

TO THE BOARD OF DIRECTORS AND DIRECTOR OF
"DIGIT-RACUNARSKI INZENJERING", Ltd., Belgrade

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of "DIGIT RACUNARSKI INZENJERING", Ltd., Belgrade (hereafter referred to as "Company") as of December 31, 2006, and the related statements of income, cash flow, and changes in owners' equity for that period. These financial statements, presented on pages 2 – 26 are the responsibility of Company's management. Our responsibility is to issue a report on these financial statements based on our audit.

We conducted our audit in accordance with Law on accounting and auditing and International standards on auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a **true and fair view** of the financial position of the Company as of December 31, 2006, and of the results of its operations, cash flow and changes in owners' equity and reserves for the year then ended in accordance with national accounting regulations.

Without qualifying our opinion, we draw your attention to the following matter:

In order to provide guarantee for successful execution of contract with Telekom Serbia, Belgrade, Company registered mortgage on premises in Kraljevo, 164 m², in favor of Vojvodjanska banka.

Belgrade, June 25, 2007



Certified Public Accountant,

Milovan Filipovic
Milovan Filipovic, Ph.D.

BALANCE SHEET
in thousands of RSD

	Notes	As of	
		December 31, 2006	December 31, 2005
ASSETS			
A. NON-CURRENT ASSETS (I+II)		157.012	163.313
I. Property, plant, equipment, and biological assets (1-2)	8	149.499	154.675
1. Property, plant and equipment		148.255	154.675
2. Investment property		1.244	-
II. Investments (1 - 2)		7.513	8.638
1. Investments in equity securities	9	299	5.044
2. Other investments	10	7.214	3.594
B. CURRENT ASSETS (I+II)		168.740	65.890
I. Inventory	11	26.928	15.770
II. Accounts receivable, short-term investments and cash (1 - 4)		141.636	50.120
1. Accounts receivable	12	36.807	39.992
2. Accounts receivable from excessive payment of income tax	13	1.213	-
3. Cash and cash equivalents	14	96.281	10.128
4. VAT and prepaid expenses	15	7.335	-
III. DEFERRED TAX ASSETS	16	176	
C. OPERATING ASSETS (A + B)		325.752	229.203
D. TOTAL ASSETS (C)		325.752	229.203
E. OFF-BALANCE-SHEET ASSETS	32	25.212	21.411
EQUITY AND LIABILITIES			
A. EQUITY (I - III)	17	236.016	196.408
I. OWNERS' AND OTHER CAPITAL		4.501	2.281
II. RESERVES		337	337
III. RETAINED EARNINGS		231.178	193.790
B. LONG-TERM PROVISIONS AND LIABILITIES (I - II)		89.736	32.795
I. SHORT-TERM LIABILITIES (1 - 4)		89.736	32.576
1. Accounts payable	18	82.582	24.684
2. Other short-term liabilities and accrued expenses	19	2.457	1.970
3. Value-added tax and other public revenue payable	20	4	5.922
4. Liability for income tax	21	4.693	-
II. DEFERRED TAXES PAYABLE	22	-	219
C. TOTAL EQUITY AND LIABILITIES (A + B)		325.752	229.203
D. OFF-BALANCE-SHEET EQUITY AND LIABILITIES	32	25.212	21.411

INCOME STATEMENT
in thousands of RSD

	Notes	For period	
		Jan 1-Dec 31, 2006	Jan 1-Dec 31, 2005
A. REVENUES AND EXPENSES FROM REGULAR ACTIVITIES			
A.I. Operating revenues (1 - 2)	23	410.128	348.575
1. Sales revenues		410.058	348.202
2. Other operating revenues		70	373
A.II. Operating expenses (1 - 5)		(361.611)	(320.939)
1. Cost of merchandise sold		(50.349)	(65.963)
2. Cost of material	24	(166.340)	(132.866)
3. Payroll expenses	25	(77.536)	(59.376)
4. Depreciation expenses		(11.220)	(6.392)
5. Other operating expenses	26	(56.166)	(56.342)
A.III. Operating income (I - II)		48.517	27.636
A.IV. Financial revenues	27	3.385	2.201
A.V. Financial expenses	28	(6.375)	(1.506)
A.VI. Other revenues	29	2.988	168
A.VII. Other expenses	30	(5.526)	(533)
A.VIII. Income from regular activities (I - II)		42.989	27.966
B. INCOME BEFORE TAXES		42.989	27.966
C. INCOME TAX (1 - 2)	31		
1. Tax expense of period		(4.693)	(2.721)
2. Differed tax revenue of period		394	-
D. NET EARNINGS		38.690	25.245

CASH FLOW STATEMENT
 in thousands of RSD

	Notes	As of	
		December 31, 2006	December 31, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Inflows from operating activities (1 - 3)		501.047	267.415
1. Sales and received advance payments		496.589	267.415
2. Received interest from operating activities		1.470	-
3. Other inflows from regular activities		2.988	-
II. Outflows from operating activities (1 - 5)		402.916	454.765
1. Payments to suppliers and advance payments		334.792	370.629
2. Payroll payments		63.778	59.376
3. Paid interest		2.594	4
4. Income tax		-	1.547
5. Payments for other public revenues		1.752	23.209
III. Net inflow/(outflow) from operating activities (I - II)		98.131	(187.350)
B. CASH FLOW FROM INVESTMENT ACTIVITIES			
I. Inflows from investment activities (1 - 2)		-	843
1. Sale of property and equipment		-	20
2. Received interest		-	823
II. Outflows from investment activities (1 - 2)		10.114	8.970
1. Acquisition of property and equipment		6.319	8.970
2. Other financial placement		3.795	-
III. Net outflow from investment activities (I - II)		(10.114)	(8.127)
C. CASH INFLOW FROM FINANCING ACTIVITIES			
I. Inflows from financing activities		-	198.257
1. Other long-term liabilities and short-term liabilities		-	198.257
II. Outflows from financing activities		-	-
III. Net inflow from financial activities (I - II)		-	198.257
D. TOTAL CASH INFLOW (A I+B I+C I)		501.047	466.515
E. TOTAL CASH OUTFLOW (AII+BII+CII)		413.030	463.735
F. NET CASH INFLOW (D - E)		88.017	2.780
G. CASH AT BEGINNING OF THE PERIOD		10.128	7.472
H. POSITIVE FOREIGN CURRENCY TRANSLATION OF CASH		1.916	1.378
I. NEGATIVE FOREIGN CURRENCY TRANSLATION OF CASH		3.780	1.502
J. CASH AT THE END OF THE PERIOD (F+G+H-I)	14	96.281	10.128

**STATEMENT OF CHANGES IN
OWNERS' EQUITY in thousands of RSD**

	Notes	As of	
		December 31, 2006	December 31, 2005
A1. Shares of limited liabilities company			
1. Balance at beginning of period		1.934	1.934
2. Reconciliation of shares with registration		1.838	-
3. Balance at the end of period		<u>3.772</u>	<u>1.934</u>
A2. Other capital			
1. Balance at beginning of period		347	347
2. Increase for approved residential loans		382	-
3. Balance at the end of period		<u>729</u>	<u>347</u>
A. Owners' and other capital (A1 + A2)		<u>4.501</u>	<u>2.281</u>
B. Statutory reserves			
1. Balance at beginning of period		337	337
2. Balance at the end of period		<u>337</u>	<u>337</u>
C. Retained earnings			
1. Balance at beginning of period		193.790	168.620
2. Income tax – decision of IRS		-	(2.720)
3. Differed taxes payable		-	(76)
4. Correction of material error		(1.302)	
5. Current year retained earnings		38.690	27.966
6. Balance at the end of period		<u>231.178</u>	<u>193.790</u>
D. Equity (A + B + C)	17	<u>236.016</u>	<u>196.408</u>