



# ANNUAL REPORT 2006.



CENTRAL REGISTRY OF SECURITIES, JSC  
REPUBLIC OF SRPSKA • BANJA LUKA



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## INTRODUCTION

Year 2006, which is behind us, has been another successful year for the Central Registry of Securities and a year in which the Republic of Srpska capital markets institutions celebrated full five years of work.

The achieved results of operation are good, better than planned and encouraging for the forthcoming period from the point of view of further development of the Central Registry.

In the second half 2006, privatisation of the Central Registry continued, and since then the Central Registry has been an

institution in majority private ownership. Changes are evident in all segments of operations of the Central Registry, and it is known that changes lead to progress.

Adoption of the Law on Securities Market as well as of the new Regulation on Clearing, Settlement and Transfer of Securities has made possible implementation of short positions and lending of securities between the Central Registry members. Enactments that preceded the beginning of performance of custody operations, expected to start at the beginning of 2007, were being prepared and adopted.

In order to attend to the demands of the clients and the users of the services, continuous efforts in the Central Registry were made

to improve the offered services, and this will continue to be high on our agenda in the next period. Another task for the forthcoming period is harmonisation of all the enactments of the Central Registry with the provisions of the new Law on Securities Market, and another important activity that awaits us in 2007, to be implemented in close cooperation with the shareholders, is buying of the business premises for the Central Registry.

*Jasminka Đukic*

*Director*

A handwritten signature in black ink, appearing to read 'J. Đukic', written in a cursive style.

## PRIORITIES IN THE NEXT PERIOD

The main priorities for the next mid-term, defined in the Development Strategy of the Central Registry, which was adopted earlier by the Central Registry shareholder meeting, include the activities on the implementation of the following tasks:

### The Central Registry investment policy

Resolving the problem of offices for the Central Registry and seeking possibilities to buy our own premises, given the fact that the premises used currently by the Central Registry do not meet the necessary requirements, and have even become an impediment to an efficient

work and performing of day-to-day tasks of the Central Registry.

### Design of own software solution

Considering the importance of the Information Technologies, which is one of the most important and vital parts of the Central Registry, in the next period it will be necessary to plan an option for the development of our own software solution, which will enable the smoothest possible implementation of legal solutions, by making possible faster and more efficient adjustment to all the demands of the market and the users of Central Registry services.

### Provision of new services to users

In the next mid-term it will be necessary to develop the Central Registry as an institution with necessary capacities

for the provision of a broader range of services both for the issuers and for the securities holders and authorised participants in the capital markets.

### Performing operations in line with professional standards

Implementation of majority international standards and principles that are applicable in the developed markets is one of the priorities for the mid-term, taking into account the plan for the Central Registry to join the regional system of securities trading.



## CENTRAL REGISTRY OF SECURITIES MANAGEMENT BOARD

### **Chairman**

Radovan Rodic, Ph.D., the Institute of Economics, JSC, Banja Luka

### **Deputy Chairman**

Prof. Nikola Mojovic, Ph.D., Faculty of Law, Banja Luka

### **Members**

Mira Potkonjak, the Republic of Srpska Securities Commission

Ljilja Panic, NLB Razvojna banka JSC Banja Luka

Veselka Radakovic, Zepter komerc banka JSC Banja Luka

## CENTRAL REGISTRY OF SECURITIES SUPERVISORY BOARD

### **Chairman**

Vinko Kovacevic, Managing Company of PIF Euroinvestment JSC. Banja Luka

### **Members**

Mira Strazivuk, The Republic of Srpska Government, the Finance Ministry

Mile Jokic, NLB Razvojna banka JSC, Banja Luka





## Ownership structure

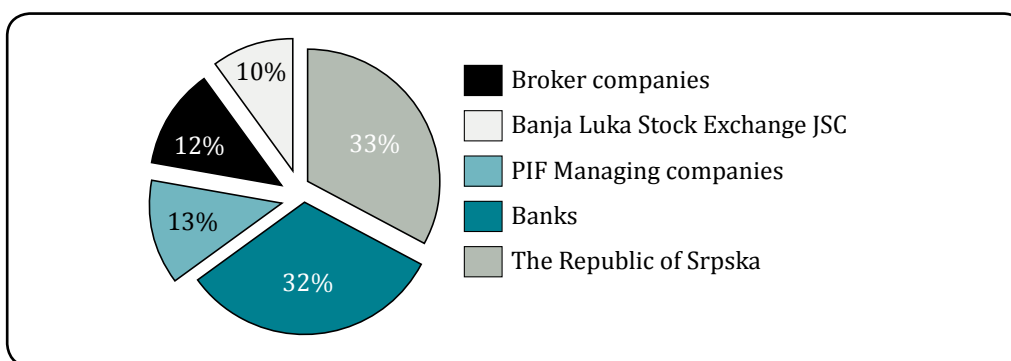


Chart 1. Ownership structure of the Central Registry as of 31st December 2006

## CENTRAL REGISTRY MEMBERS

The members of the Central Registry are the following:

1. Akcija broker a.d Banja Luka (AKBR),
2. Balkan Investment Bank a.d. – Balkan Investment Broker (BIBR),
3. Bobar banka a.d. Bijeljina – Division for Operation with Securities (BOBR),
4. Enterprise for Operations with Securities Euro broker a.d. Banja Luka (EUBR),
5. Hypo Alpe-Adria-Bank a.d. Banja Luka – Division for Operation with Securities „HYPO broker“ (HABR),
6. Nova banka a.d. Bijeljina – Branch for Operation with Securities „Broker nova“ (NOBR),
7. Nova Banjalucka banka a.d. Banja Luka – Sub-branch for securities (NBBR),
8. NLB Razvojna banka a.d Banja Luka – Business Unit for Operation with the Securities (VBRR),
9. Zepter komerc banka a.d. Banja Luka – Division for Operation with the Securities (ZKBR),
10. JSC for Operation with Securities Grand broker Zvornik (GRBN).





## MOST IMPORTANT EVENTS AND ACTIVITIES IN 2006

- As of January 01, 2006, the Central Registry applies the provisions of the Law on Value Added Tax on some services provided by the Central Registry, which resulted in increase in costs of some services in the capital markets.
- On January 17, 2006, the list of ten biggest shareholders according to the issuers was for the first time published on the Central Registry web page.
- On January 20, 2006, in the extraordinary general meeting of ECSDA – European Central Securities Depositories Association, the Central Registry of Securities was admitted in the membership.
- On February 26, 2006, the Central Registry celebrated its fifth anniversary.
- The Central Registry is one of the signatories of the Memorandum for Establishing the Information Portal of the Capital Markets. Accordingly, during 2006, we were involved in designing and adjusting the reports in which the data for the Republic of Srpska Capital Markets Portal will be delivered.
- On June 01, 2006, the Central Registry's license for performing the depository operations for privatisation investment funds was extended. By virtue of the Decision of the Republic of Srpska Securities Commission, no. 01-UP- 041-2005/06, the license was issued for a two-year period and is valid until February 14, 2008.
- In June 2006, privatisation of the Central Registry continued.
- As of July 07, 2006, Friday was introduced as a trading day, and since then the Central Registry performs clearing and settlement of transactions made on the stock exchange on every business day.
- On October 06, 2006, a new Regulation on Clearing, Settlement and Transfer of Securities came into effect, which stipulated the lending/borrowing of the securities between the Central Registry members, as well as buying securities by the Central Registry for the needs of clearing and settlement.
- On October 09, 2006 the members of the Central Registry were provided access to the Preview Settlement Module. This module enables them to view all the transactions included in clearing and settlement of the given member for the selected trading date.
- As of October 15, 2006, the basic contribution to the Guarantee Fund is 54.000 KM per a member of the Central Registry. The level of joint and several liability of the members is limited to the amount of the basic contribution to the Guarantee Fund.
- October/December – intensive work on the procedures relating to performing of custody operations, the application of which is expected at the beginning of 2007.
- In November 2006, the first short position was carried out.
- In December 2006, the first lending of the securities was performed.
- During December 2006 the activities started on the preparation for calculation of the net value of the Share Fund and of the Restitution Fund assets. Based on the Regulation on the Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund (“The Republic of Srpska Official Gazette”, nos. 96/06, 2/07, 7/07), it was foreseen that the Central Registry would perform depository operations for those two funds.



## CENTRAL REGISTRY SERVICES

The activity of the Central Registry is defined in the new Law on the Securities Market ("The Republic of Srpska Official Gazette", no. 92/06), as follows:

- registration and safekeeping of the data on securities, their holders and on all the transactions concerning transfer of ownership or change of status of the securities,
- registration and safekeeping of the data on acquiring title and other rights deriving from the securities,
- registration and deletion of third party rights on securities, and registration and deletion of the ban on disposal right based on the contracts, court decisions and decision by relevant bodies,
- creation and keeping the issuers' accounts, keeping the book of shareholders, creation and keeping the securities holders' accounts, issuing reports, statements and certificates on the balance and changes on those accounts,

- creation and keeping accounts for stock brokers and other members of the Registry,
- clearing, settlement and transfer of securities based on the operations with the securities made on the stock exchange or another regulated public market,
- transfer of securities based on contracts, court decisions and decisions of other relevant bodies.

In performing the above tasks, the Central Registry has public authorities according to Article 190 of the Law on Securities Market, and it issues the following public documents relating to the data that it handles and safekeeps:

- a) list of shareholders,
- b) report on the basis of which the right to vote at the shareholder meeting is exercised,
- c) certificate of ownership of securities, and
- d) statement on the balance of the account.

The Law on the Securities Market also stipulates that the Registry may perform the operations of a depository for privatisation investment funds and for the investment funds as well as other

operations for which it obtains the consent of the Commission.

The obligation of registering the securities is derived from Article 8 of the Law on the Securities Market, which mandates that the registration, safekeeping of the data and the transfer of the securities are to be done electronically on the issuers' accounts, holders' accounts and other accounts kept at the Registry in accordance with that law and with the Registry's enactments; an issuer is required to submit to the Registry an application for registration of the securities within 15 days from the day of receiving the decision on registration in the issuers' registry kept at the Securities Commission.

The Central Registry is a database of all the securities that are in the circulation in the securities market. Based on Article 209 of the Law on the Securities Market, the following is registered in the Registry:

- a) securities,
- b) the rights deriving from the securities and their owners,
- c) third party rights of the securities and title-holders of those rights,
- d) bans and restrictions on transfer of securities.



## SCOPE OF LEGAL OPERATIONS

In addition to the regular activities performed in the Sector for Legal Operations, the focus of the activities during 2006 was on the following:

- legislative regulation of the new concept of clearing and settlement of transactions made on the stock exchange or another regulated public market,
- preparations for enabling the performance of custody operations carried out in the Central Registry system,
- activities related to the determination of the tax status of the Central Registry with regards to the Law on Value Added Tax ("Bosnia and Herzegovina Official Gazette", nos. 9/05 and 35/05).

In October 2006, the new Regulation on Clearing, Settlement and Transfer of Securities came into effect ("The Republic of Srpska Official Gazette", no. 94/06) and the new Instruction for Contributions for and Use of the Guarantee Fund

and the new Operating Procedures in the Process of Clearing and Settlement was enacted. The most important novelty in this segment includes changing the manner of determining the size of the Guarantee Fund and the use of those funds and making possible procuring of the securities for the needs of clearing and settlement by lending/borrowing securities between the stock brokers and by buying by the Central Registry.

Custody operations are an important novelty for all the participants in the securities market; this required an analysis of the regulations, practices and experiences of other registers in that segment, in order to find the best possible legislative and practical solutions, within the applicable regulations in the Republic of Srpska.

As far as taxability of the services provided by the Central Registry is concerned, more precisely in relation to the value added tax, the Central Registry has on several occasions turned to the Administration for Indirect Taxation asking for the interpretation of its tax-related status even before the Law on Value Added Tax came into force. We completely refuted the positions of the inspectors who participated in the

review carried out in July 2006, which had established that all the services provided by the Central Registry were subject to the obligation of paying the value added tax. With the mediation of the Republic of Srpska Finance Ministry, as the relevant ministry, the modification of by-laws in this field was initiated.

Total movements and the volume of performed operations relative to the previous two years are presented in below table:

## Registry statistics

Year	2001	2002	2003	2004	2005	2006
Issuers	6	385	296	63	54	45
Holders' accounts	6.194	896.137	248.902	19.957	39.827	10.071
Client accounts	0	7.874	23.776	89.607	185.618	133.810
Registered securities						
• shares	6	401	303	62	54	45
• bonds				1	1	1
Number of issued securities	20.235.589	3.741.806.802	6.254.471.026	186.217.291	2.392.394.796	199.327.920
Nominal value of securities in KM	27.664.846	3.777.884.981	3.138.486.263	703.639.453	2.360.574.382	228.195.145
Issues based on capital increase		1	35	15	29	36
Issues based on capital decrease				7	15	24
Issues based on the change in property status				5	4	1
Registration of lien		4	37	68	239	332
Deletion of lien			9	16	31	135
Takeovers			30	38	62	48
Sale of pledged securities by the Central Registry				4	8	5
Registration of the ban on disposal		1	201	108	31	104
Deletion of the ban on disposal			9	23	42	265

Table 1. Overview of number of securities, created accounts and corporate actions

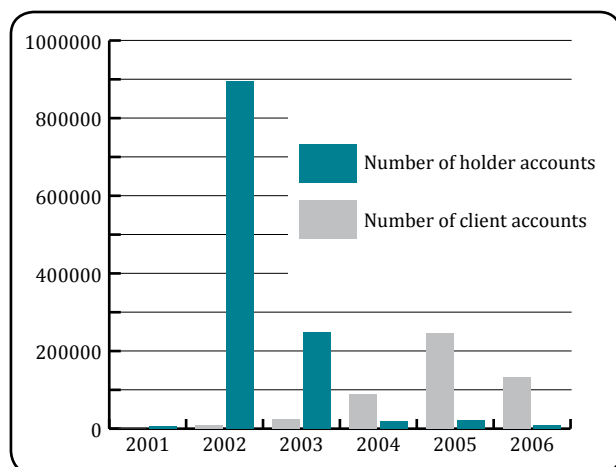


Chart 2. Overview, by years, of the number of created holder / client accounts

EUBR	Eurobroker	46.036
BOBR	Bobar banka	26.239
HABR	Hypo broker	20.551
NOBR	Broker Nova	12.946
VBBR	RB broker	12.487
ZKBR	Zepter broker	6.012
NBBR	Nova Banjalucka banka	5.732
RBBR	Balkan Investment broker	2.414
GRNB	Grand broker	917
AKBR	Akcija broker	474
	<b>Total</b>	<b>133.808</b>

Table 2. Number of created client accounts according to broker houses in year 2006

# CLEARING, SETTLEMENT AND TRANSFER OF SECURITIES

During 2006, regular activities on clearing and settlement of transactions made during regular trading on the stock exchanges were performed, as well as transfer of ownership based on the transactions made on the stock exchange and other over-the-counter markets.

During 2006, turnover was significantly increased, amounting to approximately 383 million KM, which represents a 40,81% increase relative to 2005.

A new Law on the Securities Capital Markets was adopted in September 2006, ("The Republika Srpska Official Gazette", no. 92/06). One of the novelties introduced by the new Law is permission of short positions, i.e. allowing the entities that acquired the securities based on buying securities on the stock exchange to sell acquired securities even before transfer of the title is performed in the Central Registry. The first transaction of this sort was done in November 2006.

Another significant novelty was passing of the new Regulation on Clearing, Settlement and Transfer of Securities ("The Republic of Srpska Official Gazette", no. 94/06), which resolved the problems such as: inexistent account of the buyer and the seller, insufficient amount of the securities on the seller's account, lending/borrowing of securities, buying securities by the Central Registry, joint and several liability of the members.

The first lending/borrowing of securities took place in December 2006.



## Regular trades

During 2006, there was the total of 227 days of trading, of which the total turnover based on regular trades amounted to 344.858.050,07 KM. In 183.278 transactions, trading was done with 388 various securities, that is to say with 744.142.410 shares.

The average number of transactions by the trading day was 807, which is by 22,25% less compared to the previous year, while the average turnover amounted to 1.519.198,46 KM, which is by 154,47% more compared to the previous year.

The overview below illustrates the movement that was present in the market speaking of regular trades:

Year	2006	2005	2006 /2005
Number of trades	227	184	23,37%
Number of transactions	183.278	190.953	-4,02%
Average number of transactions per trade	807	1.038	-22,25%
Number of issuers whose securities were traded	388	313	23,96%
Number of traded shares	744.142.410	323.904.120	129,74%
Realised turnover	344.858.050,07	109.850.260,73	213,93%
Average turnover per trade	1.519.198,46	597.012,29	154,47%

Table 3. Regular trades in 2006

During 2006, the number of trading days increased too, more precisely, as of July 07, 2006, trades are done also on Fridays, i.e. five days a week.

Viewed by months, the smallest turnover was in January - 7.383.928,72 KM, and the biggest in October - 66.980.958,75 KM.

The biggest number of transactions was made in October - 21.710 when also the biggest number of securities was traded and transferred - 77.118.172 KM.

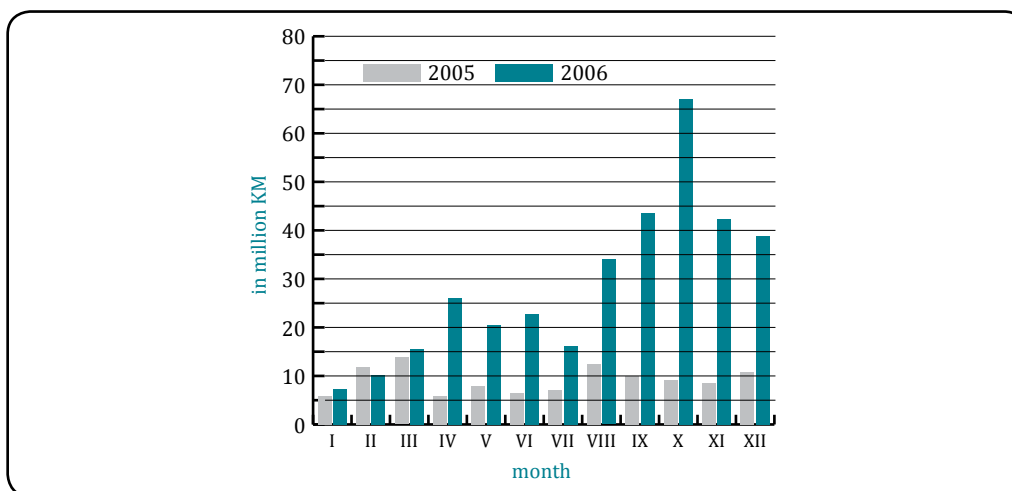


Chart 3. Turnover based on regular trades

The biggest turnover based on trading was reached on April 20, 2006, and amounted to 5,5 million KM.

The biggest number of transactions was made during trading held on December 05, 2006, i.e. 1.539 transactions.

Turnover reached in the second half of the year was 242.152.224,74 KM and it is by 135 % bigger than the turnover achieved in the first half of the year, which was 102.705.825,33 KM.

Trading with PIFs' shares accounts for an important segment in overall trading.

Turnover reached through trading of PIFs' shares amounts to 94.127.519,52 KM, which is 27,29 % of turnover reached through regular trading.

The biggest turnover was reached through trading with the shares of PIF Zepter Fund, in the amount of 23.422.228,00 KM, which is more than 24 % of the total turnover of shares of all PIFs.

The smallest turnover was by trading the shares of PIF VIB fond, with the turnover of 1.767.151,54 KM or 1,88 % of total reached turnover of shares of all PIFs.

The chart below presents an overview of share of trading with PIFs' shares.

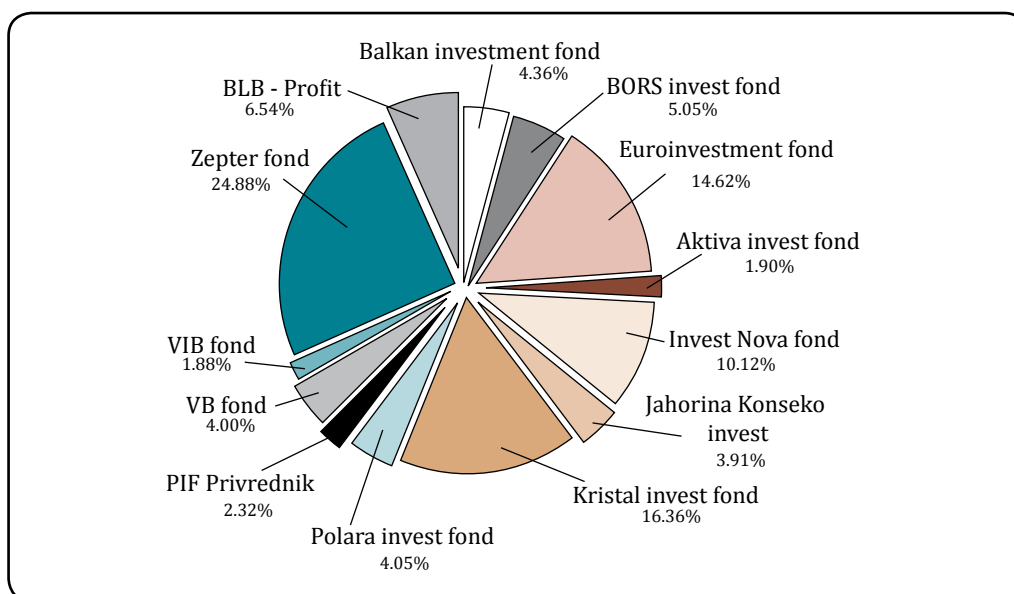


Chart 4. Trading the PIFs' shares during 2006

## Foreign Investors' Share

During 2006, within the Central Registry system, 844 holder accounts and 1816 client accounts were created for foreign citizens.

The average share of foreign investors during 2006, with significantly smaller number of created client accounts relative to domestic entities, was 21,79% in the total sale and 37,41 in the total buying of securities.

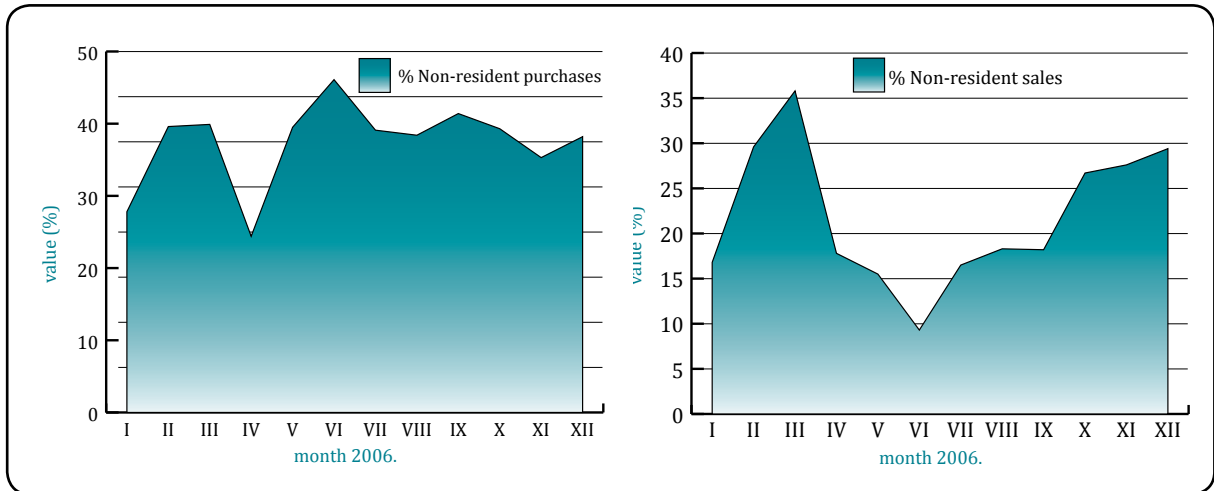


Chart 5. Purchases and sales by non-residents

## Block trades

In 2006, based on the Regulation on Trading the Securities, conditions for block trades were modified.

In 2006 there was also a significant decrease in turnover realised through the transactions that were reported to the stock exchange as block transactions. The percentage of share of block trades in total turnover was 9,93%.

Trades were done with 24 different securities, and through 39 transactions a turnover of 38.032.486,48 KM was reached. The average turnover per transaction was 975.191,96 KM, which is by 53,33% less compared to the previous year.

## Sale of state capital on the stock exchange – auctions for share packages

During 2006, packages of shares of state capital of total 15 enterprises were offered for sale, of which packages of shares of 3 enterprises were sold.

Turnover that was reached in the amount of 118.801,95 KM accounts for 0,031 % of the total turnover reached in year 2006.

## Turnover by Central Registry members

The total turnover reached from trades, block trades and the sale of packages of shares of state capital on the stock exchange during 2006 amounted to 383.009.338,50 KM and was made by 10 broker houses – Central Registry members.

Based on the decision of the Securities Commission, the licence for performing operations with the securities was taken away from a member of the Central Registry, Akcija broker a.d. Banja Luka, for a one-year period, effective from December 15, 2006.



Two Central Registry members, LHB banka a.d. Banja Luka – Business Unit for Operations with the Securities LHB broker and Razvojna Banka Jugoistocne Evrope a.d. Banja Luka – RB broker, merged on April 01, 2006 and are operating under the name NLB Razvojna banka a.d. Banja Luka.

Of total turnover, 90,04%, i.e. 344.858.050,07 KM is a turnover realised through regular trades.

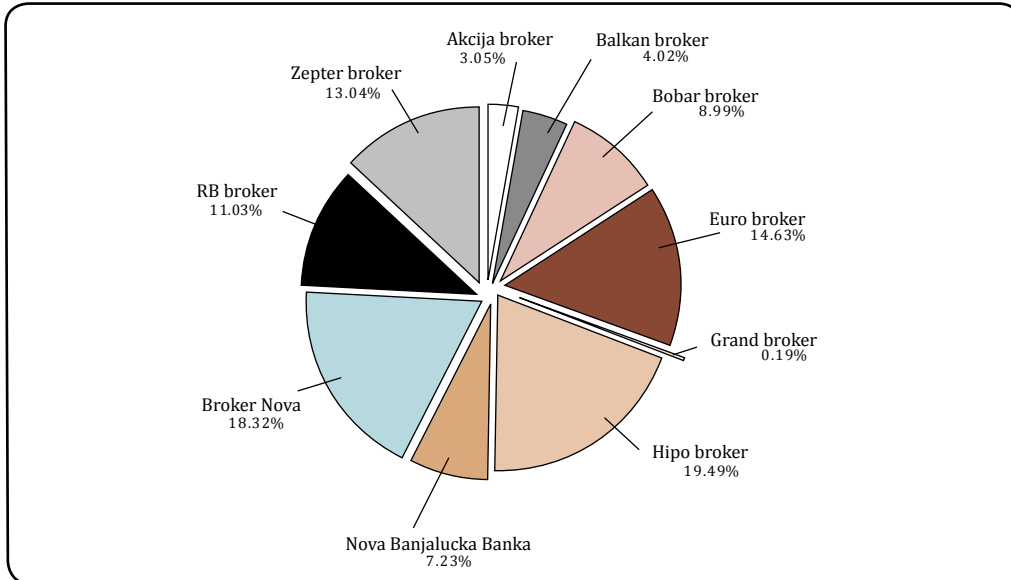


Chart 6. Share of individual members in turnover based on regular trades

The biggest turnover was achieved by Hipo broker - 19,49 %, Broker nova - 18,32 %, Euro broker - 14,63 % and Zepster broker - 13,04 %.

If we considered the total turnover, i.e. regular trades, block trades and sale of state capital on the stock exchange, the share of individual members would not significantly change. The members with the biggest turnover would still include Hipo broker - 20,25 %, Broker nova - 18,22 %, Euro broker - 14,63 % and Zepster broker - 13,78 %.

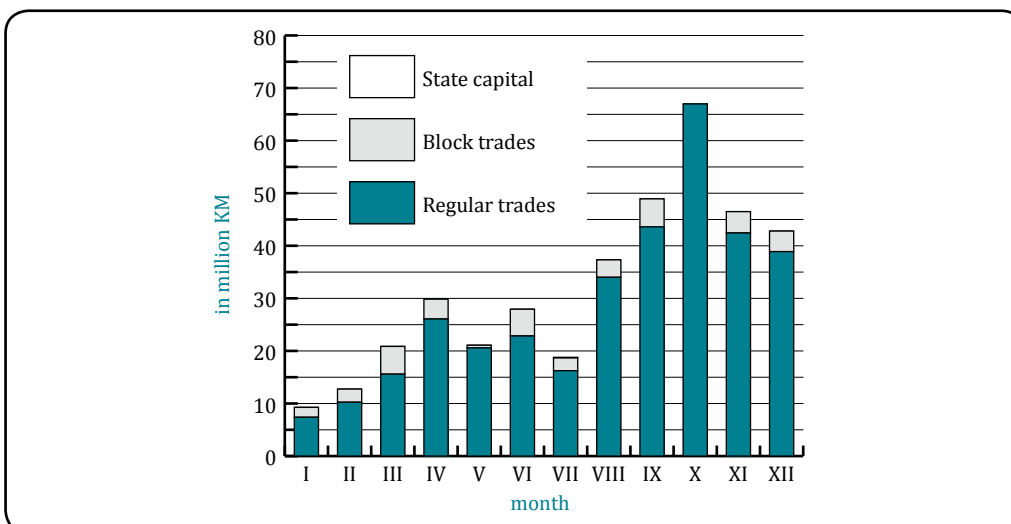


Chart 7. Turnover realised on the basis of regular trades, block trades and auctions for packages of state capital in 2006

## Guarantee Fund

During the period January to October 2006, the basic contribution was 20.000 KM per member. With the total amount of the Guarantee Fund, the members guaranteed for the performance of financial obligations of other members.

According to the new Regulation on Clearing, Settlement and Transfer of Securities ("The Republic of Srpska Official Gazette", no. 94/06), the level of joint and several liability of the members is limited to the amount of the basic contribution to the Guarantee Fund.

With the additional funds contributed to the Guarantee Fund, the Central Registry members guarantee for performance of their monetary obligations.

From October 15 to December 31, 2006, the basic contribution to the Guarantee Fund amounted to 54.000,00 KM per member. The balance of the Guarantee Fund as of December 31, 2006 totalled to 732.002,27 KM.

During 2006, there was no need to use the Guarantee Fund assets because the Central Registry members duly discharged their financial obligations.



# DEPOSITORY OPERATIONS

Year 2006 was the fourth year since the Central Registry of Securities performs the operations of a depository for all 13 privatisation investment funds in the Republic of Srpska. The Central Registry performs these tasks in accordance with the law, regulations of the Securities Commission and the contracts on performing depository operations.

The Central Registry of Securities a.d. Banja Luka was issued a license for performing depository operations for privatisation investment funds by virtue of the Decision of the Republic of Srpska Securities Commission, no. 01-UP-041-2005/06 dated June 01, 2006, which is in force until February 14, 2008.

After introducing the amendments to the Law on Privatisation Investment Funds and Privatisation Funds Managing Companies ("The Republic of Srpska Official Gazette", nos. 24/98, 63/02 and 67/05), and issuing the Regulation on the Methodology for Determining the Net Value of Assets of Privatisation Investment Fund and Calculation of the Management Fee ("The Republic of Srpska Official Gazette", no. 87/05), there have been no modifications in performing the depository operations.

During 2006 regular activities continued related to the monthly calculation of the net value of the funds' assets, making of quarterly reports on accrued and discharged expenses, i.e. on collected income of the funds, as well as the activities of controlling and approving the financial transactions related to buying and selling of securities from the fund's portfolio and other financial transactions related to the operation of the funds and discharging the funds obligations.

In accordance with the Regulation on Privatisation Investment Funds Depositories ("The Official Gazette of the Republic of Srpska, no. 105/05), the compliance with the Law was checked concerning the limitation of the investment of up to 25% of the cash assets of a fund in a single bank deposits

During 2006 the activities were carried out related to the verification of the votes of fund's shareholders who chose to vote in writing.

At the end of 2006, after publishing of the Regulation on the Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund ("The Republic of Srpska Official Gazette", nos. 96/06, 2/07 and 7/07), the activities started on the preparation for the calculation of the net value of assets of these Funds.



## Calculation of net value of funds' assets

In addition to regular monthly calculations of the net value of the funds assets during 2006, re-calculation was done in April 2006 for the first quarter of 2006, as foreseen by the rules and after taking over from APIF the data from the financial reports of Joint Stock Companies held at the funds' portfolios.

The chart below presents a comparative overview of movements of determined amount of the net value of assets of all 13 funds during the period 2002 to 2006 and of their registered stock capital.

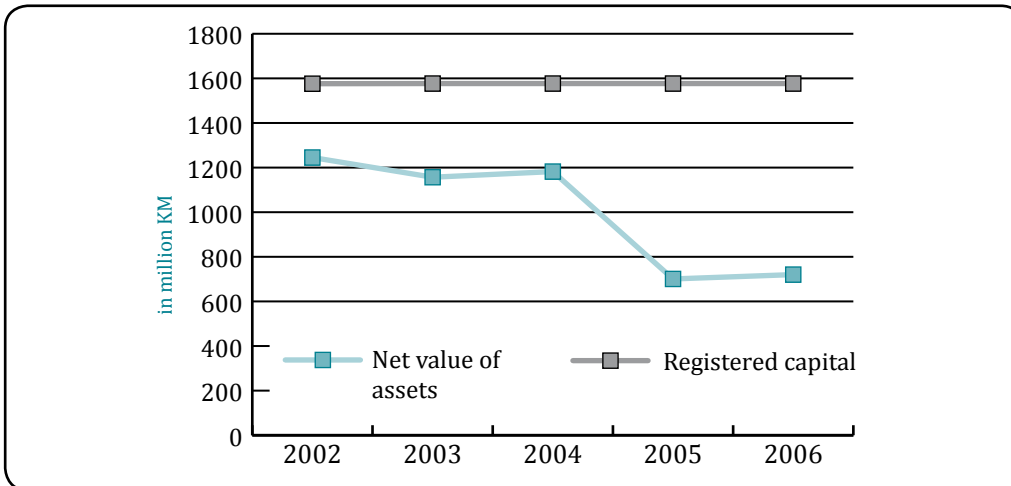


Chart 8. Registered capital and net value of assets for all 13 PIFs during the period 2002 – 2006.

Year	2002	2003	2004	2005	2006
Registered capital	1.576.096.056	1.576.829.852	1.576.829.852	1.576.829.852	1.576.829.852
Net value of assets	1.245.223.680	1.156.806.683	1.182.118.678	700.753.160	720.212.728

Table 4. Registered capital and net value of assets for all 13 PIFs during the period 2002 to 2006.

In 2006, calculation of net value of the funds' assets was performed in accordance with the methodology that has been applied since August 2005.

The chart below presents the movement of net value of assets of all 13 funds according to the months in 2006.

The last amendments to the Law, i.e. the changes to the methodology of 2005, implied also certain differences in the manner of computing the management fee.

After the monthly calculation for December 2006, the final calculation of the part of the fee, which is determined as 1% of the market value of the fund was performed, as well as the interim calculation of part of the management fee which is determined by taking into account the net effects based on realized interests and dividends, net unrealized and net realized gains/losses of the funds for the fiscal year for which calculation is done.

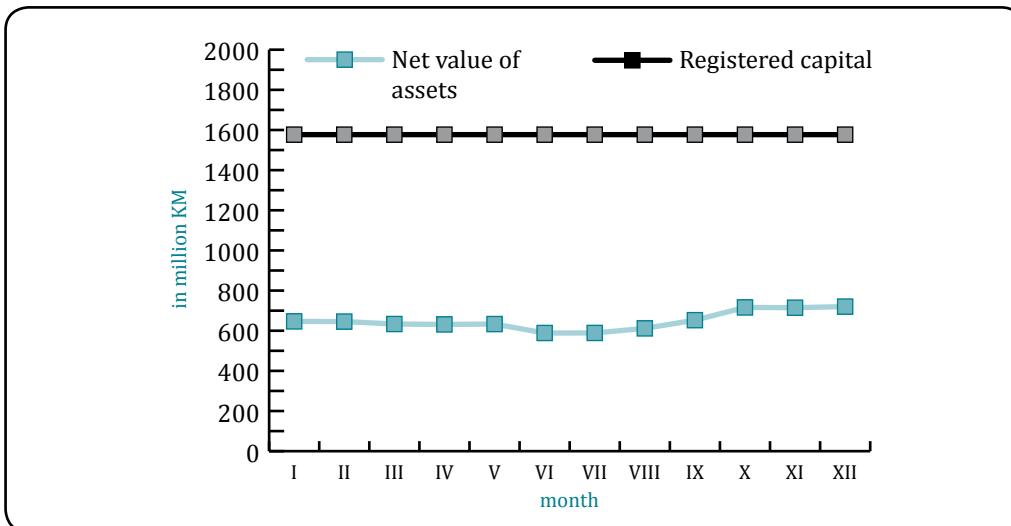


Chart 9. Registered capital and net value of assets for all 13 PIFs in 2006

## Delivery of reports for PIFs

During 2006, the practice of submission of reports on behalf of the funds to the managing companies, the funds' Supervisory Boards and the Securities Commission, continued, within the deadlines and in the manner foreseen by regulations.

The following monthly reports for all 13 funds:

- Net Assets Statement – Balance Sheet
- Statement of Unrealised Gains / Losses
- Statement of Fund Portfolio Investment

were delivered to the Banja Luka Stock Exchange, during year 2006, in electronic format, more precisely in PDF files and in Microsoft Access sheets, based on the authorizations that the Managing Companies issued to the Central Registry back in 2003.

## Verification of Shareholders' Votes for PIFs' shareholder meetings

The Central Registry, in its function of a depository, performs the verification of the shareholders' votes for the funds' shareholder meetings, in case when they choose to vote by mailing their ballots.

Upon completion of the verification of the votes of shareholders who voted by mail, in accordance with the operating procedures for the verification process, a report is designed that contains the results of voting of the shareholder by specific items of the shareholder meeting agenda.

During 2006 the verification of votes of the funds' shareholders who voted by mailing their ballots was carried out 4 times.

## Joint Stock Companies takeovers

The Central Registry performs the operations of a depository in the process of Joint Stock Companies takeovers in accordance with the Law on Joint Stock Companies Takeovers ("The Republic of Srpska Official Gazette", no. 64-II/02), and based on the contracts made on depositing shares.

Operating procedures in the process of Joint Stock Companies takeovers stipulate that a depository makes a report on deposited shares, calculates the amount to be paid to the shareholders who accepted the takeover bid, and performs notification of the bidder, of intermediary broker, the issuer and the Securities Commission as foreseen by the law.

During 2006, there was the total of 48 takeover processes. The total number of deposited shares, by 926 shareholders, who accepted takeover bids, was 21.848.041.

Year	2003	2004	2005	2006	Total
Number of takeovers	30	38	62	48	178
Number of shareholders who accepted takeover bids	1.131	2.250	2.475	926	6.782
Number of deposited shares	14.648.152	12.620.670	175.209.464	21.848.041	224.326.327

Table 5. Data on Joint Stock Companies takeovers in the period 2003 to 2006.

## Determining net value of assets of the Share Fund and the Restitution Fund

According to the Regulation on the Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund ("The Republic of Srpska Official Gazette" nos. 96/06, 2/07 and 7/07), the operations of a depository for those two funds is performed by the Central Registry.

In relation to that, at the end of 2006, the activities started on preparations for calculation of the net value of the funds' assets. The provisions of this Regulation also apply to determining the value of the funds' capital stock, the registration of which is expected in the first half of 2007.

# INFORMATION TECHNOLOGIES

According to the Law on the Securities Market, the Information System of the Central Registry, should allow keeping of the registry of securities, that is to say, maintaining and safekeeping the data on the issuers, securities holders and the rights deriving from the securities in the Central Registry.

The information platform on which the Central Registry system operates is based on Windows 2000 Operation System and SQL 2000 Server relational database, on international standards ISO 15022 and ISO 20022, ISO 17799 and the use of XML format.

The application software designed by the Central Registry is based on ORACLE technologies.

Electronic connection is a pre-condition for communication with the Central Registry system. The communication of the Central Registry and its members is made through a VPN network which provides fast and safe exchange of data through encrypted connections. The VPN sub-system of the Central Registry network enables establishing of static and dynamic VPN connections based on IPSEC protocol with 3DES and DES encryption, depending on the functionality of the client.

Hardware firewall provides additional security and protection of the network against unauthorised access.

Anti-virus protection is provided with the use of Kaspersky anti-virus program.

Only authorised users with special authorites have access to certain modules of the system, which protects the Central Registry system against unauthorised access.

The Central Registry members have access only to those data that relate to their clients and operations that are performed in accordance with their authorities.

The introduction of the FTP server enabled faster exchange of data through VPN network. This helped increase security and protection of the data being exchanged. During access to the FPT server, authentication is done through the username and password.

The Central Registry works continuously on improving the existing and designing the new products and services offered to its clients. In line with that, it also performs procurement of state of the art computer and telecommunication equipment.



## FINANCIAL REPORT FOR 2006

### Profit and Loss Statement for the Period January 01 to December 31, 2006

Description	2005 (BAM)	2006 (BAM)
Ordinary operating income	1.963.301	2.219.006
Ordinary operating expense	1.282.550	1.441.735
Other income	319.143	256.467
Other expense	412.360	575.391
Financing income	11.887	23.091
Finance expense	151	5.459
Total income	2.294.331	2.498.564
Total expense	1.695.061	2.022.585
GROSS INCOME	599.270	475.979
Income tax	56.865	45.982
NET PROFIT	542.405	429.997

Table 6. Profit and Loss Statement (1 EUR = 1,955830 BAM)

### Balance sheet as of December 31, 2006

Description	2005 (BAM)	2006 (BAM)
<b>ASSETS</b>		
Fixed assets	515.078	474.855
Working capital	1.745.193	4.658.262
<b>TOTAL ASSETS</b>	<b>2.260.271</b>	<b>5.133.117</b>
<b>LIABILITIES</b>		
Capital	986.001	1.415.998
Long-term provisions	415.829	510.547
Short-term liabilities	858.441	3.206.572
<b>TOTAL LIABILITIES</b>	<b>2.260.271</b>	<b>5.133.117</b>

Table 7. Balance sheet (1 EUR = 1,955830 BAM)

The Financial Report for 2006 was audited by an audit house, selected by the Central Registry General Meeting of Shareholders.



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No. 01-150/06  
 Date: March 29, 2007

## "CENTRAL REGISTRY OF SECURITIES" A.D., Banja Luka

### AUTHORIZED AUDITOR'S OPINION

1. We have conducted an audit of financial reports of the "CENTRAL REGISTRY OF SECURITIES" A.D., Banja Luka, as of December 31, 2006, more precisely of: the Balance Sheet, Profit and Loss Statement, Report on Changes in Capital and the Cash Flow Statement. The Company's management is responsible for making and the contents of the financial reports, presented on pages 2, 3, 4 and 5. It is our responsibility, based on the performed audit, to express our opinion of objectivity and truthfulness of the balance of assets, capital and liabilities as well as of the results of operations and our opinion as to whether the accounting standards were applied during their making.

2. We performed audit in accordance with the Law on Accounting and Audit of the Republic of Srpska ("The RS Official Gazette", no. 67/05), the BiH Law on Accounting and Audit ("BiH Official Gazette", no. 42/2004), Regulation on Audit of the Financial Reports in the Republic of Srpska ("The Republic of Srpska Official Gazette", no. 120/2006) and International Audit Standards. International standards require that audit be planned and executed in a manner to give reasonable assurances that the financial statements are free from material misstatements. Audit includes the examination of proofs, checking samples supporting the amounts and the information disclosed in financial reports. Audit also includes the assessment of application of accounting principles and evaluation of significant estimates performed by the management, as well as of general presentation of financial reports. We believe that the audit that we have made provides reasonable ground for expressing our opinion.

3. In our opinion, in reference to all the aspects, the financial reports provide a true and objective presentation of the financial position of the assets, the capital and the liabilities of the Company as of December 31, 2006, as well as the results of business operation for 2006, in accordance with the regulations on accounting and accounting standards of the Republic of Srpska, in the manner described in notes to financial statements.

**4. Based on the above, the authorised auditor expresses his positive opinion with regards to the audit of the financial reports of the Company for 2006.**

Bijeljina, March 29, 2007

D.o.o. "Poslovni informator - revizija"

Bijeljina



*[Handwritten signature]*  
 Authorised auditor:  
 Obrad Kecman

## CENTRAL REGISTRY MANAGEMENT



**Jasminka Đukic,**

Director

**Dragica Lakic,**

Head of the Sector of Legal Operations

**Divna Bosiocic,**

Head of the Sector of Information Technologies

**Biljana Cubrilovic,**

Head of the Sector of Clearing and Settlement

**Selma Škrbic,**

Head of the Sector of Depositary Operations

**Slavica Vercevic,**

Head of the Sector of Accounting and Financial Operations





CENTRAL REGISTRY OF SECURITIES, JSC  
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