

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**31 December 2005**

**INVESTMENT GUARANTEE AGENCY IGA D.O.O.**

Copy number: 1

## CONTENTS

	<i>Page</i>
<b>Responsibility for financial statements.....</b>	<b>3</b>
<b>Independent auditor's report to the owners of Investement Guarantee Agency IGA d.o.o. ....</b>	<b>4</b>
<b>Income statement.....</b>	<b>7</b>
<b>Balance Sheet.....</b>	<b>8</b>
<b>Statement of cash flow .....</b>	<b>9</b>
<b>Statement of changes in equity .....</b>	<b>10</b>
<b>Notes to financial statements.....</b>	<b>11 - 36</b>

# **INVESTMENT GUARANTEE AGENCY IGA d.o.o.**

## **Annual Financial Statements**

---

### **Responsibility for the financial statements**

Pursuant to the Accounting and Auditing Law of Federation of Bosnia and Herzegovina (Official Gazette of Federation of BiH 2/95 and 12/98) and the Statutory audit Engagement Letter, the Management Board is responsible for ensuring that financial statements are prepared for financial year ended as of 31<sup>st</sup> December 2005 in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the financial position and results of the Agency for that period.

After making enquiries, the Management Board has a reasonable expectation that the Agency have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable international accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Agency will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency and must also ensure that the financial statements comply with the Accounting and Auditing Law of Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of Management Board:

Investment Guarantee Agency IGA d.o.o.  
Fra Anđela Zvizdovića 1  
71000 Sarajevo  
Bosnia and Herzegovina

Sarajevo, 19 June 2006

## **Independent auditor's report to the owners of**

### **INVESTMENT GUARANTEE AGENCY d.o.o.**

We have audited the accompanying balance sheet of Investment Guarantee Agency IGA d.o.o. (the "Agency") as of 31 December 2005 and the related statements of income, changes in equity and cash flow of the Agency for the year that ended. As described on page 3, these financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### **Scope**

We conducted our audit in accordance with International Standards on Auditing as published by International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit is not designed to give an opinion on the efficiency and expediency of the management's conduct. It is not specifically aimed to uncover instances of fraud or wilful manipulations by the management of the Agency. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The audit for the year ended 31 December 2004 was performed by another independent auditor, who expressed a qualification of opinion on the financial statements regarding liability to the state in the amount of BAM 51,350 thousand in their report dated on 7 June 2005. Those financial statements significantly differ from the financial statements and accounting records as of 31 December 2004 presented to us by the Agency. Since it was impossible to determine the reasons for the adjustments of previous years made by another auditor to the Agency's financial statements as of 31 December 2004, opening balances as of 1 January 2005 are considered unaudited.

Because of the significant influence that the opening balance sheet has on the statements of income, cash flows and changes in equity for the year ended 31 December 2004, we do not express an opinion on the statements of income, cash flows and changes in equity.

**Qualification**

As discussed in Note 18, there is no legal documentation available that clearly defines the financial relationship between State and Agency regarding transfers as a liability towards the State amounting to BAM 51,344 thousand as at 31 December 2005 and record release of the liability relating to certain expenses as a grant income to the amount BAM 7 thousand (see Notes 7 and 18). We have not been able to determine the legal basis of the transfers of the funds from the state to the Agency and therefore we are not able to determine whether or not the accounting for these funds has been appropriate.

As discussed in Note 14, the Agency did not perform a loan portfolio valuation as prescribed by the IAS 39 methodology. We have not been able to confirm that the loan portfolio balances as of 31 December 2005 in the amount of BAM 23,048 thousand is fairly stated and whether adequate provision has been made to write down these receivables to their recoverable amounts as required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

As discussed in Note 16, the Agency did not perform a factoring portfolio valuation as prescribed by the IAS 39 methodology. We have not been able to confirm that the factoring portfolio balances as of 31 December 2005 in the amount of BAM 1,879 thousand is fairly stated and whether adequate provision has been made to write down these receivables to their recoverable amounts as required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

**Opinion**

Based on the facts mentioned in previous paragraphs, we do not express opinion on Income statement, cash flow and changes in equity of the Agency for the year ended 31 December 2005.

In our opinion except for the effects of the adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to in the preceding paragraphs, the Balance sheet gives a true and fair view of the financial position of the Agency as at 31 December 2005 in accordance with International Financial Reporting Standards.

Sarajevo, 19 June 2006

CONFIDA-REVIZIJA

d.o.o. Zagreb

CONFIDA Društvo za reviziju

d.o.o. Sarajevo

---

Mag. Alexander Leitgeb  
Director

---

Nedžad Madžak, dipl.oec.  
Certified auditor

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Annual Financial Statements

### Income statement

For the year ended 31 December 2005

		2005	2004
	Note	BAM'000	BAM'000 (unaudited)
Interest income	3	1,462	963
Impairment losses and provisions	14, 15, 16, 17, 20	(1,610)	(1)
<b>Net interest income after impairment losses</b>		<b>(148)</b>	<b>962</b>
Insurance income	4	485	308
Insurance expense	5	(16)	(50)
<b>Net insurance income</b>		<b>469</b>	<b>258</b>
Fee and commission income	6	494	427
<b>Net fee and commission income</b>		<b>494</b>	<b>427</b>
Foreign exchange income, net		795	-
Other operating income	7	20	21
<b>Income from other operating activities</b>		<b>815</b>	<b>21</b>
Foreign exchange loss, net		-	(506)
Personnel expense	8	(784)	(833)
Depreciation expense	11	(54)	(60)
Other administrative expenses	9	(564)	(739)
<b>Operating expenses</b>		<b>(1,402)</b>	<b>(2,138)</b>
Profit/(Loss) before income tax		228	(470)
Income tax	10	-	-
<b>Profit/(Loss) for the year</b>		<b>228</b>	<b>(470)</b>

Financial Statements are approved by Management of the Agency as of 19 June 2006, and signed on behalf of Management by:

Lamija Kozarić-Rahman  
Director

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Annual Financial Statements

### Balance Sheet

As at 31 December 2005

		31.12.2005	31.12.2004
		BAM'000	BAM'000
	Note		(unaudited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible and intangible assets	11	114	132
		114	132
<b>Current assets</b>			
Cash and cash equivalents	12	10,279	10,701
Placement with other banks	13	17,862	26,330
Short-term loans to customers	14	19,532	10,831
Loans to customers	14	3,516	1,814
Accrued interest receivables	15	243	165
Factoring receivables	16	1,879	1,719
Other assets	17	432	226
		53,743	51,786
<b>TOTAL ASSETS</b>		<b>53,857</b>	<b>51,918</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
State capital	21	10	10
Retain earnings		299	71
		309	81
<b>Current liabilities</b>			
Due to State of Bosnia and Herzegovina	18	51,344	51,351
Short-term borrowings	19	1,467	-
Other current liabilities	20	737	486
		53,548	51,837
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53,857</b>	<b>51,918</b>

Financial Statements are approved by Management of the Agency as of 19 June 2006, and signed on behalf of Management by:

Lamija Kozarić-Rahman  
Director

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Annual Financial Statements

### Cash Flow Statement

For the year ended 31 December 2005

		2005 BAM'000	2004 BAM'000 (unaudited)
	<i>Note</i>		
<b>Cash flow from operating activities</b>			
Net (loss)/profit for the year		228	(470)
Adjusted for:			
Depreciation		54	60
Impairment losses and provisions		1,610	1
Disposal of fixed assets		3	-
<i>Operating cash flow before working capital changes</i>		1,895	(409)
(Increase)/decrease in placement with other banks		8,468	(9,560)
Increase in loans, before provisions (net)		(11,924)	(1,427)
(Increase)/decrease in receivables for accrued interest,		(91)	102
Increase in factoring receivables, before provisions(net)		(182)	(1,150)
Increase in other assets, before provisions (net)		(217)	(6)
Increase/(decrease) in due to state, (net)		(7)	5,536
Increase/(decrease) in other liabilities, (net)		208	(32)
<b>Net cash (used in) operating activities</b>		<b>(1,850)</b>	<b>(6,946)</b>
<i>Cash flow from investing activities</i>			
Sales/Purchase of fixed assets		(39)	(4)
<b>Net cash (used in) investing activities</b>		<b>(39)</b>	<b>(4)</b>
Proceeds from borrowings		1,467	-
<b>Net cash from financing activities</b>		<b>1,467</b>	<b>-</b>
<b>Net decrease/increase in cash and cash equivalents</b>		<b>(422)</b>	<b>(6,950)</b>
Cash and cash equivalents at the beginning of the year	12	10,701	17,651
<b>Cash and cash equivalents at the end of the year</b>	12	<b>10,279</b>	<b>10,701</b>

Financial Statements are approved by Management of the Agency as of 19 June 2006, and signed on behalf of Management by:

Lamija Kozarić-Rahman  
Director

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Annual Financial Statements

---

### Statement of changes in equity

*For the year ended 31 December 2005*

	State capital BAM'000	Retained earnings BAM'000	Total BAM'000
<b>Balance as at 1 January 2004 (unaudited)</b>	<b>10</b>	<b>541</b>	<b>551</b>
Loss for the year	-	(470)	(470)
<b>Balance as at 31 December 2004 (unaudited)</b>	<b>10</b>	<b>71</b>	<b>81</b>
Profit for the year	-	228	228
<b>Balance as at 31 December 2005</b>	<b>10</b>	<b>299</b>	<b>309</b>

Subscribed capital is disclosed in Note 21.

Financial Statements are approved by Management of the Agency as of 19 June 2006, and signed on behalf of Management by:

Lamija Kozarić-Rahman  
*Director*

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 1. General

#### a) History and incorporation

Investment Guarantee Agency IGA d.o.o. was established in 1996 by the Government of Bosnia and Herzegovina as an independent corporation to operate Political Risk Guarantee Facility known as LIFT (Leveraged Insurance Facility For Trade) in order to mitigate risks that are inhibiting private input suppliers, trading companies and commercial lenders from financing working capital for commercially viable enterprises in Bosnia and Herzegovina.

On December 23, 2004 BiH State Parliament adopted the Law on Bosnia and Herzegovina Export Credit IGA establishment, which transformed IGA d.o.o into the official export credit agency of Bosnia and Herzegovina. The Law precisely determines IGA status, scope of IGA business activities, management and control, authorization, responsibilities as well as IGA financing.

After the Law adoption, IGA is still in the process of registration in Register of the State Institutions, due to the fact that IGA Board of Directors, which supposes to consist of five members, has not been established yet.

#### b) Activity

Initially IGA employed a foreign Agent Bank to issue standby letters of credit simultaneously with the issuance of each guarantee contract by IGA. Payment of claims by the Agent Bank would be based on events specified in the contract documents. Guarantee holders can purchase protection from IGA against losses that occur as a direct result of the following risks:

- Inconvertibility or inability to transfer local currency into foreign exchange;
- Cancellation of licenses, restrictions on import and export;
- Imposition or increase of import or export taxes;
- Expropriation of local enterprises involved in a transaction;
- Seizure of goods, prevention of sale, or prevention of export;
- Interference with the carriage or storage of goods;
- Imposition of a UN embargo or sanctions;
- War or civil disturbance;

Later, IGA entered into an arrangement with Lloyd's of London insurers whereby the insurers would issue a policy and be partially secured by cash lodged in an escrow account over which the insurers had access in the event of a claim.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 1. General (continued)

#### b) Activity (continued)

IGA sold guarantees and insurance policies against a fee of up-to 250 basis points per annum on the covered amount, for a maximum guarantee period of 5 years. Regarding the maximum amounts of guarantee, IGA's General Manager has delegation to approve applications of up to BAM 6,000,000. Larger applications will be considered and require prior approval of IGA's Board and the Insurer. Eligible transactions are those that involve goods sold to enterprises in Bosnia and Herzegovina, which are used for a productive purpose and conform to environmental standards.

In 1999, IGA was selected to implement another World Bank supported project known as BEEF (Bosnian Enterprise Export Facility).

#### Implementation of BEEF

On 13 October 1999 the Bosnian Enterprise Export Facility project (3257-BOS) became effective. The primary objective of the project is to support sustainable economic growth by facilitating and expanding viable export activity. The main objective of the project is to contribute to an increase in the level of exports, which is urgently needed to reduce the economy's dependence on aid.

In 2002, the World Bank gave no objection to the use of funds under LIFT as well for authorized purposes under BEEF.

#### Description of BEEF Facilities

The Enterprise Export Facility comprises a Working Capital Facility, Exporter Performance Insurance Facility and Credit Insurance Facility. In addition, IGA has introduced a facility to support the import of machinery by BiH enterprises engaged in export activity on credit terms up to five years and a facility in partnership with BiH or foreign banks. BEEF facilities are as follows:

#### Working Capital Facilities (Export Financing Facility)

IGA provides funds to BiH banks (Participating Loan) for the purpose of on lending to BiH enterprises engaged in exporting activity (Working Capital Loan). The Participating Loans are for a maximum of one year and are for working capital to allow BiH enterprises to perform defined export contracts.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 1. General (continued)

#### b) Activity (continued)

A Participating Loan is for 50% of a Working Capital Loan above BAM (000) 600 with the BiH bank making up the difference. A Participating Loan can be for 100% of a Working Capital Loan below BAM (000) 600.

In addition to providing funding for a Working Capital Loan, IGA provides the BiH bank with a guarantee against default by the borrower for a maximum of 50% of a Working Capital Loan. Funds guaranteed by IGA are zero risk weighted on the balance sheet of the BiH bank for capital adequacy purposes thereby allowing the bank to do more for an exporter than would otherwise be the case.

#### **Contract Bond Facility**

IGA is authorized to provide support to BiH enterprises that need to provide contract bonds such as bid bonds, advance payment bonds and performance bonds in support of their export contracts. In the past it has been difficult for BiH companies to obtain this support because of the insistence of buyers that only first class banks located outside BiH are eligible to provide the bonds. In most cases this has meant that BiH companies have been obliged to cover the obligation assumed by the bond-giving bank by lodging the equivalent amount with the bond-giving bank in cash. IGA provides support either by providing a guarantee direct to the bond-giving bank, or more usually through a partnership arrangement with the Lloyd's of London insurance market. In both cases IGA obtains the undertaking of the BiH exporter to reimburse it if there is a call and where appropriate takes security over the assets of the exporter supporting this obligation to reimburse if there is a call. Where the Lloyd's of London market is involved, the Lloyd's of London insurance syndicate or syndicates insure the bond giving bank against loss arising from a call and the BiH exporter fails to reimburse the bond giving bank. In that event, the Lloyd's of London insurer also has recourse to the security taken by IGA over the assets of the exporter.

#### **Credit Insurance Facilities**

##### **Export Credit Insurance**

IGA provides export credit insurance to the exporting community of BiH. Export credit insurance is insurance against the failure of a buyer to pay for goods sold and delivered when required under the terms of the export contract and when the exporter is in compliance with the terms of the export contract.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 1. General (continued)

#### b) Activity (continued)

##### **Export Credit Insurance (continued)**

IGA issues an exporter with an insurance policy and reinsures most of the liability it assumes under issued policies of insurance with a major European reinsurance company, "Atradius".

Before accepting an obligation to insure a particular buyer, IGA obtains credit information about the buyer and must be satisfied that the buyer is creditworthy. IGA then issues a credit limit on the buyer which means that IGA accepts liability for that buyer up to the insured percentage of that credit limit. The insured percentage and therefore the amount of a claim payment is usually 90% of the debt.

Premiums range from 0.3 % per annum to more than 1.5% per annum per insurance transaction depending upon the length of the credit offered to the buyer and the grading or ranking of the country to which the goods are exported. Premiums are paid monthly in arrears on the declared value of exports in a particular month.

Credit insurance is new in BiH and in line with the experience of other start up credit insurance operations; it takes several years to develop a sizeable portfolio. There are now distinct signs that the business community is appreciating the value of export credit insurance and the rate of new inquiries and new policies has picked considerably in recent months.

##### **Import Credit Insurance**

IGA also has authority to provide credit insurance to foreign export credit agencies and financial institutions involving the import of goods and services into BiH. It is intended that this facility will be used primarily to develop regional trade by insuring goods imported from countries in South East Europe, particularly the countries that were formerly part of Yugoslavia. Inter regional trade is very significant for BiH and these countries, and it is difficult to obtain reinsurance in the private market for these types of transactions.

IGA will share the risk with the foreign export credit IGA or financial institution up to 50% of the total liability. Insured transactions cannot be longer than 360 days. IGA will only offer this type of insurance to other export credit agencies if they are willing to provide reciprocal insurance on a shared basis for BiH exports.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 1. General (continued)

#### b) Activity (continued)

##### Factoring Facility

The factoring activity is a means whereby IGA provides funding to exporters by discounting debts for goods sold and delivered by BiH enterprises to overseas buyers on credit terms. Factoring can be used as an alternative or in conjunction with the current working loan facility. Debts that are factored would be credit insured against buyer default. It can be used in circumstances where an exporter does not have adequate fixed assets available to provide security to its bank or to IGA. This type of facility transforms the working capital position of many Bosnia's exporting enterprises. The facility is carried out in partnership with local banks.

The Export Factoring Program consists of the following components:

- Advances against purchased export accounts receivable
- Bookkeeping of exporter and debtor information
- Debtor administration of payments and information
- Debtor underwriting and credit approval
- Debtor collection

#### c) Management Board

Lamija Kozarić-Rahman, General Director

Vlatko Tvrtković, Deputy General Director

Mirko Dejanović, Deputy General Director

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), currently applicable interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the Accounting Law of Bosnia and Herzegovina.

#### b) *Basis of preparation*

The financial statements are presented in the Bosnia and Herzegovina Convertible Marks (BAM), rounded to the nearest thousand. The financial statements for the year ended 31 December 2005 have been prepared under the historical cost convention except for any financial assets and liabilities stated at fair value in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*". The accounting policies have been consistently applied, except where disclosed otherwise.

#### *Going concern*

The financial statements have been prepared under the assumption that the Agency will continue to operate as a going concern.

#### c) *Foreign currency transaction*

Transactions in foreign currencies are translated into BAM at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into BAM at the Central bank of Bosnia and Herzegovina mid foreign exchange rate ruling at balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. The exchange rates applied at the last day of the business year are as follows:

31 December 2005	EUR 1 = BAM 1.955830	USD 1 = BAM 1.657905	SDR 1 = BAM 2.363699
31 December 2004	EUR 1 = BAM 1.955830	USD 1 = BAM 1.437687	SDR 1 = BAM 2.226302

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### **d) Interest income and expenses**

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method. Penalty interest is accounted for on a cash basis.

Interest is calculated in accordance with the law or the contract between creditor and debtor. Interest is capitalized if stipulated in the contract. Interest is suspended if interest income is not certain. Suspended interest is recognized as interest income when actually collected.

#### **e) Insurance fee and commission income and expense**

Insurance fees are generally recognized on an accrual basis. Insurance fees regarding political risks and export insurance fee are recognized as income during the term of insurance contracts.

Loan origination fees are amortised through the duration of the loan using the effective interest rate method. When considered immaterial, loan origination fees for loans, which are probable of being drawn down, are recognized on draw down date.

#### **f) Employee benefits**

During its normal operating activities, the Agency pays payroll taxes and contributions on behalf of its employees, as well as meal, vacation allowances and bonuses according to the local legislation. These expenses are recognised in the income statement in the same period as the related salary costs.

The Agency does not have any other pension schemes or obligations relating to present or former employees, and therefore has no pension liabilities. Also, the Agency is not obliged to provide any other benefits to current or former employees

#### **g) Receivables**

Receivables are stated at their cost less impairment as per note 2.j.) in order to account for permanent diminution in value.

#### **h) Intangible assets**

Intangible assets are stated at historic cost, net of accumulated amortisation and, if any, impairment losses as per note 2.j.). Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### *h) Intangible assets (continued)*

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.

Regular maintenance expenditure is directly charged against operating profit. Maintenance expenditure is capitalised in exceptional cases where maintenance results in an enlargement or substantial improvement of the respective assets.

#### *i) Property, plant and equipment*

The purchase of property, plant and equipment is stated at cost or estimated value less accumulated depreciation and impairment as per note 2.i.). Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Assets under construction are not depreciated. The average estimated useful lives are as follows:

	<b>2005</b>	<b>2004</b>
	<b>year</b>	<b>(unaudited)</b>
	<b>year</b>	<b>year</b>
Computers	3	3
Vehicles	5	5
Furniture and other office equipment	3-5	3-5
Intangible assets	5	5

The Agency uses depreciation rates which are in accordance with Accounting Law in Bosnia and Herzegovina.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### *j) Loans originated by the Agency and provisions for loan impairment*

Loans originated by the Agency by providing money directly to a borrower are categorised as loans originated by the Agency and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognised when cash is advanced to borrowers.

Loans to customers and financial institutions are stated net of provisions for loan impairment. A provision for loan impairment is established, if there is objective evidence that the Agency will not be able to collect amounts due in accordance with the contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the 'Recovery of written-off receivables' line in the income statement.

The Agency stops accruing interest on loans that are classified as a loss due to default of the borrower. The carrying amount of non-accruing loans represents the amount of the receivable decreased by the provision for expected losses. The provision is determined usually as 100% of the receivable value decreased by the amount that the Agency expects to recover from exercising collateral or other securities pledged for the loan. The Agency charges penalty interest to borrowers when a portion of the loan falls overdue. Penalty interest is accounted for on the cash basis in the caption 'Interest income'.

The Agency did not perform a loan portfolio valuation as prescribed by the IAS 39 methodology.

#### *k) Taxation*

As of 31 December 2004 the Law on IGA was adopted. The law prescribed registration of IGA in Register of state institutions and exemption IGA from income tax and value added tax liability payment. Up to audit date IGA still did not complete the process of registration in Register of state institutions. According to the fact previously mentioned, IGA is considered as regular income tax payer of Bosnia and Herzegovina.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### *k) Taxation (continued)*

The Agency provides for taxation liabilities in accordance with Law of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina.

Profit tax expense/benefit for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that the related tax benefit will be realised.

#### *l) Cash and cash equivalents*

For the purpose of reporting cash flows, cash and cash equivalents comprise cash on hand and current accounts with other banks.

#### *m) Grant income*

Grants are assistance by the Government to other parties in the form of transfer of resources to Agency. These grants are recognized as income, whenever there is reasonable assurance that Agency will comply with conditions attaching to them (if any) and the grants will be received.

Grant income relates to the release during the year of the liability towards the State of Bosnia and Herzegovina. The release of the liability equals the amounts expensed during the year in respect of the Bosnia Enterprise Export Facility as part of depreciation expenses. Grant income is deducted from operating expenses (see Note 7).

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### *n) Factoring receivables and provisions*

The factoring activity relates to funding provided to exporters by discounting debts for goods sold and delivered by BiH enterprises to overseas buyers on credit terms. The factoring method that Agency uses is called recourse factoring, implying that the actual accounts receivable stays on balance with the exporter. Agency enhances advance payments up to 80% of invoice amounts to the Bosnian exporters, with a factoring agreement. All factoring advances are recognized, when cash is advanced to the borrowers. A credit risk provision for factoring impairment is established if there is objective evidence that Agency will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

#### *o) Fair value of financial assets and liabilities*

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Where available, fair value is based on quoted market prices. However, no readily available market prices exist for a significant portion of the Agency's financial instruments. In circumstances, where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates may not represent actual values to be realised in a current sale of the financial instrument.

Where, in the opinion of the management, the fair values of financial assets and liabilities differ materially from their carrying amounts, such fair values are separately disclosed in the notes to the financial statements. In estimating the fair value of the Agency's financial instruments, the following methods and assumptions were used.

- **Placement with banks**

The estimated fair value of amounts placement with banks that mature in 180 days or less approximates their carrying amounts. As all placements with banks mature within 180 days the management believes that carrying value of due from banks equals to their fair value.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 2. Significant accounting policies (continued)

#### *o) Fair value of financial assets and liabilities (continued)*

##### ▪ **Loans and advances to customers**

The fair value of variable yield loans that regularly reprise, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analysis, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date.

#### *p) Off-balance-sheet commitments*

In the ordinary course of business, the Agency enters into credit related commitments, which are recorded in off-balance-sheet accounts and primarily include guarantees, letters of credit and unused parts of granted loans. Such financial commitments are recorded in the Agency's balance sheet if and when they become payable.

The provision for commitments and contingent liabilities are maintained at a level Agency's management believes is adequate to absorb probable future losses. The Management Board of the Agency determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Agency recognises a provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the obligation can be made.

#### *q) Comparatives*

Where necessary comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Net profit and total assets and liabilities were not impacted by these changes.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 3. Interest income

	2005 BAM'000	2004 BAM'000 (unaudited)
Interest on loans to companies	625	503
Interest on placement with banks	604	337
Factoring income	158	105
Penalty interest	75	18
<b>Total</b>	<b>1,462</b>	<b>963</b>

### 4. Insurance income

	2005 BAM'000	2004 BAM'000 (unaudited)
Insurance premiums for issued loans	326	300
Collection risk premium for exporters	144	-
Insurance premiums for political risks	-	4
Other insurance income	15	4
<b>Total</b>	<b>485</b>	<b>308</b>

### 5. Insurance expense

	2005 BAM'000	2004 BAM'000 (unaudited)
Export credit insurance claims paid	16	2
Payment guarantee claims paid	-	48
<b>Total</b>	<b>16</b>	<b>50</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 6. Fee and commission income

	2005 BAM'000	2004 BAM'000 (unaudited)
Fees from off-balance sheet transactions	413	373
Fees from factoring services	71	47
Other fees	10	7
<b>Total</b>	<b>494</b>	<b>427</b>

### 7. Other operating income

	2005 BAM'000	2004 BAM'000 (unaudited)
Donations (see Note 17)	7	17
Other income	13	4
<b>Total</b>	<b>20</b>	<b>21</b>

### 8. Personnel expenses

	2005 BAM'000	2004 BAM'000 (unaudited)
Net salaries	370	371
Taxes and contributions	246	248
Other personnel expenses	168	214
<b>Total</b>	<b>784</b>	<b>833</b>

Number of employees as of 31 December 2005 in Agency was 13 (2004: 13)

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 9. Other administrative expenses

	2005 BAM'000	2004 BAM'000 (unaudited)
Service charges for BEEF loan (see Note 18)	156	153
Rent	105	111
Other services	83	88
Bank fees	58	29
Travel expenses	37	23
Material	19	5
Maintenance	16	15
Advertising	15	33
Membership	14	10
Donations	4	5
Other administrative expenses	57	267
<b>Total</b>	<b>564</b>	<b>739</b>

### 10. Income tax

	2005 BAM'000	2004 BAM'000 (unaudited)
Deferred tax assets	64	134
Provision for deferred tax assets	(64)	(134)
<b>Total</b>	<b>-</b>	<b>-</b>

	2005 BAM '000	2004 BAM '000 (unaudited)
Profit/(loss) before income tax	228	(470)
Non-deductible expenses	6	22
<b>Taxable income/(loss)</b>	<b>234</b>	<b>(448)</b>
Income tax liability at 30%	70	(134)
Tax relief (accumulated losses)	(134)	-
<b>Income tax liability for the year 2005</b>	<b>(64)</b>	<b>(134)</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 10. Income tax (continued)

Changes in deferred tax assets are presented as follows:

	2005	2004
	BAM'000	BAM'000 (unaudited)
Balance as at 1 January	134	-
Decrease/(increase) in deferred tax assets based on financial result	(70)	134
<b>Total</b>	<b>64</b>	<b>134</b>

The Agency's tax liability is calculated based upon the profit from the income statement taking into account tax non-deductible expenses and tax exempt income. The corporate income tax rate for the years ended 31 December 2005 and 2004 was 30%.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 11. Tangible and intangible assets

	Vehicles BAM'000	Computers BAM'000	Furniture and office equipment BAM'000	Software BAM'000	Total BAM'000
<b>Acquisition costs</b>					
As at 31 December 2004- LIFT	88	61	41	20	210
As at 31 December 2004- BEEF	55	11	3	-	69
<b>Total at 31 December 2004</b>	<b>143</b>	<b>72</b>	<b>44</b>	<b>20</b>	<b>279</b>
Additions-LIFT	28	9	2	-	39
Disposal-LIFT	-	(3)	(2)	-	(5)
Disposal-BEEF	(27)	-	-	-	(27)
As at 31 December 2005- LIFT	116	67	41	20	244
As at 31 December 2005-BEEF	28	11	3	-	42
<b>Total at 31 December 2005</b>	<b>144</b>	<b>78</b>	<b>44</b>	<b>20</b>	<b>286</b>
<b>Accumulated depreciation</b>					
As at 31 December 2004- LIFT	30	23	24	10	87
As at 31 December 2004- BEEF	50	8	2	-	60
<b>Total at 31 December 2004</b>	<b>80</b>	<b>31</b>	<b>26</b>	<b>10</b>	<b>147</b>
Depreciation for 2005-LIFT	21	18	4	4	47
Depreciation for 2005-BEEF	4	2	1	-	7
Disposals- LIFT	-	(1)	(2)	-	(3)
Disposals-BEEF	(26)	-	-	-	(26)
As at 31 December 2005- LIFT	51	40	26	14	131
As at 31 December 2005-BEEF	28	10	3	-	41
<b>Total at 31 December 2005</b>	<b>79</b>	<b>50</b>	<b>29</b>	<b>14</b>	<b>172</b>
<b>At 31 December 2005</b>	<b>65</b>	<b>28</b>	<b>15</b>	<b>6</b>	<b>114</b>
<b>At 31 December 2004</b>	<b>63</b>	<b>41</b>	<b>18</b>	<b>10</b>	<b>132</b>

As of 31 December 2005 and 2004, the Agency used grant for depreciation expense incurred during the year in the amount of BAM 7 and BAM 17 thousand retrospectively (See Note 7 and 18).

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 12. Cash and cash equivalents

	31.12.2005	31.12.2004
	BAM'000	BAM'000 (unaudited)
Current account balance - BAM	927	1,567
Current account balance- foreign currencies	9,351	9,134
Cash in hand	1	-
<b>Total</b>	<b>10,279</b>	<b>10,701</b>

### 13. Placement with other banks

	31.12.2005	31.12.2004
	BAM'000	BAM'000 (unaudited)
<i>Demand deposits for guarantees:</i>		
ING Bank, London	10,450	13,931
Raiffeisen Zentralbank AG, Vienna, Austria	4,558	5,353
<i>Term-deposits:</i>		
Raiffeisen Bank BiH d.d., Sarajevo	1,300	-
ProCredit Bank d.d. BiH	1,154	-
UPI Bank d.d. ,Sarajevo	400	978
Raiffeisen Zentralbank AG, Vienna, Austria	-	6,068
<b>Total</b>	<b>17,862</b>	<b>26,330</b>

The interest rate for placements in EUR was 2.3 – 5.0% p.a. and for placements in USD 2.13 – 2.25% p.a. as at 31 December 2005 and 2004, respectively.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 14. Loans to customers

	31.12.2005	31.12.2004
	BAM'000	BAM'000 (unaudited)
Short-term loans	19,301	10,381
Bad and doubtful short-term loans	1,302	700
<i>Total short-term loans</i>	<i>20,603</i>	<i>11,081</i>
Long-term loans	3,516	1,814
<i>Total long-term loans</i>	<i>3,516</i>	<i>1,814</i>
Total loans before provision for impairment	24,119	12,895
Provision for loan impairment	(1,071)	(250)
<b>Total</b>	<b>23,048</b>	<b>12,645</b>

Changes in provisions for loan impairment are presented as follows:

	31.12.2005	31.12.2004
	BAM'000	BAM'000 (unaudited)
Balance as at 1 January	250	250
Impairment losses	1,521	1
Write-offs	(700)	(1)
<b>Total</b>	<b>1,071</b>	<b>250</b>

Weighted average interest rate can be presented as follows:

	31.12.2005	31.12.2004
	BAM'000	BAM'000 (unaudited)
Short-term loans	Libor + (1.0% - 1.5%)	Libor + (1.0% - 1.5%)
Long-term loans	Libor + (1.0% - 4.0%)	Libor + (1.0% - 4.0%)

The Agency did not perform a loan portfolio valuation as prescribed by the IAS 39 methodology.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 15. Accrued interest receivables

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Accrued interest receivables from corporate borrowers	104	113
Accrued interest receivables for deposits	112	27
Accrued interest receivables for factoring	27	25
Bad and doubtful interest receivables	13	11
<i>Total interest receivables before provision for impairment</i>	<i>256</i>	<i>176</i>
Provision for impairment	(13)	(11)
<b>Total</b>	<b>243</b>	<b>165</b>

Changes in provisions for impairment are presented as follows:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Balance as at 1 January	11	11
Impairment losses	13	1
Write-offs	(11)	(1)
<b>Total</b>	<b>13</b>	<b>11</b>

### 16. Factoring receivables

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Factoring receivable, gross	1,866	1,719
Bad and doubtful factoring receivable	35	-
<i>Total factoring before provision for impairment</i>	<i>1,901</i>	<i>1,719</i>
Provision for impairment	(22)	-
<b>Total</b>	<b>1,879</b>	<b>1,719</b>

The Agency did not perform a factoring portfolio valuation as prescribed by the IAS 39 methodology.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 16. Factoring receivables (continued)

Changes in provisions for impairment are presented as follows:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Balance as at 1 January	-	-
Impairment losses	22	-
<b>Total</b>	<b>22</b>	<b>-</b>

### 17. Other assets

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Insurance premiums for issued guarantees	147	13
Receivables from loan insurance activities	103	54
Prepaid income tax	91	91
Risk premiums	36	46
Costs paid in advance	11	9
Advances given to suppliers	2	-
Bad and doubtful other receivables	11	-
Other	42	13
<i>Total interest receivables before provision for impairment</i>	<i>443</i>	<i>226</i>
Provision for impairment	(11)	-
<b>Total</b>	<b>432</b>	<b>226</b>

Changes in provisions for impairment are presented as follows:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Balance as at 1 January	-	-
Impairment losses	11	-
<b>Total</b>	<b>11</b>	<b>-</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 18. Due to State of Bosnia and Herzegovina

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
LIFT Facility	30,001	30,001
BEEF Facility	21,343	21,350
<b>Total</b>	<b>51,344</b>	<b>51,351</b>

Due to State of Bosnia and Herzegovina represents the legal obligation toward the State based on funds received from the State in accordance with the BEEF and LIFT Loan Facility signed between the State and World Bank. Also, Subsidiary loan agreements were signed between the State of Bosnia and Herzegovina and BiH Entities, where Entities support and accept loan liability repayment according to their participation in loan portfolio. The legal basis for the above stated due to State of Bosnia and Herzegovina is still not defined.

The Agency signed Agreements with World Bank (IDA) and with the State of Bosnia and Herzegovina which define agent and supporting role of the Agency in the BEEF and the LIFT Loan Facilities. It is prescribed by the agreement signed between the Agency and the World Bank (IDA) payment of service charges in the amount of 0.75% p.a. applicable on outstanding balance amount of BEEF loan facilities in grace period.

As of 31 December 2005 and 2004 Agency recorded service charges as expense in the amount of BAM 156 thousand and BAM 153 thousand, respectively (See Note 9).

As of 31 December 2005 and 2004 the Agency recorded release of liability toward state in amount of BAM 7 thousand and BAM 17 thousand retrospectively (see Notes 7 and 17).

### 19. Short-term borrowings

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Raiffeisen Zentralbank AG, Vienna, Austria	1,467	-
<b>Total</b>	<b>1,467</b>	<b>-</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 19. Short-term borrowings (continued)

On December 19, 2005, Agency and Raiffeisen Zentralbank AG, Vienna, Austria signed a short-term loan agreement in the total amount of EUR 1,000 thousand (BAM 1,956 thousand) and the Agency withdrew EUR 750 thousand (BAM 1,467 thousand). Interest rate on this loan is EURIBOR + 2%. Loan will be repaid in 12 months with possibility of 5 years repayment period. In that case loan will be repaid in 5 yearly instalments in the amount of BAM 200 thousand. The loan is granted for refinancing and purchasing of equipment of Agency's clients.

### 20. Other current liabilities

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Liabilities from factoring activities	229	193
Liabilities for received deposits	176	-
Deferred income from fees, commission and premiums	110	216
Accrued expenses	88	62
Supplier liabilities	77	8
Provision for insurance risks	43	-
Liabilities toward state	7	2
Other	7	5
<b>Total</b>	<b>737</b>	<b>486</b>

Changes in provisions for insurance risks are presented as follows:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Balance as at 1 January	-	-
New provision	43	-
<b>Total</b>	<b>43</b>	<b>-</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

### 21. State capital

Ownership structure as of 31 December 2005 and 2004 respectively was as follows:

	31.12.2005		31.12.2004 (unaudited)	
	BAM'000	ownership	BAM'000	ownership
State of Bosnia and Herzegovina	10	100.00%	10	100.00%
	<b>10</b>	<b>100.00%</b>	<b>10</b>	<b>100.00%</b>

### 22. Financial commitments and contingencies

The following table indicates the contractual amounts of the Agency's off-balance-sheet financial commitments and contingencies:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Advance payment bonds	7,336	4,615
Performance bonds	4,787	2,784
Payment bonds	1,760	1,956
<b>Total</b>	<b>13,883</b>	<b>9,355</b>

The Agency did not calculate a provision for contingent liabilities as of 31 December 2005 and 2004.

### 23. Related party transactions

Related parties transactions balances are as follows:

	31.12.2005 BAM'000	31.12.2004 BAM'000 (unaudited)
Net salaries to employees	371	370
Taxes and contributions to state	298	282
Other employee costs (meal allowances, bonuses, transport, etc.)	158	132
<b>Total</b>	<b>827</b>	<b>784</b>

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 24. Financial instruments

The Agency does not use derivative financial instruments. Risk management policies that relate to investments, cash management and payables can be summarised as follows:

#### Foreign currency risk

The Agency takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Also, during the year Agency provides an analysis of the main currency exposures. The Agency seeks to match assets and liabilities denominated in foreign currencies to avoid foreign currency exposures.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. It is the policy of the Agency to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of reprising mismatch in the balance sheet.

#### Liquidity risk

Liquidity risk is a measure of the extent to which the Agency may be required to raise funds to meet its commitments associated with financial instruments. The Agency is exposed to daily calls on its available cash resources from loan drawdown, guarantees and other calls on cash-settled derivatives. The Agency does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Agency sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

#### Credit risk

The Agency takes on exposure to credit risk which is the risk upon credit approval and when counterparty will be unable to pay amounts in full when due. The Agency structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

# INVESTMENT GUARANTEE AGENCY IGA d.o.o.

## Notes to financial statements

---

### 24. Financial instruments (continued)

#### Credit risk (continued)

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

#### Commitments to extend credit, unused loan commitments, and approved overdraft loans.

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credits in the form of loans, guarantees or factoring. Commitments to extend credit issued by the Agency represent issued loan commitments or guarantees, unused portions of and approved overdrafts loans. Commitments to extend credit or guarantees issued by the Agency, that are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent unused portions of authorized loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements.

### 25. Events after the Balance sheet date

Based on the request of Ministry of Finance and Treasury of Bosnia and Herzegovina, the World Bank (IDA) transferred to IGA account the cash asset raised from interest on escrow accounts in ING Bank Amsterdam in amount of EUR 2,587 thousand (BAM 5,059 thousand) as of 22 March 2006. The Agency recorded cash asset as liability toward State of Bosnia and Herzegovina.

### 26. Approval of Financial Statements

Financial Statements are approved by Management of the Agency as of 19 June 2006, and signed on behalf of Management by:

Lamija Kozarić-Rahman

*Director*