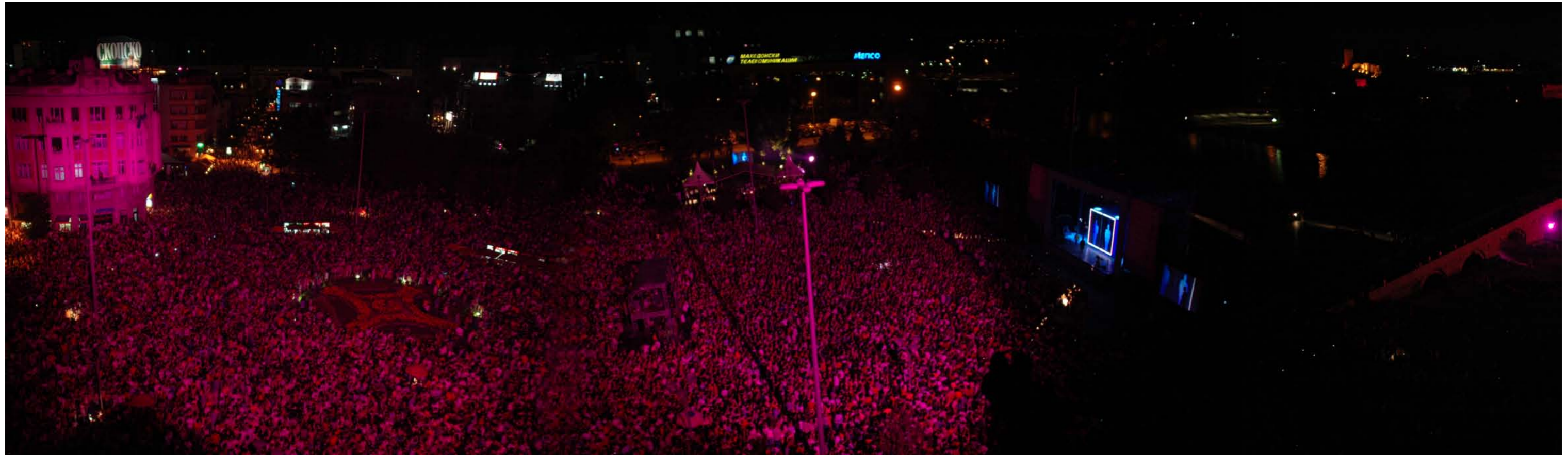
Во 2006 година, кога компанијата беше ребрендирана како T-Mobile Македонија, организираме работилници со бренд амбасадори (обучени вработени од сите сектори). Како резултат на тие работилници, сите вработени се запознаа со вредностите на новиот бренд. Како награда за нивната волонтерска работа, сите бренд амбасадори присуствуваа на концертот на Роби Вилијамс во Минхен.



# Општествена одговорност

Концертот на Pet Shop Boys за Денот на T-Mobile беше најважниот музички настан во Македонија.

Речиси 100.000 посетители присуствуваа на бесплатниот концерт на Градскиот плоштад во Скопје.



Како модерна корпорација со стабилна позиција и финансиска основа, ние чувствуваме голема одговорност не само кон нашите корисници, туку и кон општеството во целина. При тоа, ние инвестираме во различни области на нашето општество со учество во широк спектар на активности коишто го збогатуваат спортскиот и културниот живот во земјата. Следејќи ја интернационалната спонзорска стратегија на T-Mobile, ние првично се фокусираме на музиката и спортот.

Во 2006 година ние го спонзориравме најголемиот музички настан во Македонија – повторното обединување и концертите на најпознатиот бенд на Балканот - „Леб и Сол“, чишто концерти беа одржани во Македонија, Србија, Хрватска и Словенија.

Владо Јаневски – еден од најпознатите македонски пејачи – одржа голем хуманитарен концерт под спонзорство на T-Mobile. Средствата собрани од концертот беа донирани за спортската сала на едно основно училиште. Во 2006 година, T-Mobile исто така беше спонзор на Ракометната федерација и на тој начин го поддржуваше најуспешниот спорт во Македонија.

Со Фондацијата T-Mobile за Македонија, ние се трудиме да дадеме придонес за општата благосостојба на општеството, со што ја покажуваме нашата корпоративна одговорност. Главниот фокус на Фондацијата е поддршката на хуманитарни проекти и здравството. Во 2006 година ја поддржавме хуманитарната уметничка акција организирана од страна на Здружението за борба против рак и леукемија кај децата, поддржавме проекти за помагање на децата со церебрална парализа, го организиравме традиционалниот новогодишен хуманитарен караван којшто вклучува посета на домови за деца, болници и институции за деца посебни потреби. Оваа година отворивме 21 специјален

број за донации, со што им помогнавме на 21 лице со таква потреба.

Во согласност со нашата определба за квалитет и Сертификатот ISO 14001 за животната средина, исто така организиравме и поддржавме активности насочени кон зачувувањето на животната средина. Во 2006 година организиравме голема акција за садење на дрва со учество на нашите вработени, новинарите, партнерите и пријателите на компанијата.

## **T-Mobile Macedonia AD Skopje**

### **Financial Statements**

For the year ended  
31 December 2006

## Contents

### Independent Auditor's Opinion

### Financial Statements

Income statement	1
Balance sheet	2
Cash flows statement	3
Statement of changes in equity	4
Notes to financial statements	5

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of T-Mobile – Macedonia A.D. Skopje

**Report on the Financial Statements**

We have audited the accompanying financial statements of T-Mobile – Macedonia A.D. Skopje, which comprise the balance sheet as of December 31, 2006 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 is responsible for the preparation and fair presentation of these financial statements in accordance with Laws and Regulations of the Republic of Macedonia. 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**

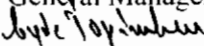
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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.

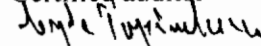
**Opinion**

In our opinion, the financial statements present fairly, in all material respect, the financial position of T-Mobile – Macedonia A.D. Skopje as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with Laws and Regulations of the Republic of Macedonia.

General Manager  
  
 Ljube Gjorgievski

Skopje  
 December 3, 2007  
 PricewaterhouseCoopers dooel Skopje



Certified auditor  
  
 Ljube Gjorgievski

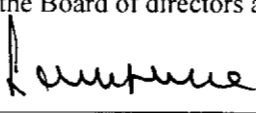
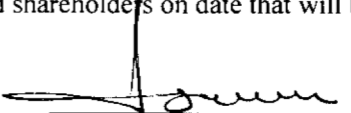
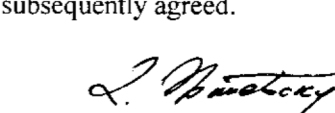
**Income statement**

	Note	For the year ended 31 December	
		2006	2005
<i>In thousands of denars</i>			
Revenues	1	8,985,189	8,161,721
Other operating income	2	344,681	214,771
Depreciation and amortisation		(1,839,417)	(2,311,347)
Gross salaries		(339,351)	(330,343)
Other operating expenses	3	(3,719,317)	(3,558,589)
<b>Profit from operations</b>		<b>3,431,785</b>	<b>2,176,213</b>
Finance income	4	156,215	108,795
Finance expenses	4	(37,585)	(13,693)
<b>Net finance income</b>	4	<b>118,630</b>	<b>95,102</b>
<b>Profit before income tax</b>		<b>3,550,415</b>	<b>2,271,315</b>
Income tax expense	5	(460,226)	(243,024)
<b>Net profit for the year</b>		<b>3,090,189</b>	<b>2,028,291</b>

**Balance sheet**

	Note	As at 31 December	
		2006	2005
<i>In thousands of denars</i>			
<b>Assets</b>			
Property, plant and equipment	6	1,402,722	2,115,047
Advances for property, plant and equipment		10,888	2,142
Intangible assets	7	1,644,855	1,833,719
Other investments		305	305
<b>Total non-current assets</b>		<b>3,058,770</b>	<b>3,951,213</b>
Inventories	8	264,446	234,855
Trade and other receivables	9	5,379,999	913,162
Deposits with banks	10	417,568	452,480
Cash and cash equivalents	11	1,814,101	2,036,543
<b>Total current assets</b>		<b>7,876,114</b>	<b>3,637,040</b>
<b>Total assets</b>		<b>10,934,884</b>	<b>7,588,253</b>
<b>Equity and liabilities</b>			
Share capital	12	2,791,453	2,791,453
Statutory reserves		558,291	558,291
Retained earnings		6,462,794	3,372,605
<b>Total equity</b>		<b>9,812,538</b>	<b>6,722,349</b>
Provision for other liabilities and charges		6,368	1,698
<b>Total non-current liabilities</b>		<b>6,368</b>	<b>1,698</b>
Borrowings	13	-	84,658
Trade and other payables	14	939,385	746,126
Current income tax liability		176,593	33,422
<b>Total current liabilities</b>		<b>1,115,978</b>	<b>864,206</b>
<b>Total liabilities</b>		<b>1,122,346</b>	<b>865,904</b>
<b>Total equity and liabilities</b>		<b>10,934,884</b>	<b>7,588,253</b>

The financial statements set out on pages 1 to 24 were authorised for issue on 3 December 2007 by the Management of T-Mobile Macedonia AD, Skopje and are subject to review and approval by the Board of directors and shareholders on date that will be subsequently agreed.

		
Michael Lawrence Chief Executive Officer	Zarko Lukovski Chief Operating Officer	Dejan Krstevski Chief Financial Officer

The notes on pages 5 to 24 are an integral part of these financial statements.

The notes on pages 5 to 24 are an integral part of these financial statements.

Cash flow statement

		For the year ended 31 December	
In thousands of denars	Notes	2006	2005
<b>Operating activities</b>			
Profit before income tax		3,550,415	2,271,315
<i>Adjustments for:</i>			
Depreciation and amortisation		1,839,417	2,311,347
Impairment losses on trade and other receivables	3	94,878	94,290
Collected written off receivables	2	(21,438)	(4,216)
Write (back)/off inventories to net realisable value	3	(2,014)	2,633
Interest income	4	(156,215)	(96,488)
Interest expense and bank charges	4	1,100	13,693
Other non cash adjustments		3,167	6,591
Write off of inventories		20,062	-
Effect of foreign exchange rate changes on cash and cash equivalents		(11,722)	6,521
Loss/(gain) on disposal of property plant and equipment		728	(1,093)
<b>Cash generated from operations before changes in working capital</b>		<b>5,318,378</b>	<b>4,604,593</b>
(Increase)/decrease of inventories		(46,814)	108,749
Increase of receivables		(767,173)	(290,957)
Increase/(decrease) of payables		496,608	(164,315)
<b>Cash generated from operations</b>		<b>5,000,999</b>	<b>4,258,070</b>
Interest and bank charges paid		(3,936)	(19,365)
Income taxes paid		(317,055)	(205,140)
<b>Cash flows from operating activities</b>		<b>4,680,008</b>	<b>4,033,565</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(502,903)	(493,427)
Acquisition of intangible assets		(515,487)	(340,248)
Deposits with banks		46,634	(459,001)
Proceeds from sale of property, plant and equipment		3,335	1,093
Short term loans given to related parties		(4,000,000)	-
Interest received		150,629	96,488
<b>Cash flows from investing activities</b>		<b>(4,817,792)</b>	<b>(1,195,095)</b>
<b>Financing activities</b>			
Dividends paid		-	(2,888,323)
Repayment of loans		(84,658)	(169,317)
<b>Cash flows from financing activities</b>		<b>(84,658)</b>	<b>(3,057,640)</b>
Net decrease in cash and cash equivalents		(222,442)	(219,170)
Cash and cash equivalents at 1 January		2,036,543	2,255,713
<b>Cash and cash equivalents at 31 December</b>	11	<b>1,814,101</b>	<b>2,036,543</b>

The notes on pages 5 to 24 are an integral part of these financial statements.

Statement of changes in equity

In thousands of denars	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at 1 January 2005		2,791,453	558,291	4,232,637	7,582,381
Net profit for the year		-	-	2,028,291	2,028,291
Dividends paid		-	-	(2,888,323)	(2,888,323)
<b>Balance at 31 December 2005</b>	12	<b>2,791,453</b>	<b>558,291</b>	<b>3,372,605</b>	<b>6,722,349</b>
Balance at 1 January 2006		2,791,453	558,291	3,372,605	6,722,349
Net profit for the year		-	-	3,090,189	3,090,189
<b>Balance at 31 December 2006</b>	12	<b>2,791,453</b>	<b>558,291</b>	<b>6,462,794</b>	<b>9,812,538</b>

The notes on pages 5 to 24 are an integral part of these financial statements.

## Notes to the financial statements

### General information

T-Mobile Macedonia AD, Skopje (hereinafter "The Company") is a joint stock company incorporated and domiciled in the Republic of Macedonia, for provision of telecommunication services.

The Company's immediate parent company is Makedonski Telekomunikacii AD, Skopje with 100% share, registered in the Republic of Macedonia. The ultimate parent company is Deutsche Telekom AG registered in Federal Republic of Germany.

The Company's registered address is "Orce Nikolov" Street bb, 1000, Skopje, Republic of Macedonia.

The total number of employees of the Company is 434 as of December 31, 2006, and 442 as of December 31, 2005.

### Investigation into certain consultancy contracts

On February 13, 2006, Magyar Telekom, the controlling owner of the Company, announced that it was investigating certain contracts entered into by a fellow subsidiary of Magyar Telekom to determine whether they were entered into in violation of Magyar Telekom policy or applicable law or regulation. Subsequent to this on February 19, 2007 the Board of Directors of the Company, based on the recommendation of the Audit Committee of AD Makedonski Telekomunikacii and Audit Committee of Magyar Telekom adopted a resolution for independent internal investigation regarding certain contracts to be conducted. The investigation, conducted by an independent law firm and supervised by the Audit Committee of Magyar Telekom, is still ongoing.

Magyar Telekom has already implemented certain remedial measures designed to enhance Magyar Telekom Group control procedures with respect to the entry into consultancy contracts, including the introduction of a new governance model.

As a result of the delays in finalizing its 2005 and 2006 financial statements due to the investigation, the Company has failed and may fail to meet certain deadlines prescribed by Republic of Macedonia and other applicable laws and regulations for preparing and filing audited annual results and holding annual general meetings.

### Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Notes to the financial statements

### Significant accounting policies continued

#### (a) Basis of preparation

The financial statements are presented in Macedonian denars, rounded to the nearest thousand. These financial statements are prepared, in all material respects, in accordance with the Law on Trade Companies (Official Gazette No. 28/2004), Rule Books for Accounting (Official Gazette No. 40/1997, 73/1999, 94/2004, 11/2005 and 116/2005). The financial statements are prepared on the historical cost basis modified for the revaluation of property, plant and equipment, intangible assets and equity in the years of inflation using the official revaluation coefficients based on the general manufactured goods price increase index, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The preparation of financial statements 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policy (v). Actual results could differ from those estimates.

#### (b) Foreign currency transactions

Transactions in foreign currencies are translated to denars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to denars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary financial assets and liabilities denominated in foreign currency are translated to denars at the foreign exchange rate ruling at the date of transaction.

The foreign currencies deals of the Company are predominantly United States Dollars (USD), EURO (EUR) and Swiss Francs (CHF) based. The exchange rates used for translation at 31 December 2006 and 2005 were as follows:

	2006	2005
	MKD	MKD
1 USD	46.45	51.86
1 EUR	61.17	61.18
1 CHF	38.07	39.34

#### (c) Property, plant and equipment

##### (i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer accounting policy e). The cost of self-constructed assets includes the cost of materials and direct labour.

Items of property, plant and equipment are restated at the year-end using official revaluation coefficients based on the general manufactured goods price increase index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation as to approximate replacement cost. The net effect of revaluation is recorded against revaluation reserves. The last revaluation of property, plant and equipment was made in year 2000.

## Notes to the financial statements

### Significant accounting policies continued

#### (c) Property, plant and equipment continued

##### (ii) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### (iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the prescribed useful lives of items of property, plant and equipment. Assets are not depreciated until they are available for use. Land is not depreciated.

The depreciation is calculated using the following annual rates of depreciation, which are also tax allowable:

	2006	2005
	%	%
Exchanges / Switches	25	25
Base stations	25	25
Buildings	2.5	2.5
Computers	25	25
Electronic devices	25	25
Furniture and other office equipment	20	20
Vehicles	25	25

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying value is greater than its estimated recoverable amount (refer accounting policy e).

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

#### (d) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (refer accounting policy e).

Items of intangible assets are restated at the year-end using official revaluation coefficients based on the general manufactured goods price increase index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation as to approximate replacement cost. The net effect of revaluation is recorded against revaluation reserves. The last revaluation of intangible assets was made in year 2000.

## Notes to the financial statements

### Significant accounting policies continued

#### (d) Intangible assets continued

##### (i) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

##### (ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the prescribed useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The amortisation is calculated using the following annual rates of amortisation, which are also tax allowable:

	2006	2005
	%	%
Software and licences	20	20
Leasehold improvement	20	20

#### (e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Impairment losses are recognized in the income statement. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (f) Investments

The Company's investments in non-profit organization T-Mobile Macedonia Foundation are stated at cost.

#### (g) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

## Notes to the financial statements

### Significant accounting policies continued

#### (h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the recognised loss (provision) in the income statement.

#### (i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### (j) Trade and other payables

Trade and other payables are stated at their cost, representing fair value.

#### (k) Share capital

Ordinary shares are classified as equity.

#### (l) Statutory reserves

Under local statutory legislation, the Company is required to set aside 15 percent of its net statutory profit for the year in a statutory reserve until the level of the reserve reaches 1/5 of the share capital. These reserves are used to cover losses and are not distributed to shareholders except in the case of bankruptcy of the Company. Statutory reserves can be distributed at the approval of the shareholders meeting.

#### (m) Dividends

Dividends are recognised as a liability in the Company's financial statements in the period in which they are approved by the Company's shareholders.

## Notes to the financial statements

### Significant accounting policies continued

#### (n) Revenue recognition

Revenue is primarily derived from services provided to subscribers and other third parties using the telecommunications network and equipment sales. Revenues for all services and equipment sales are shown net of VAT, discounts and after elimination of sales within the Company, and are recognized when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria are met for the provision of each of the Company's services described below.

Customer subscriber arrangements typically include an activation fee, equipment sale, subscription fee and monthly charge for the actual airtime used. The Company considers the various elements of these arrangements to be separate earnings processes and recognizes the revenue for each of the deliverables at their reversed residual amounts.

Customers may also purchase prepaid mobile cards which allow those customers to use the telecommunication network for a selected amount of time. Customers must pay for such services at the date when the card is purchased.

Third parties using the telecommunications network include roaming customers of other service providers and other telecommunications providers which terminate calls on the network.

The revenue recognition policies for the different Company's of services are below.

##### (i) Activation fees

Revenues earned from connecting subscribers to the mobile network are recognized upon service activation.

##### (ii) Subscription fees

Monthly subscription fees represent a fixed monthly fee charged to customer subscribers for access to the network. Such fees are recognized in the month during which the customer is permitted access to the network.

##### (iii) Outgoing traffic revenue

Outgoing traffic revenue represents usage of the mobile network from the subscribers upon agreed traffic prices. Revenue is recognised in the month the traffic was actually realised for the postpaid subscribers, or when there was actual sales of prepaid voucher for the prepaid customer.

##### (iv) Incoming traffic revenue

Incoming traffic revenue is recognized in the period of related usage.

A proportion of the revenue received is often paid to other operators (including roaming) for the use of their networks, where appropriate. These revenues and costs of these transit calls are stated gross in these financial statements and recognized in the period of related usage.



## Notes to the financial statements

### Significant accounting policies continued

**(n) Revenue recognition continued**

**(v) Equipment sales**

Revenues and costs from sale of telephone sets are recognized upon delivery.

**(o) Finance income and expenses**

Finance income and expenses comprises interest receivable on funds invested, dividend income, foreign exchange gains and losses, impairment losses on available-for-sale financial assets, and gains and losses on financial assets at fair value through profit and loss.

Interest income is recognised in the income statement on a time-proportion basis using the effective interest method. Dividend income is recognised in the income statement when the right to receive payment is established.

**(p) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**(q) Employees Benefits**

**(i) Pension and other obligations**

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Governmental and private funds. The cost of these payments is charged to the income statement in the same period as the related salary cost. The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions. In addition, the Company is not obligated to provide further benefits to current and former employees.

**(ii) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

## Notes to the financial statements

### Significant accounting policies continued

**(q) Employees Benefits continued**

**(iii) Bonus plans**

The Company recognises a liability and an expense for bonuses taking into consideration the financial and operational results. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(r) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**(s) Taxation**

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**(t) Comparative information**

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purpose. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

**(u) Financial risk management**

**Financial risk factors**

The Company is exposed to foreign exchange, credit, interest rate and liquidity risk arises in the normal course of the Company's business.

**(i) Foreign exchange risk**

The Company's functional currency is the Macedonian denar.

The foreign exchange exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international telecommunications carriers as well as capital expenditure contracted with vendors in foreign currency.

The currencies giving rise to this risk are primarily USD and EUR. The Company uses cash deposits in foreign currency, predominantly in EUR and USD, and cash deposits in denars linked to foreign currency, to hedge its foreign currency risk as well as local currency risk in accordance with the available banks offers.

## Notes to the financial statements continued

### Significant accounting policies continued

#### (u) Financial risk management continued

##### (ii) Interest rate risk

The Company has no interest bearing liabilities, while it incurs interest rate risk on cash deposits with banks and loans to employees. No policy to hedge the interest rate risk is in place.

##### (iii) Credit risk

The Company has no significant concentration of credit risk with any single counter party or group of counter parties having similar characteristics.

The Company's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.

The Company does not guarantee obligations of other parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized at the balance sheet date.

Additionally, the Company is exposed to risk through cash deposits in the banks.

Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

##### (iv) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks.

##### (v) Fair value estimation

The fair value of publicly traded financial assets at fair value through profit and loss is based on quoted market prices at the balance sheet date.

#### (v) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

## Notes to the financial statements continued

### Significant accounting policies continued

#### (v) Critical accounting estimates and assumptions continued

##### (i) Potential impairment of property, plant and equipment and intangibles

We assess the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

##### (ii) Impairment of trade and other receivables

We calculate impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make required payments. We base our estimate on the aging of our account receivables balance and our historical write-off experience, customer credit-worthiness and changes in our customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

##### (iii) Provisions

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent and a reliable estimate can be made of the amount of the obligation, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

Notes to the financial statements

1. Revenues

<i>In thousands of denars</i>	2006	2005
Domestic market sales	8,447,029	7,651,903
Foreign market sales	538,160	509,818
	<b>8,985,189</b>	<b>8,161,721</b>

2. Other operating income

<i>In thousands of denars</i>	2006	2005
Re-branding income	200,461	-
Income from own product used	47,289	54,028
Income from FGSM	37,207	43,041
Income from installation and maintenance of mini links	29,586	31,946
Collected written of receivables	21,438	4,216
Extinguishment of liabilities	830	385
Rental income	29	18
Other	7,841	81,137
	<b>344,681</b>	<b>214,771</b>

3. Other operating expenses

<i>In thousands of denars</i>	2006	2005
Cost of goods sold	681,886	736,778
Transportation/Interconnection	637,050	583,110
Advertising, marketing and sponsorship	578,171	410,717
Payments to foreign operators	411,090	373,408
Leased lines	300,677	319,983
Maintenance	162,462	207,194
Other employee costs	142,293	127,606
Impairment losses on trade and other receivables	94,878	94,290
Radiofrequency, numeration and surveillance	93,361	93,586
Rent	86,423	86,492
Raw materials, materials and energy	73,578	83,570
Consultancy	57,585	45,477
Billing postage	22,663	19,214
Cost of petty inventory	15,632	2,482
Write down of PPE to net realisable value	4,905	4,836
Write (back)/off inventories to net realisable value	(2,014)	2,633
Other non material costs	30,756	35,196
Other	327,921	332,017
	<b>3,719,317</b>	<b>3,558,589</b>

The remuneration of the members of the Board of Directors amounted to MKD 1,817 thousand (2005: MKD 2,000 thousand).

Notes to the financial statements

4. Net finance income

<i>In thousands of denars</i>	2006	2005
Interest income	156,215	96,488
Net foreign exchange gains	-	12,307
Finance income	156,215	108,795
Interest expense and bank charges	(1,100)	(13,693)
Net foreign exchange losses	(36,485)	-
Finance expense	(37,585)	(13,693)
	<b>118,630</b>	<b>95,102</b>

5. Income tax expense

Reconciliation of effective tax rate

<i>In thousands of denars</i>	2006		2005	
Profit before tax	3,550,415		2,271,315	
Income tax	15%	532,562	15%	340,697
Non-deductible expenses	1.9%	66,715	2.0%	46,157
Tax exempted revenues	(0.2%)	(7,199)	(1.2%)	(27,122)
Tax incentives not recognised in the income statement	(3.7%)	(131,852)	(5.1%)	(116,708)
	<b>13.0%</b>	<b>460,226</b>	<b>10.7%</b>	<b>243,024</b>

Up to the date of approval of these financial statements, the tax authorities carried out a full-scope tax audit at the Company for 2001 and 2002. No issues have been identified in the performed tax audits.

The Government enacted new income tax rates on 30 December 2006 for 2007 and 2008. The income tax rate for 2007 is 12%, while the applicable tax rate for 2008 and the years after is 10 %.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

## Notes to the financial statements

### 6. Property, plant and equipment

<i>In thousands of denars</i>	Land and buildings	Equipment	Other	Assets under construction	Total
<b>Cost</b>					
At 1 January 2005	140,088	6,400,662	970,620	55,236	7,566,606
Additions	865	135,128	53,945	414,710	604,648
Transfer from assets under construction	-	285,097	14,670	(299,767)	-
Disposals	-	(1,135)	(9,955)	(1,562)	(12,652)
<b>At 31 December 2005</b>	<b>140,953</b>	<b>6,819,752</b>	<b>1,029,280</b>	<b>168,617</b>	<b>8,158,602</b>
<b>Depreciation</b>					
At 1 January 2005	21,857	3,878,312	477,253	-	4,377,422
Charge for the year	14,776	1,458,610	198,999	-	1,672,385
Disposals	-	(159)	(6,093)	-	(6,252)
<b>At 31 December 2005</b>	<b>36,633</b>	<b>5,336,763</b>	<b>670,159</b>	<b>-</b>	<b>6,043,555</b>
<b>Carrying amount</b>					
At 1 January 2005	118,231	2,522,350	493,367	55,236	3,189,184
<b>At 31 December 2005</b>	<b>104,320</b>	<b>1,482,989</b>	<b>359,121</b>	<b>168,617</b>	<b>2,115,047</b>
<b>In thousands of denars</b>					
<b>Cost</b>					
At 1 January 2006	140,953	6,819,752	1,029,280	168,617	8,158,602
Additions	4,009	146,216	104,646	163,817	418,688
Transfer from assets under construction (see note 7)	-	202,332	5,438	(219,527)	(11,757)
Disposals	-	(152)	(40,947)	(159)	(41,258)
<b>At 31 December 2006</b>	<b>144,962</b>	<b>7,168,148</b>	<b>1,098,417</b>	<b>112,748</b>	<b>8,524,275</b>
<b>Depreciation</b>					
At 1 January 2006	36,633	5,336,763	670,159	-	6,043,555
Charge for the year	3,698	923,859	186,986	-	1,114,543
Disposals	-	(152)	(36,393)	-	(36,545)
<b>At 31 December 2006</b>	<b>40,331</b>	<b>6,260,470</b>	<b>820,752</b>	<b>-</b>	<b>7,121,553</b>
<b>Carrying amount</b>					
At 1 January 2006	104,320	1,482,989	359,121	168,617	2,115,047
<b>At 31 December 2006</b>	<b>104,631</b>	<b>907,678</b>	<b>277,665</b>	<b>112,748</b>	<b>1,402,722</b>

Operating lease rentals amounting to MKD 86,423 thousand (2005: 86,492 MKD thousand) relating to the lease of property and equipment are included in the income statement.

## Notes to the financial statements

### 7. Intangible assets

<i>In thousands of denars</i>	Software and licences	Other	Assets under construction	Total
<b>Cost</b>				
At 1 January 2005	2,959,230	97,569	-	3,056,799
Additions	422,989	20,366	26,645	470,000
Transfer from assets under construction	26,190	-	(26,190)	-
<b>At 31 December 2005</b>	<b>3,408,409</b>	<b>117,935</b>	<b>455</b>	<b>3,526,799</b>
<b>Amortisation</b>				
At 1 January 2005	1,006,906	47,212	-	1,054,118
Charge for the year	621,193	17,769	-	638,962
<b>At 31 December 2005</b>	<b>1,628,099</b>	<b>64,981</b>	<b>-</b>	<b>1,693,080</b>
<b>Carrying amount</b>				
At 1 January 2005	1,952,324	50,357	-	2,002,681
<b>At 31 December 2005</b>	<b>1,780,310</b>	<b>52,954</b>	<b>455</b>	<b>1,833,719</b>
<b>In thousands of denars</b>				
<b>Cost</b>				
At 1 January 2006	3,408,409	117,935	455	3,526,799
Additions	519,593	4,590	260	524,443
Disposal	-	(346)	-	(346)
Transfer from assets under construction (see note 6)	11,757	-	-	11,757
<b>At 31 December 2006</b>	<b>3,939,759</b>	<b>122,179</b>	<b>715</b>	<b>4,062,653</b>
<b>Amortisation</b>				
At 1 January 2006	1,628,099	64,981	-	1,693,080
Charge for the year	703,624	21,250	-	724,874
Disposal	-	(156)	-	(156)
<b>At 31 December 2006</b>	<b>2,331,723</b>	<b>86,075</b>	<b>-</b>	<b>2,417,798</b>
<b>Carrying amount</b>				
At 1 January 2006	1,780,310	52,954	455	1,833,719
<b>At 31 December 2006</b>	<b>1,608,036</b>	<b>36,104</b>	<b>715</b>	<b>1,644,855</b>

### 8. Inventories

<i>In thousands of denars</i>	2006	2005
Materials	27,912	16,170
Spare parts	40,245	40,353
Commodities	195,929	175,203
Petty inventory	979	5,762
Write down of inventories to net realisable value	(619)	(2,633)
	<b>264,446</b>	<b>234,855</b>

Notes to the financial statements

8. Inventories continued

*Movement in allowance for inventories to net realizable value*

<i>In thousands of denars</i>	2006	2005
Allowance at 1 January	(2,633)	-
Released/(charged) to expense	2,014	(2,633)
Allowance at 31 December	<u>(619)</u>	<u>(2,633)</u>

Allowance for inventory relates to obsolete commodities.

9. Trade and other receivables

<i>In thousands of denars</i>	2006	2005
Trade debtors		
-Foreign	95,434	65,646
-Domestic	1,158,555	942,927
Less: allowance for uncollectibility	<u>(366,594)</u>	<u>(296,198)</u>
Trade debtors -- net:	887,395	712,375
Receivables from related parties	313,385	147,930
Advances given to suppliers	1,472	1,797
Prepayments	170,225	49,658
Short term loans given to related parties	4,005,587	-
VAT recoverable	79	50
Other	1,856	1,352
	<u>5,379,999</u>	<u>913,162</u>

Receivables from related parties represent receivables from Makedonski Telekomunikacii AD, Magyar Telekom Rt Group and Deutsche Telekom AG Group (refer note 16).

Loans to related parties represents short term loan given to Makedonski Telekomunikacii AD on 30 November 2006 with the interest income which Maktel will generate by means of the monetary asset management, decreased by the administrative charges.

The fair values of trade and other receivables are as follows:

<i>In thousands of denars</i>	2006	2005
Trade debtors	887,395	712,375
Receivables from related parties	313,385	147,930
Advances given to suppliers	1,472	1,797
Prepayments	170,225	49,658
Short term loans given to related parties	4,005,587	-
VAT recoverable	79	50
Other	1,856	1,352
	<u>5,379,999</u>	<u>913,162</u>

Notes to the financial statements

9. Trade and other receivables continued

*Movement in allowance for uncollectibility*

<i>In thousands of denars</i>	2006	2005
Impairment losses at 1 January	(296,198)	(209,746)
Charged to expense	(94,878)	(94,290)
Write offs	3,044	3,622
Collected written off receivables	21,438	4,216
<b>Impairment losses at 31 December</b>	<b><u>(366,594)</u></b>	<b><u>(296,198)</u></b>

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

10. Deposits with banks

Deposits with banks represent cash deposits in the reputable domestic banks with interest rates in range from 2.87% p.a. to 5.02% p.a. (2005: from 2 % p.a. to 6.5% p.a.) with maturity over 3 months.

11. Cash and cash equivalents

<i>In thousands of denars</i>	2006	2005
Call deposits	1,794,609	2,010,615
Cash on hand	2	26
Cash equivalents	19,490	25,902
	<u>1,814,101</u>	<u>2,036,543</u>

The interest rate on call deposits ranged from 1.75 % p.a. to 5.50% p.a. (2005: from 1% p.a. to 9.1% p.a.); these deposits have maturities of less than 3 months.

12. Capital and reserves

Share capital consists of the following:

*Share capital*

<i>In thousands of denars</i>	2006	2005
Ordinary shares	2,791,453	2,791,453
	<u>2,791,453</u>	<u>2,791,453</u>

Share capital consists of 9,169,244 ordinary shares held by Makedonski Telekomunikacii AD - Skopje

*Dividends*

At the date on preparation of financial statements no dividend has been declared.

Notes to the financial statements

13. Borrowings

<i>In thousand of denars</i>	2006	2005
Current portion of borrowings	-	84,658
	<u>-</u>	<u>84,658</u>

A loan facility originally granted of EUR 13,989 thousands bearing interest at LIBOR plus 4.5%. was granted by Makedonski Telekomunikacii AD – Skopje as of the date of the formation of the Company. An Annex to the Loan Agreement dated 10.10.2002 denominated this loan in denars at MKD 592,608 thousands with fixed interest of 9% per annum. The loan is repayable in 7 semi-annual instalments of MKD 84,658 thousands.

14. Trade and other payables

<i>In thousands of denars</i>	2006	2005
Trade payable		
-Domestic	248,601	187,176
-Foreign	317,618	325,019
Liabilities to related parties	129,824	97,664
VAT payable and social security payables	61,685	30,388
Not yet invoiced	12,250	2,411
Accrued liabilities	163,921	101,142
Other	5,486	2,326
	<u>939,385</u>	<u>746,126</u>

Liabilities to related parties represent liabilities to Makedonski Telekomunikacii AD, Magyar Telekom Rt Group and Deutsche Telekom AG Group (refer note 16).

15. Commitments and contingencies

*Capital commitments*

The amount authorized for capital expenditure as at 31 December 2006 was MKD 874,871 thousand (2005: MKD 44,704 thousand).

*Operating lease commitments – where the Company is the lessee*

Operating lease commitments were mainly in respect in the lease of buildings, business premises, and locations for base telecommunication stations and other telecommunications facilities.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
Not later than 1 year	77,665	97,715
Later than 1 year and not later than 5 years	282,679	317,489
Later than 5 years	126,506	197,903
	<u>486,850</u>	<u>613,107</u>

Notes to the financial statements

15. Commitments and contingencies continued

*Contingencies*

The Company is involved in routine legal proceedings in the ordinary course of business.

The Company is defending an action brought by Newsphone S DOO – Skopje with regards to lost future profits as a result of termination of contract by the Company. While liability is not admitted, if defence against the action is unsuccessful, damage compensation would be in amount of MKD 983,083 thousand.

In May 2007, The Agency for Electronic Communication (“the Agency”) issued invoices for surcharge on radiofrequency fee for 2004 and 2005 in the amount of MKD 150,790 thousand. The Company has already paid invoices in the amount of MKD 125,561 thousand issued by the Agency relating to these same periods and considers these fees as finally settled and has not recognised nor paid the new invoices issued in May 2007. The Agency has initiated a court procedure. The Court in its first instance has awarded the claim and the Company has filed an appeal. Up to date the Court has not decided on the Company’s appeal. Based on legal advice, the Management of the Company expects that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company will be subject to certain regulatory penalties which arose in the ordinary course of business and relate to revenues for voice mail service (“VMS”) out of which MKD 47,874 thousand for 2005 and MKD 83,456 thousand for 2006. Under the current circumstances the amount of the penalty could not be reliably estimated and quantified. Therefore no provision for these penalties is recognized in these financial statements.

It is management’s opinion that the outcome of these lawsuits will not have a material effect on the Company’s financial position.

16. Related party transactions

All transactions with related parties arise in the normal course of business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.

*Transactions with related parties*

Transactions with related parties include provision and supply of telecommunication services and equipment, loans granted and supply of consultancy services. The amounts receivable and payable are disclosed in the appropriate notes (see notes 9 and 14).

Notes to the financial statements

16. Related party transactions continued

Transactions with related parties continued

The receivables and payables with the Company's related parties are as follows:

In thousands of denars	2006		2005	
	Receivables	Payables	Receivables	Payables
Makedonski Telekomunikacii AD, Skopje	288,622	103,381	137,821	87,450
Telemakedonija	-	3,864	-	8,692
Monet	55	134	46	-
T-Mobile Hungary	213	16,028	648	31
T-Mobile Croatia	1,126	1,123	912	240
T-Mobile Slovakia	147	34	54	-
T-Systems PCM Gmbh	-	1,193	-	-
T-Mobile Czech Republic	120	364	82	42
T-Mobile Germany	3,388	1,395	3,651	-
T-Mobile Austria	1,897	1,300	3,259	540
T-Mobile UK	207	294	344	128
T-Mobile Holland	187	319	162	127
T-Mobile USA	825	225	951	322
Deutsche Telekom AG Germany	16,545	92	-	92
T-Mobile Poland	53	-	-	-
T-Systems Nova Germany	-	78	-	-
	<b>313,385</b>	<b>129,824</b>	<b>147,930</b>	<b>97,664</b>

The revenues and expenses with the Company's related parties are as follows:

In thousands of denars	2006		2005	
	Revenues	Expenses	Revenues	Expenses
Makedonski Telekomunikacii AD, Skopje	1,456,772	664,723	1,410,484	715,281
Telemakedonija	-	35,038	-	32,606
Monet	580	6,298	478	5,456
T-mobile Hungary	3,347	2,425	2,425	1,645
T-mobile Croatia	11,943	16,081	9,758	15,887
T-mobile Slovakia	684	355	484	216
PTC Poland	92	72	-	-
T-mobile Czech Republic	1,253	1,803	581	713
T-mobile Germany	34,055	14,308	29,612	11,487
T-mobile Austria	12,847	7,290	10,227	4,467
T-mobile UK	2,814	2,201	1,685	1,382
T-mobile Holland	2,431	2,391	2,167	1,641
T-mobile USA	5,448	4,787	5,221	3,438
	<b>1,532,266</b>	<b>757,772</b>	<b>1,473,122</b>	<b>794,219</b>

Notes to the financial statements

16. Related party transactions continued

Key management compensation

The compensation of key management from the Company, including taxation charges, is presented below:

	2006	2005
Short-term employee benefits	40,765	45,229
Termination benefits	-	13,326
Share-based payments	6,368	1,698
	<b>47,133</b>	<b>60,253</b>

17. Events after the balance sheet date

No material events subsequent to the balance sheet date have occurred which require disclosure in the financial statements.