Izvozno-kreditna agencija
Bosne i Hercegovine - IGA

Financial statements for the period
from 5 June 2007 to 31 December 2007
prepared in accordance with
International Financial Reporting Standards
and Independent auditors' report

Contents

Responsibility for the financial statements

The Management is responsible for ensuring that financial statements are prepared for each financial period 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 state of affairs and results of Izvozno-kreditna agencija Bosne i Hercegovine - IGA ('the Agency') for that period.

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

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable 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 is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency. The Management must also ensure that the financial statements comply with the Accounting and Auditing Law of the Federation of Bosnia and Herzegovina. The Management 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.

Signed on behalf of the Agency

Lamija Kozarić-Rahman, General Director

Izvozno-kreditna agencija Bosne i Hercegovine - IGA

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Independent Auditor's Report

To the Owners of Izvozno-kreditna agencija Bosne I Hercegovine - IGA

We have audited the accompanying financial statements of Izvozno-kreditna agencija Bosne i Hercegovine - IGA ('the Agency' or 'IGA'), set out on pages 4 to 33, which comprise the balance sheet as of 31 December 2007, and the istatement on income and expenses, statement of changes in equity and cash flow statement for the period from 5 June 2007 to 31 December 2007, 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 International Financial Reporting Standards. 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 Agency'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 Agency'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 respects, the financial position of the Agency as of 31 December 2007 and of its financial performance and its cash flows for the period from 5 June to 31 December 2007, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the Note 1 to the financial statements, which describes that the Agency was established as at 5 June 2007 and comparative balance sheet, income statement, and statement of changes of equity and cash flows are not presented.

Deloitte

Deloitte d.o.o.

Sarajevo, 29 February 2008

Statement on income and expenses for the period from 5 June to 31 December 2007

(All amounts are expressed in thousand of KM)

	Notes	Period from 5 June to 31 December 2007
Interest and similar income	5	1,704
Interest and similar charge	6	(85)
Net interest income		**1,619**
Insurance premiums	7	267
Loss adjustment expenses (IBNR)		(5)
Net income from insurance activities		**262**
Other operating income	8	291
Income from operating activities		**2,172**
Net FX losses	9	(324)
Personnel costs	10	(515)
Depreciation and amortization	19	(23)
Other administrative expenses	11	(348)
Operating expenses		**(1,210)**
Surplus of income over expenses before impairment losses		**962**
Impairment losses	12	(400)
Recoveries	13	277
		(123)
Net surplus of income over expenses for the period		**839**

The accompanying notes form an integral part of these financial statements.

Balance sheet
as of 31 December 2007

(All amounts are expressed in thousand of KM)

	Note	31 December 2007
ASSETS		
Cash and cash equivalents	14	3,388
Placements with banks	15	14,665
Loans and advances to customers, net	16	39,865
Insurance assets (reinsurer's share of insurance liabilities)	21	251
Insurance premium receivable	17	200
Other assets, net	18	306
Tangible and intangible assets	19	58
TOTAL ASSETS		**58,733**
EQUITY AND LIABILITIES		
Liabilities		
Due to the State of Bosnia and Herzegovina	20	5,090
Insurance liabilities	21	383
Reinsurance premium payable	22	85
Other payables	23	534
Provisions for employee benefits	24	54
		6,146
Capital and reserves		
State capital	25	51,351
Reserves		1,236
		52,587
TOTAL EQUITY AND LIABILITIES		**58,733**

The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Agency on 29 February 2007:

Lamija Kozarić-Rahman

General Director

Mirko Dejanović

Deputy General Director

Statement of changes in equity
for the period from 5 June to 31 December 2007

(All amounts are expressed in thousand of KM)

	State capital	Reserves	Total
Opening balance at 5 June 2007	-	-	-
Brought forward into the founding of the Agency	51,351	397	51,748
Net surplus of income over expenses for the period	-	839	839
Balance at 31 December 2007	**51,351**	**1,236**	**52,587**

The accompanying notes form an integral part of these financial statements.

Cash flow statement
for the period from 5 June to 31 December 2007

(All amounts are expressed in thousand of KM)

	Period from 5 June to 31 December 2007
Operating activities	
Profit for the period	**839**
Adjustments for:	
Depreciation and amortization	23
Impairment losses, loss adjustments and provisions	459
Adjustment for cash flow from investing and financing activities	(1,619)
Operating cash flows before movements in working capital	*(298)*
Net decrease in placements with banks	6,363
Net increase in loans, before impairment losses	(13,316)
Net increase in insurance premium receivable	(88)
Net decrease in other assets, before impairment losses	25
Net increase in reinsurance premium payable	100
Decrease in other payables	(731)
Cash flow used in operations	*(7,945)*
Interest paid	(85)
Net cash flow used in operating activities	**(8,030)**
Investing activities	
Purchase of property, plant and equipment	(2)
Interest received	1,704
Net cash flow from investing activities	**1,702**
Net increase in cash and cash equivalents	**6,328**
Cash and cash equivalents at 5 June 2007	**9,716**
Cash and cash equivalents at 31 December 2007	**3,388**

The accompanying notes form an integral part of these financial statements.

1. GENERAL

Izvozno-kreditna agencija Bosne i Hercegovine - IGA ('the Agency' or 'IGA') is the official export credit agency of Bosnia and Herzegovina established by the decision of Ministry of Justice of Bosnia and Herzegovina No. 08-08-9-01/07 from 10 April 2007 and is registered as non-for-profit and tax exempted legal entity.

Based on the Law on export credit agency of Bosnia and Herzegovina - IGA (Offical Gazete of Bosnia and Herzegovina 62/04), the newly introduced Board of Directors has made decision that the following assets and liabilities of "Agencija za izdavanje garancija od političkog i ratnog rizika inostranim investitorima i trgovcima IGA d.o.o. Sarajevo" (Limited liability company), which has been liquidated and deleted from the Municipality court register in Sarajevo by decision No. UF/I-2105/00 dated 4 June 2007, will taken over by and brought forward into the founding of the Agency:

Description	KM '000
Cash and cash equivalents	9,716
Placements with banks	21,030
Loans and advances to customers	26,945
Other assets	333
Tangible and intangible assets	79
Due to the State of Bosnia and Herzegovina	5,090
Liabilities from insurance and guarantee activities	171
Other liabilities	1,094

The Agency's operating activities have started as of 5 June 2007.

Activities

Working Capital Facilities (Export Financing Facility)

IGA provides funds to B&H banks (participating loan) for the purpose of on lending to B&H 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 B&H enterprises to perform defined export contracts.

A participating loan is for 50% of a working capital loan above KM 600 thousand with the BiH bank making up the difference. A working capital loan below KM 600 thousand might be financed 100% by IGA also..

In addition to providing funding for a working capital loan, IGA provides the respective B&H 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 B&H bank for capital adequacy purposes thereby allowing the bank to do more for an exporter than would otherwise be the case.

1. GENERAL (CONTINUED)

Activities (continued)

Guarantees

IGA is authorized to provide support to B&H 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 B&H 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 B&H 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 B&H 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.

Export Credit Insurance - assurance of collection of receivables

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, Belgium.

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.

Factoring Facility

The factoring activity is a means whereby IGA provides funding to B&H exporters, including defined credit limit, through the combination of financing and servicing for manufacturers who are selling with payment terms up to 120 days. Financing is very significant component since IGA is buying invoices and providing the liquidity to the exporters through the advancing of 80-90% of value of invoices. 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 B&H exporting enterprises. The facility is carried out in partnership with local banks.

(All amounts are expressed in thousand of KM)

1. GENERAL (CONTINUED)

Management bodies of the Agency

Management Board

Lamija Kozarić-Rahman	Director
Mirko Dejanović	Deputy Director

Board of Directors

Milomir Draganić	Chairman	Representative of Republika Srpska
Mira Bradara	Deputy Chairman	Representative of the State of Bosnia and Herzegovina
Gordana Praštalo	Member	Representative of Republika Srpska
Belma Izmirlija	Member	Representative of the Federation of Bosnia and Herzegovina
Vera Letica	Member	Representative of the Federation of Bosnia and Herzegovina

The Agency had 13 employees as of 31 December 2007.

1.1 Adoption of new and revised standards

In the current year, the Agency has adopted IFRS 7 *Financial Instruments: Disclosures*, which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Agency's financial instruments and management of capital (see note 28).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*; IFRIC 8 *Scope of IFRS 2*; IFRIC 9 *Reassessment of Embedded Derivatives*; and IFRIC 10 *Interim Financial Reporting and Impairment*. The adoption of these Interpretations has not led to any changes in the Agency's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 23 (Revised) - *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 8 - *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13 - *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 11 - *IFRS 2: Group and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007);
- IFRIC 12 - *Service Concession Arrangements* (effective for accounting periods beginning on or after 1 January 2008); and
- IFRIC 14 - *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008).

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Agency's financial statements for the future periods and that the adoption of those Interpretations will have no material impact on the financial statements of the Agency in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as published by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment and financial instruments.

These financial statements are presented in convertible marks (KM) since that is the currency in which the majority of the Agency's transactions are denominated. The KM is officially tied to the Euro (EUR 1 = KM 1.95583).

The financial statements are prepared on an accrual basis of accounting, under the going concern assumption.

The principal accounting policies adopted are set out below:

Revenue recognition

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest and similar income' and 'interest and similar charge' in the income statement using the effective interest rate method.

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.

Foreign currencies

Transactions in currencies other than the Convertible Mark (KM) are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are charged to the income statement in the period incurred.

The Agency values its monetary assets and liabilities by middle rate of Central Bank of Bosnia and Herzegovina valid at the date of balance sheet. The principal rates of exchange set forth by the Central Bank and used in the preparation of the Agency's balance sheet at the reporting dates were as follows:

31 December 2007	EUR 1= KM 1.955830	USD 1= KM 1.331221

Employee benefits

On behalf of its employees, the Agency is paying pension and health insurance on and from salaries, which are calculated on the gross salary paid, as well as taxes, which are calculated on the net salary paid. The Agency is paying the above contributions into the Federal Pension and Health Fund, as per the set legal rates during the course of the year on the gross salary paid. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the income statement in the period in which the salary expense is incurred.

(All amounts are expressed in thousand of KM)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Retirement severance payments

According to the local legislation, the Agency makes retirement severance payments of minimum three average monthly salaries of the employee in question or three average salaries of the Agency paid in the period of the last three months, depending on what is more favorable to the employee.

Jubilee awards

The Agency makes jubilee awards payments in accordance with local regulations, based on average salary in FB&H for preceding three months, in the following percentage:

a) for 5 years working for the Agency - 50%;
b) for 10 years working for the Agency - 100%;
c) for 15 years working for the Agency - 125%;
d) for 20 years working for the Agency - 150%;
e) for 25 years working for the Agency - 175%;
f) for 30 years working for the Agency - 200%;
g) for 35 years working for the Agency - 250%.

Taxation

The Agency is not subject to income tax because it is defined as a non-profit agency in accordance with the article 8 of Law on Izvozno-kreditna agencija Bosne i Hercegovine - IGA ("Official Gazette of Bosnia and Herzegovina" 62/04).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalized. Gains or losses on the retirement or disposal of property, plant and equipment are included in the statement of income in the period they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated based on the estimated based on the estimated useful lives of the applicable assets, which are as follows:

Office equipment and furniture	20%
Computer equipment	33%
Vehicles	20%
Software	20%

Impairment

At each balance sheet date, the Agency reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Impairment (continued)

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS), 'held-to-maturity investments', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. For current operations, the Agency uses one category of financial assets, for which basis of accounting is disclosed below.

Method of effective interest rate

The effective interest method is a method of calculating the amortised cost of a financial asset. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 exporters from Bosnia and Herzegovina, with a factoring agreement. All factoring advances are recognized, when cash is advanced to the borrowers.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as loans and factoring receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Agency's past experience of collecting payments, delays in collecting payments after maturity period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When a other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets

The Agency derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Agency neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Agency recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Agency creates one category of financial liabilities, for which basis of accounting is disclosed below.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Agency derecognises financial liabilities when, and only when, the Agency's obligations are discharged, cancelled or they expire

Insurance contracts

The Agency issues insurance contracts on export credit trade insurance, domestic credit trade insurance and import insurance. Export credit insurance insures both political and commercial pre- and post-export risks. Domestic credit trade insurance is analogous to export credit trade insurance. By import insurance contracts, the Agency serves as reinsurer for the export credit agencies from abroad.

Written premiums

Gross written premiums include all policies written during the accounting period, irrespective of whether these amounts relate wholly or partially to subsequent accounting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance contracts (continued)

Unearned premium

Unearned premiums are calculated for insurances in which insurance coverage lasts after accounting period, since accounting and insurance periods are not the same. Unearned premium for insurance is calculated using "*pro rata temporis method*". Basis for calculation is gross written premium. Calculation of unearned premium is done based on technical premium.

Net unearned premium is gross premium decreased by portion recoverable from re-insurers. Participation of reinsurer in unearned premiums is determined through existing reinsurance contracts. Provision for unearned premium is presented separate from reinsures portion of unearned premium in the balance sheet.

Provision for reported but not settled claims (RBNS)

Provisions for reported but not settled claims relate to claims that inccurred and were reported by the end of the financial statement period for which the claim request has not been settled. The level of provisions is determined by assessing each potential claim individually. In determining the level of provisions, the following is adhered to: conditions from the insurance contracts; documentation available in the file; available standards and the experience of the evaluators; current court practices in determining claim compensations. All this is considered having in mind potential changes that can be expected to occur in the forthcoming period and that might effect increases or decreases of these provisions.

Provision for incurred but not reported claims (IBNR)

Provisions for claims that have incurred but are yet to be reported are calculated on the basis of the Agency's own statistical data on subsequently reported damages in past years. These calculations use methods that rely on "run-off triangles". The provision for reactivated claims is also formed on the basis of statistical trends in the movement of these claims. The provision is calculated on the basis of the expected number of reactivated claims in the forthcoming year and the average level of reactivated claims for each insurance category.

These provisions are based on estimates and final liabilities may be lower or higher than available resources for as long as the Management considers the estimate to be appropriate. In accordance with economic practice, adaptations of these estimates and the difference between the estimate and the amounts actually paid out are recorded in the period in which they occur.

Insurance assets and liabilties

Assets and liabilities from insurance contracts are recognised when they become due. These amounts include insurers' assets and liabilities, compensations paid to and collected from brokers and insurance policy holders.

The Agency signs reinsurance contracts with reinsuring companies on the basis of which the Agency receives compensation for losses arising from individual or group contracts. Reinsurance premiums and reinsuring parties' participation in claims are presented on appropriate accounts of the income statement. Reinsurance premiums are recorded in their gross non-discounted amounts.

On every balance sheet date the Agency re-evaluates the recorded amounts of its receivables on the basis of insurance contracts in order to determine whether a loss has arisen from a decrease in value of the mentioned financial asset. If there are indications that this is indeed the case, the value of this loss is estimated and recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognizes 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.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Agency's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimations are used but not limited to the periods of amortisation and remained property, plant and equipment value, correction of inventory value and allowance for impairment of receivables and provisions for legal proceedings

Useful lives of property, plant and equipment

As described at Note 2 above, in paragraph with heading Property, plant and equipment, the Agency reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Fair value of financial instruments

As described in Note 28, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Provisions for claims reported but not settled (RBNS)

The nature of business makes it difficult to predict with certainty the outcome of every particular claim and the ultimate cost of every reported claim. Each reported claim is assessed on a separate, case by case basis, with due regard to the claim circumstances, information available and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims. The risk associated with estimate of provisions for claims reported but not settled is mitigated through reinsurance arrangements.

Provision for claims incurred but not reported (IBNR)

Provision for claims incurred but not reported are estimated using actuarial methods. The source of data used as inputs for the assumptions are internal, using detailed analysis carried out by the Agency. There is more emphasis on current trends, and when in early years there is insufficient information to make reliable best estimate of claims development, prudent assumptions are used.

Provision for claims incurred but not reported is based on calculations performed for insurance activities, using the following methods:

- Average amount reported claims method
- Average amount of expected claims methods

Based on quality and quantity of data, relevant method is applied.

(All amounts are expressed in thousand of KM)

4. BUSINESS SEGMENTS

The Agency deals with several operating activities, which can be presented into two business segments:

- segment of the credit activities (loans, factoring and guarantess; and
- segment of the insurance activities.

Segment information about these businesses is presented below:

Statement on income and expenses for the period from 5 June to 31 December 2007	**Credit activities**	**Insurance activities**	**Total**
Interest and similar income	1,704	-	1,704
Interest and similar charge	(85)	-	(85)
Net interest income	**1,619**	**-**	**1,619**
Insurance premiums	-	267	267
Loss adjustment expenses (IBNR)	-	(5)	(5)
Net income from insurance activities	**-**	**262**	**262**
Other operating income	291	-	291
Income from operating activities	**1,910**	**262**	**2,172**
Net FX losses	(324)	-	(324)
Personnel costs	(412)	(103)	(515)
Depreciation and amortization	(21)	(2)	(23)
Other administrative expenses	(282)	(66)	(348)
Operating expenses	**(1,039)**	**(171)**	**(1,210)**
Surplus of income over expenses before impairment losses	**871**	**91**	**962**
Impairment losses	(400)	-	(400)
Recoveries	277	-	277
	(123)	-	(123)
Net surplus of income over expenses for the period	**748**	**91**	**839**

(All amounts are expressed in thousand of KM)

4. BUSINESS SEGMENTS (CONTINUED)

Balance sheet as of 31 December 2007	Credit activities	Insurance activities	Total
ASSETS			
Cash and cash equivalents	3,004	384	3,388
Placements with banks	14,324	341	14,665
Loans and advances to customers, net	39,865	-	39,865
Insurance assets (reinsurer's share of insurance liabilities)	-	251	251
Receivables for insurance premium	-	200	200
Other assets, net	306	-	306
Tangible and intangible assets	58	-	58
TOTAL ASSETS	**57,557**	**1,176**	**58,733**
EQUITY AND LIABILITIES			
Liabilities			
Due to the State of Bosnia and Herzegovina	5,090	-	5,090
Insurance liabilities	-	383	383
Reinsurance premium payable	-	85	85
Other payables	534	-	534
Provisions for employee benefits	43	11	54
	5,667	**479**	**6,146**
Capital and reserves			
State capital	51,351	-	51,351
Reserves	1,145	91	1,236
	52,496	**91**	**52,587**
TOTAL EQUITY AND LIABILITIES	**58,163**	**570**	**58,733**

5. INTEREST AND SIMILAR INCOME

	Period from 5 June to 31 December 2007
Interest on loans to companies	1,051
Interest on placements with banks	441
Factoring income	212
Total	**1,704**

6. INTEREST AND SIMILAR CHARGE

Amount of KM 85 thousand is related to debt servicing fee for BEEF loan facility (see Note 20).

(All amounts are expressed in thousand of KM)

7. INSURANCE PREMIUMS

	Period from 5 June to 31 December 2007
Insurance premiums – IGA's share	246
Insurance premiums – reinsurer's share	21
Total	**267**

8. OTHER OPERATING INCOME

	Period from 5 June to 31 December 2007
Fees from guarantees	186
Fees from factoring	44
Fees for sale of information on credibility of particular companies	26
Other income	35
Total	**291**

9. NET FOREIGN EXCHANGE LOSSES

	Period from 5 June to 31 December 2007
FX losses	348
FX gains	(24)
Total	**324**

10. PERSONNEL COSTS

	Period from 5 June to 31 December 2007
Net salaries	238
Salary taxes and contributions	161
Other employee benefits	116
Total	**515**

(All amounts are expressed in thousand of KM)

11. OTHER ADMINISTRATIVE EXPENSES

	Period from 5 June to 31 December 2007
Other services	90
Rent	69
Fees to members of Board of Directors	41
Bank fees	27
Material	16
Travel expense	15
Communication cost	14
Advertising	12
Maintenance cost	9
Entertainment	7
Donations	4
Insurance costs	3
Other expenses	41
Total	**348**

12. IMPAIRMENT LOSSES

	Period from 5 June to 31 December 2007
Allowance for loan losses (Note 16)	236
Allowance for factoring losses (Note 16)	152
Allowance for interest losses (Note 16)	8
Allowance for other assets losses (Note 18)	4
Total	**400**

13. RECOVERIES

	Period from 5 June to 31 December 2007
Collected written-off loan principle amounts	274
Collected written-off factoring receivable	3
Total	**277**

(All amounts are expressed in thousand of KM)

14. CASH AND CASH EQUIVALENTS

	31 December 2007
Current bank accounts, foreign currencies	2,480
Current bank accounts, KM	906
Cash in hand	2
Total	**3,388**

15. PLACEMENTS WITH BANKS

	31 December 2007
Current deposits:	
ING Bank, London, UK	5,999
Raiffeisen Zentralbank AG, Vienna, Austria	4,042
	10,041
Term deposits:	
Raiffeisen Bank BiH d.d. Sarajevo	2,579
ProCredit Bank d.d. Sarajevo	2,000
	4,579
Accrued interest	45
Total	**14,665**

16. LOANS AND ADVANCES TO CUSTOMERS, NET

	31 December 2007
Long-term loans:	
Long-term loans to companies	2,049
	2,049
Short-term loans:	
Short-term loans to companies	32,668
Allowance for impairment	(1,846)
	30,822
Advances:	
Receivables from factoring	6,808
Allowance for impairment	(255)
	6,553
Interest receivables:	
Accrued interest on loans	353
Accrued interest on receivables from factoring	110
Allowance for impairment	(22)
	441
Total	**39,865**

(All amounts are expressed in thousand of KM)

16. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

Loans (before impairment) per industry are summarized as follows:

	31 December 2007
Metal industry	19,007
Wooden	7,233
Food industry	4,139
Trade	1,677
Construction	1,467
Textile & leather	530
Chemical industry	365
Services	299
Other	-
Total	**34,717**

Factoring receivables (before impairment) per industry are summarized as follows:

	31 December 2007
Trade	3,651
Wooden	1,985
Textile & leather	354
Food industry	579
Services	118
Other	121
Total	**6,808**

Movements in impairment allowance were as follows:

	Period from 5 June to 31 December 2007
Short-term loans:	
Balance at the beginning of period (brought forward into the founding of the Agency)	1,955
Impairment losses (Note 12)	236
Write-offs	(345)
Balance at the end of period	**1,846**
Factoring:	
Balance at the beginning of period (brought forward into the founding of the Agency)	103
Impairment losses (Note 12)	152
Write-offs	-
Balance at the end of period	**255**
Interest receivables:	
Balance at the beginning of period (brought forward into the founding of the Agency)	28
Impairment losses (Note 12)	8
Write-offs	(14)
Balance at the end of period	**22**

(All amounts are expressed in thousand of KM)

17. RECEIVABLES FOR INSURANCE PREMIUM

	31 December 2007
Insurance premium receivables (due)	88
Unearned insurance premiums	112
Total	**200**

18. OTHER ASSETS

	31 December 2007
Fee receivables from guarantees activities	274
Prepaid expenses	8
Other receivables	42
	324
Allowance for impairment	(18)
Total	**306**

Movements in impairment allowance were as follows:

	Period from 5 June to 31 December 2007
Balance at the beginning of the period (brought forward into the founding of the Agency)	14
Impairment losses (Note 12)	4
Write-offs	-
Balance at the end of period	**18**

(All amounts are expressed in thousand of KM)

19. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Computer equipment	Furniture and office equipment	Software	Total
COST					
At 5 June 2007	144	83	47	41	315
Additions	-	2	-	-	2
Disposals	-	(6)	(4)		(10)
At 31 December 2007	144	79	43	41	307
ACCUMULATED DEPRECIATION					
At 5 June 2007	112	69	35	20	236
Charge for the period	12	5	3	3	23
Disposals	-	(6)	(4)	-	(10)
At 31 December 2007	124	68	34	23	249
CARRYING AMOUNT					
At 31 December 2007	20	11	9	18	58
At 5 June 2007	32	14	12	21	79

20. DUE TO THE STATE OF BOSNIA AND HERZEGOVINA

	31 December 2007
BEEF loan facility	5,090
Total	**5,090**

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 Bosnian Enterprise Export Facility (BEEF) - loan facility signed between the State and World Bank. Also, Subsidiary loan agreements were signed between the State of Bosnia and Herzegovina and the entities from Bosnia and Herzegovina, where those entities support and accept loan liability repayment according to their participation in loan portfolio. Outstanding amount of KM 5,090 thousand should be recognized into the capital upon to approval from State's Council of Ministers.

The Agency signed Agreements with World Bank (International Development Agency - IDA) and with the State of Bosnia and Herzegovina, which define agent and supporting role of the Agency in the BEEF loan facility. It is agreed on the payment of service charges in the amount of 0.75% p.a. applicable on outstanding balance amount of BEEF loan facility in grace period while interest are to be paid by the State of Bosnia and Herzegovina. Grace period for BEEF loan facility is due in October 2009. For the period ended 31 December 2007, Agency recognized service charges as expense in the amount of KM 85 thousand (see Note 6).

(All amounts are expressed in thousand of KM)

21. INSURANCE ASSETS AND LIABILITIES

	31 December 2007
Gross	
Provision for unearned premium	363
Provision for claims reported but not settled	-
Provision for claims incurred but not reported	20
Total insurance liabilities, gross	***383***
Recoverable from re-insurers	
Provision for unearned premium	(236)
Provision for claims reported but not settled	-
Provision for claims incurred but not reported	(15)
Total insurance assets, gross	***(251)***
Provision for unearned premium	127
Provision for claims reported but not settled	-
Provision for claims incurred but not reported	5
Total insurance liabilities, net	**132**

22. REINSURANCE PREMIUM PAYABLE

Amount of KM 85 thousand relates to insurance premium payable toward IGA's reinsurer – Atradius, Belgium.

23. OTHER PAYABLES

	31 December 2007
Liability for collected letters of credit	303
Accrued expenses	70
Liabilities from factoring	62
Deferred income	34
Employee payables	34
Liabilities for taxes and contributions	21
Other current liabilities	10
Total	**534**

24. PROVISIONS

At 31 December 2007, provisions in the amount of KM 54 thousand relate to other employee benefits (retirement severance payments, jubilee awards and unused vacation days).

25. STATE CAPITAL

	31 December 2007	
	KM '000	**share**
State of Bosnia and Herzegovina	51,351	100%
Total	**51,351**	**100%**

26. FINANCIAL COMMITMENTS AND CONTINGENCIES

Following table indicates the financial commitments and contingencies the Agency had at the end of period:

	31 December 2007
Advance payment bonds	10,323
Performance bonds	10,758
Payments bonds	10,221
Retention bonds	316
Bid bonds	84
Total	**31,702**

27. RELATED PARTY TRANSACTIONS

Management and Board of Directors remuneration

The remuneration of Management and Board of Directors during the period was as follows:

	Period from 5 June to 31 December 2007
Net salaries	71
Salary tax and contributions	45
Fees to Board of Directors	41
Other employee benefits (gross)	35
Total	**192**

(All amounts are expressed in thousand of KM)

28. FINANCIAL INSTRUMENTS

28.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

28.2 Categories of financial instruments

	2007
Financial assets	
Loans and receivables (including cash and cash equivalents)	58,195
	58,195
Financial liabilities	
Amortised cost	430
	430

28.3 Financial risk management objectives

The Agency monitors and manages the financial risks relating to the its operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

28.4 Market risk

The Agency's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.

(All amounts are expressed in thousand of KM)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.5 Foreign currency risk

The Agency undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Agency's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 31 December 2007	Liabilities 31 December 2007
EUR	28,301	-
USD	3,467	-

Foreign currency sensitivity analysis

The Bank is exposed to EUR and USD.

The following table details the Bank's sensitivity to a 10% increase and decrease in KM against EUR and USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in EUR and USD. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where KM strengthens 10% against EUR and USD For a 10% weakening of KM against EUR and USD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	EUR Impact Period ended 31 December 2007	USD Impact Period ended 31 December 2007
Financial result	2,830	347

In Management's opinion, the sensitivity analysis for EUR is unrepresentative of the inherent foreign exchange risk as the KM is pegged to the Euro, in accordance with the Law on the Central Bank of Bosnia and Herzegoivna. Any change in the foreign exchange rate would require amendments to the Law, adopted by the Parliamentary assembly of Bosnia and Herzegovina.

28.6 Interest rate risk

The Agency is not exposed to interest rate risk since there are no borrowed funds.

(All amounts are expressed in thousand of KM)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.7 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.

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

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, factoring or insurance policies. Commitments to extend credit issued by the Agency represent issued loan commitments, guarantees or insurance policies, and factoring advances paid to customers. Commitments to extend credit 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.

Loans and advances to customers

	Total gross carrying amount	Unimpaired assets	Individually impaired assets	Impairment losses	Total net carrying amount
As of 31 December 2007					
Loans to the companies	34,717	30,813	3,904	1,846	32,871
Factoring	6,808	6,037	771	255	6,553
Total	**41,525**	**36,850**	**4,675**	**2,101**	**39,424**

Credit exposure and collateral

	Credit risk exposure			
	Loans and advances to customers	Guarantees issued	Insurance policies issued	Fair value of collateral
As of 31 December 2007				
Loans to the companies	32,871	-	-	78,381
Factoring	6,553	-	-	-
Guarantees	-	31,702	-	75,127
Insurance policies	-	-	12,194	-
Total	**39,424**	**31,702**	**12,194**	**153,508**

(All amounts are expressed in thousand of KM)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.7 Credit risk (continued)

Fair value of collaterals

	31 December 2007
Real estate and other property	147,641
Guarantees	5,867
Total	**153,508**

Past due

	Total	Undue	Up to 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Over 365 days
As of 31 December 2007								
Loans to the companies	34,717	22,100	7,897	154	153	896	1,687	1,830
Factoring	6,808	4,650	509	322	330	600	99	298
Total	**41,525**	**26,750**	**8,406**	**476**	**483**	**1,496**	**1,786**	**2,128**

28.8 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 bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity and interest risk tables

The following tables detail the Agency's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Agency anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2007							
Non-interest bearing	0%	3,455	80	123	7	-	3,665
Variable interest rate instruments	6,2%	21,398	6,187	12,041	12,366	-	51,992
Fixed interest rate instruments	4,3%	-	2,012	2,660	-	-	4,672
		24,853	**8,279**	**14,824**	**12,373**	**-**	**60,329**

(All amounts are expressed in thousand of KM)

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.8 Liquidity risk (continued)

Liquidity and interest risk tables (continued)

The following tables detail the Agency's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Agency can be required to pay.

	Weighted average effective interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2007							
Non-interest bearing	-	55	111	264	-	-	430
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-	-
		55	**111**	**264**	**-**	**-**	**430**

28.9 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Management believes that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements is approximate to their fair values.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 29 February 2008.

Lamija Kozarić-Rahman

General Director

Mirko Dejanović

Deputy General Director

Proforma Cumulative statement on income and expenses for 2007

	IGA d.o.o. For the period from 1 January to 4 June 2007	IGA BiH For the period from 5 June to 31 December 2007	Cumulative for the year ended 31 December 2007	IGA d.o.o. For the year ended 31 December 2006
Interest and similar income	1,160	1,704	2,864	2,070
Interest and similar charge	(70)	(85)	(155)	(370)
Net interest income	**1,090**	**1,619**	**2,709**	**1,700**
Insurance premiums	140	267	407	393
Provision for reported but not settled claims (RBNS)	-	-	-	(92)
Loss adjustment expenses (IBNR)	-	(5)	(5)	-
Net income from insurance activities	**140**	**262**	**402**	**301**
Other operating income	229	291	520	581
Income from operating activities	**1,459**	**2,172**	**3,631**	**2,581**
Net FX losses	(102)	(324)	(426)	(629)
Personnel costs	(325)	(515)	(840)	(845)
Depreciation and amortization	(21)	(23)	(44)	(50)
Other administrative expenses	(225)	(348)	(573)	(395)
Operating expenses	**(673)**	**(1,210)**	**(1,883)**	**(1,919)**
Surplus of income over expenses /profit before impairment losses and provisions	**786**	**962**	**1,748**	**663**
Impairment losses	(230)	(400)	(630)	(801)
Recoveries	12	277	289	-
Provisions	(171)	-	(171)	-
	(389)	**(123)**	**(512)**	**(801)**
Surplus of income over expenses /profit/(loss) before taxation	**397**	**839**	**1,236**	**(138)**
Income tax	(155)	-	(155)	(6)
Net surplus of income over expenses /profit/(loss)	**242**	**839**	**1,081**	**(144)**