



Annual report 2007.

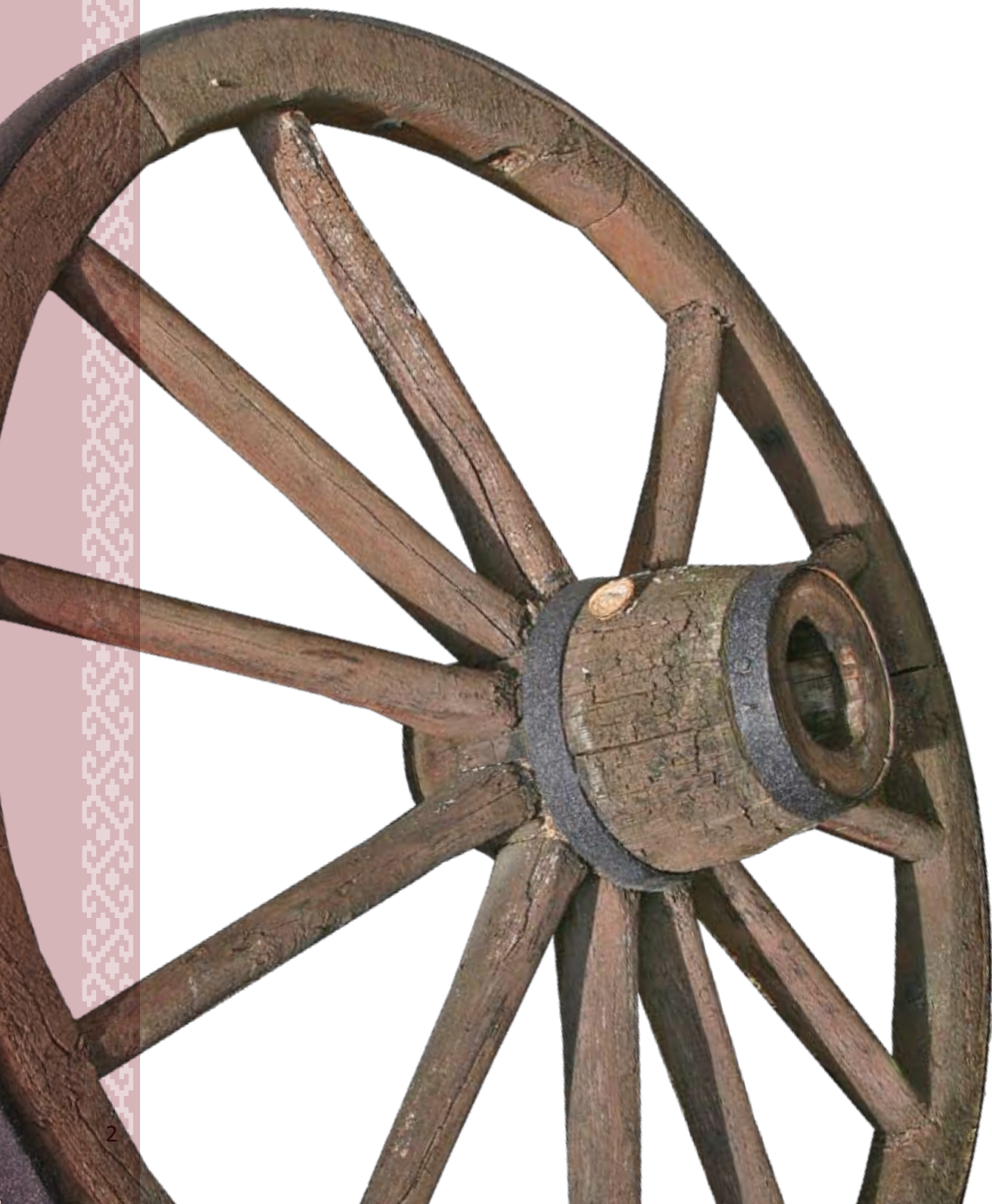


THE CENTRAL REGISTRY
OF SECURITIES JSC
Republic of Srpska • Banja Luka
founded 2001



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Introductory word

The year that has passed has been another successful business year for the Central Registry both from the point of view of overall operations and shown performance results.

The first half-year 2007 was characterized by significant increase in turnover, the participation of foreign investors and by the beginning of operations of custody banks. Adjustment of prices was recorded around the middle of the year, which resulted in decrease of volume of trades but did not have any negative impact on the speed of forming new stock exchange intermediary (brokerage houses); this in turn produced a significant increase in total number of Central Registry members. A new market material appeared through the first public offerings of debt securities. In order to encourage primary issue of debt securities,

the Central Registry relieved the issuers and the participants in the secondary trade of paying any expenses, by the end of 2007, that relate to the issue of debt securities and transfer of ownership based on their trading.

To the end of further integration into the European market, a document entitled „European Code of Conduct“ was signed in mid-2007, designed to allow investors to trade securities within a consistent, coherent and profitable European framework. In order to ensure the implementation of the Code, the Central Registry will ensure transparency of prices, freedom of choice for those who trade securities and will promote an open and transparent approach to post-trade services.

The end of the year was marked by completion of transformation of, now former privatization investment funds to closed-end investment funds, and also by the beginning of application of provisions of the new methodology for calculation of the net value of funds' assets and the activities on preparation for signing new contracts for performing depository operations. A contract on performing depository operations for the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund was signed with the Investment-Development Bank of the Republic of Srpska.

During 2007 the Central Registry enabled the securities holders to use a new way of accessing holder's accounts – „My Portfolio“, which implies a modern way

of communication between the securities holders and the Central Registry.

On our initiative, the initial steps were made with regards to raising the issue of admission to the membership of ANNA, that is to say, the Central Registry received a permission from the competent bodies to participate in forming and coordinating the work of „Committee for Assigning ISIN Numbers“. This event confirmed that there would be no other organization that will be authorized to award ISIN numbers in accordance with ISO 6166 Standard.

Given the fact that, as the official records show, there are more and more foreign investments, and the biggest receipts were recorded in the sector of financial mediation, the biggest part of our activities in the next period will be focusing on the alignment with the European Union recommendations and standards. Currently harmonization is being performed with the recommendations of domestic positive legal requirements, which implies implementation of the provisions of MiFiD directives and of the European Code of Conduct, and of the other principles and recommendations that are applied in the territory of the European financial industry aimed at removing the legal and fiscal barriers.

Jasminka Đukić

Director

Central registry Management board

The Central Registry of Securities management board has been performing its activity since May 2007, in the following composition:

Chairman

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

Deputy chairman

Milka Lukić, Farmland a.d. Nova Topola

Members

Božidar Plavljanin, Republic of Srpska Government, Finance Ministry

Zoran Bera, Banja Luka Stock Exchange, a.d. Banja Luka

Dragan Džinić, Nova banka a.d. Banja Luka

Central registry Supervisory board

Chairman

Igor Dabić, Banja Luka Stock Exchange, a.d. Banja Luka

Members

Božana Šljivar, The Republic of Srpska Insurance Agency

Jovo Radukić, Republic of Srpska Government, Finance Ministry

Ownership structure

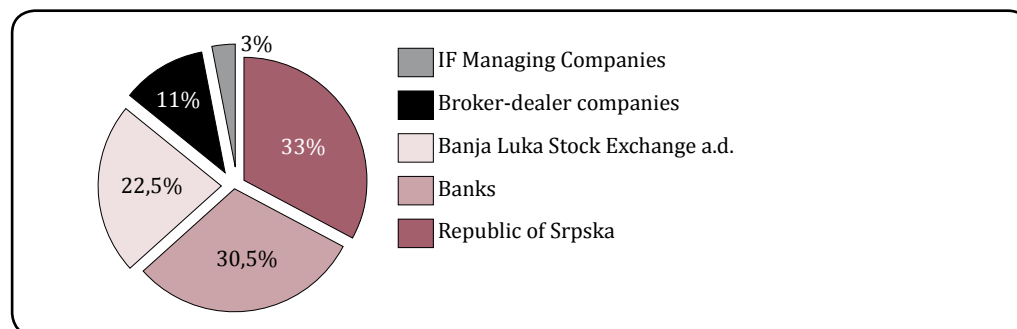


Chart 1. Ownership structure of the Central Registry as of December 31, 2007

Central registry members

Brokerage houses that have a status of Central Registry members as of 31 December 2007, are the following:

1. ADVANTIS BROKER AD BANJA LUKA
2. BALKAN INVESTMENT BANK AD BANJA LUKA
3. BOBAR BANKA AD BIJELJINA
4. EQUIS INVESTMENTS AD BANJA LUKA
5. EUROBROKER AD BANJA LUKA
6. FIMA INTERNATIONAL AD BANJA LUKA
7. GRAND BROKER AD ZVORNIK
8. HYPO ALPE-ADRIA-BANK AD BANJA LUKA
9. MONET BROKER AD BANJA LUKA
10. NOVA BANJALUČKA BANKA AD BANJA LUKA
11. NOVA BANKA AD BANJA LUKA
12. RAIFFEISEN CAPITAL AD BANJA LUKA
13. KBC HARTIJE OD VRIJEDNOSTI B-H AD BANJA LUKA
14. NLB RAZVOJNA BANKA AD BANJA LUKA
15. VOLKSBANK AD BANJA LUKA

Custody banks that have a status of Central Registry member as of 31 December 2007, are the following:

1. BALKAN INVESTMENT BANK AD BANJA LUKA
2. HVB CENTRAL PROFIT BANKA DD SARAJEVO
3. HYPO ALPE-ADRIA-BANK AD BANJA LUKA
4. NOVA BANKA AD BANJA LUKA
5. RAIFFEISEN BANK DD BIH SARAJEVO

** On 04 September 2007, the Central Registry management board issued a Decision on pronouncing the measure of exclusion from membership for the member "Interfinance" AD Banja Luka because the Republic of Srpska Securities Commission revoked its license for trading with securities.*



Most important events and activities in 2007

- in January 2007, the first custody banks were admitted to the membership of clearing and settlement system.

- On February 15, 2007, a new service »My Portfolio«. Users are enabled to access their accounts online and to inspect the balance of their securities.

- determining the value of stock capital of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund completed as of the cut-off date on February 28, 2007, based on the request submitted by Investment-Development Bank of the Republic of Srpska.

- In April 2007, an approval was granted by the RS Securities Commission and FBiH Securities Commission for joint establishing

and coordination on the part of the Central Registry of Securities and FBiH Securities Register of the work of «The Committee for Awarding ISIN numbers», whereby it was confirmed that there would be no other organization authorized to award ISIN numbers, in accordance with ISO 6166 standard.

- On May 04, 2007, by virtue of the Decision no. 01-UP-041-1590/07, the Securities Commission granted to the Central Registry a permission for performing depository operations for investment funds for a two-year period, that is to say, until May 04, 2009.

- On May 19, 2007, a conversion of the system from 2.1 version to 3.0 version was performed.

- appearance of debt securities of commercial banks and of the Republic of Srpska, as a new market material. 3 bonds were registered, more precisely: of Balkan Investment bank ad Banja Luka (June 06, 2007), NLB Razvojna banka ad Banja Luka (September 25, 2007) and the Republic of Srpska bonds based on internal debt toward suppliers (December 31, 2007).

- June 06, 2007 first trading of bonds

- in June 2007 the first transformation of privatization investment funds to closed-end investment funds with public offering was completed.

- In July 2007, the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund registered in the Central Registry.

- In July 2007, the document "European Code of Conduct" signed, to the end of further integration in the European market and implementation of international principles and standards that are applied in the capital markets.

- In December 2007, The Rules of Operations of Investment Fund Depositories were issued in accordance with valid regulations (The Republic of Srpska Official Gazette, no. 4/08), Procedures for Performing Depository Operations, as well as the proposal of new contract on performing operations of a depository of closed-end investment funds.

- In the year 2007, in the process of transformation of privatization investment funds into closed-end investment funds, the final calculation of the management fee was performed.



Scope of legal operations

Regulatory-compliance activity of the Central registry

The last year in the Central Registry was marked by the regulatory and compliance activity aimed at harmonizing with the Law on Securities Market which came into force in October 2006 and which unified the subject matter of the Law on Securities and the Law on Central Registry that were in force until that moment. With the adoption of the new enactments, all previous by-laws from the jurisdiction of Central Registry were put out of force, more precisely:

- Regulation on Membership in the Central Registry of Securities,

- Regulation on Clearing, Settlement and Transfer of Securities,
- Regulation on Registration and Transfer of Securities,
- Rules of Operations of Investment Fund Depositories,
- Decision on Determining the Form and Contents of Forms,
- Instruction for Marking Securities,
- Instruction for Payment in and the Use of the Guarantee Fund,
- Instruction on Custody Operations Performed in the Central Registry System,
- Procedure for Performing Depository Operations,
- Operating Procedure in the Process of Clearing and Settlement and Transfer of Securities,
- Operating Procedure in the Process of Registration and Transfer of Securities,
- Operating Procedure in the Process of Registration of the

Member, Manner of Assigning the Identification Code for the Member and Access Code for member's authorized person, and

- Operating Procedure in the Process of Registration of Custody Bank and Assigning the Registration Code.

With the change of general enactments, the forms of new contracts were developed too, that regulate the relation of the Central Registry with the issuers and the members.

Besides harmonization with the Republic of Srpska positive regulations, with the development of the capital markets, we are faced with the requirements related to the integrations into world organizations and to the coordination with the European and the world standards. The most important activities in that segment in the year 2007 included signing of the document „European Code of Conduct“ and the analysis of ISO standards with regards to ISIN code and CFI designation.

Processing of applications and orders in operations of keeping securities register

The following is registered in the Central Registry: the securities, the rights inherent in securities, third parties' rights and beneficial owners of those rights, restrictions and bans on transfer of securities.

The registration in the Central Registry system is preceded by legal processing of all submitted orders and applications. Taking into account that the rights arising from the securities are registered in the Central Registry, which is preceded by examining and determining the grounds for each individual application, it is clear that this is extensive and responsible work; this is also evidenced by the fact that in the year 2007, the total nominal value of applications for registration of securities amounted to BAM 2.112.807.468.

The number of positively resolved orders and applications is presented in table below.

Type of application and order	Positively resolved – number of applications and orders
First issue of shares	53
First issue of bonds	3
Issues based on capital decrease	12
Issues based on the change in property status	5
Issues based on capital increase	30
Opening holders' accounts	4.647
Issuing certificates on balance on the account	8.260
Issuing a book and a list of shareholders	1.641
Adjustment of holders' data	20.727
Merging of accounts due to the adjustment of data	2.215
Transfer based on inheritance	6.605
Transfer on other legal transactions	1.679
Registration of lien	483
Removal of lien	246
Sale of pledged securities by the Central Registry	8
Registration of ban on disposal	521
Removal of ban on disposal	87
Admission to membership	12
Exclusion from membership	1
Take-over of Joint Stock Companies	49
Contracts on performing operations of determining the value of funds' assets	11

Table 1. The number of positively resolved orders and applications

As part of this group, the Central Registry also offers legal assistance to parties – holders, issuers and members.

Clearing, settlement and transfer of securities



Under the Law on Securities Market, brokerage houses and custody banks may be the members of the clearing and settlement system. Until 2007 only brokerage houses could be the members of the system of clearing, settlement and transfer of securities, and in January 2007 the first custody banks were admitted to membership. Under the term 'custody bank' we imply a bank which has a permission of the Securities Commission to perform operations of managing securities accounts for the account of the client, to act on the client's request and which performs other operations too as defined by the Law on the Securities Market. Something that is characteristic for custody banks is that they are not members of the stock exchange, so that brokerage houses are performing transactions on stock exchange, while the custody banks assume the execution of obligations arising from those transactions.

The period from the beginning of January until mid-April was marked by a continuing growth trend both in the volume of turn-

over and in the number of transactions and the number of securities that were traded. Since mid-April until the end of the year there was a constant decrease in the volume of trades.

The total turnover in the year 2007 was made on the basis of regular trades and block operations and amounted to BAM 732.344.280,16. Of total turnover, BAM 581.571.401,06 BAM, i.e. 79,41%, accounts for regular trades.

In the first half-year regular trades amounted to BAM 406.358.595, which is by 132% more compared to the turnover made in the second half of the year, which amounted to BAM 175.212.806.

It is noteworthy that all the transactions made on the stock exchange were successfully executed, that is to say, all members fulfilled their obligations within set deadlines.

In order to fulfill their obligations, the Central Registry members used a possibility of securities borrowing for 6 times, with an aim to

provide missing securities for the needs of clearing and settlement.

The year 2007 was also characterized by the appearance of debt securities of commercial banks and of the Republic of Srpska, as a new market material. 3 bonds have been registered, namely:

1. Balkan Investment bank ad Banja Luka,
2. NLB Razvojna banka ad Banja Luka,
3. The Republic of Srpska bonds based on internal debt toward suppliers.

The first trading of bonds was performed on June 06, 2007. Bonds were traded in 2007 in the total amount of 818.005,98 BAM. To the end of promoting the development of capital markets, the director of the Central Registry made a Decision on relieving from all fees relating to the registration of bonds from the first issue as well as from the fee for services of clearing, settlement and execution of obligations arising from the transactions that include buying/selling bonds until 31 December 2007.

Regular trade

The turnover realized from regular trades in 2007 amounted to BAM 581.571.401,06, which is by 69% more compared to the previous year (344.858.050,07 BAM).

The average turnover per trade increased by 56% compared to the previous year and amounted to BAM 2.364.111,39, while the average number of transaction decreased by 4%.

Comparative indicators for regular trades in years 2006 and 2007 are presented in table below.

Regular trade	2007	2006	Index
Number of trades	246	227	108
Number of transactions	190.885	183.278	104
Average number of transactions per trade	776	807	96
No of issuers whose securities were traded	397	388	102
Number of traded shares	702.928.046	744.142.410	94
Realized turnover	581.571.401,06	344.858.050,07	169
Average turnover per trade	2.364.111,39	1.519.198,46	156

Table 2. Regular trades in years 2006 and 2007

Looking at turnover per months, the biggest turnover was in April – BAM 101.116.960,07, while the smallest turnover was in December – BAM 24.413.873,94.

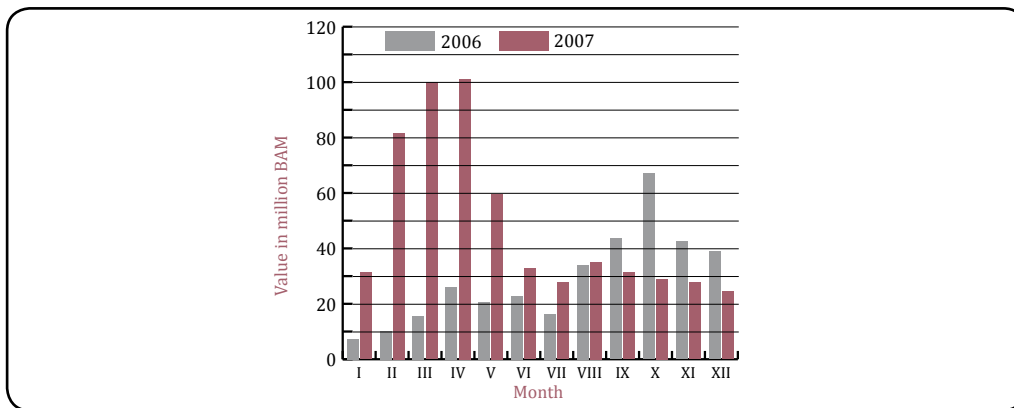


Chart 2. Turnover realized from regular trades per months in years 2006 and 2007.

Analysis of regular trades by the type of securities is presented in table below.

Type of sec.	Value of turnover	% of total value of turnover	Index (2007/2006)	Number of traded	% of total no. of traded	Index (2007/2006)	Number of transactions	% of total number of transactions	Index (2007/2006)
Shares	580.753.395,08	99,86	168,40	702.918.580	99,9987	94,46	190.868	99,99	104,14
Bonds	818.005,98	0,14	-	9.466	0,0013	-	17	0,01	-
TOTAL	581.571.401,06	100,00	-	702.928.046	100,00	-	190.885	100,00	-

Table 3. Analysis of regular trades by the type of security

The turnover realized from trades of funds' shares represents a significant segment of trading which in 2007 amounted to BAM 199.149.784,35, accounting for 34,24% of total turnover made during that period.

The chart below presents an overview of a share of trades with closed-end investment funds' shares in total turnover made with the shares of all funds.

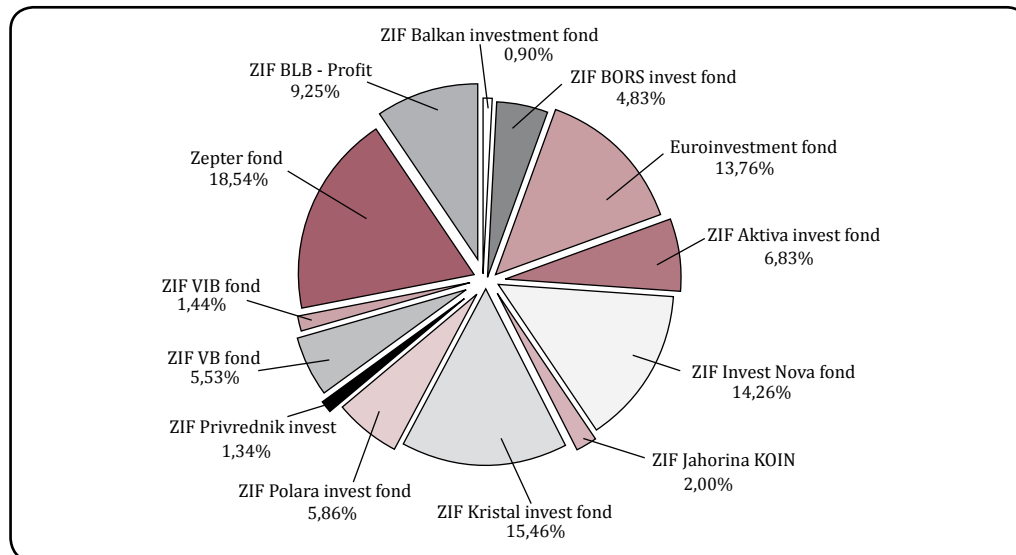


Chart 3. A share of trades with CEIF shares in total turnover made with shares of all funds

Block transactions

Turnover made from transactions reported to the stock exchange as block transactions in 2007 amounted to BAM 150.772.879,10, which is by 296% more compared to 2006.

In block transactions only shares were traded and the total value of block transactions accounts for 20,59% of total realized turnover.

The table below illustrates the movement that was present in the capital markets with regards to the block transactions reported to the stock exchange in the years 2006 and 2007.

	2007	2006	Index
Number of trades	37	27	137
Number of transactions	45	39	115
Average no. of transactions per trade	1,22	1,44	84
No. of issuers whose securities were traded	22	24	92
No. of traded shares	29.313.921	25.953.658	113
Made turnover	150.772.879,10	38.032.486,48	396
Average turnover per trade	4.074.942,68	1.408.610,61	289

Table 4. Block transactions

Turnover by the Central registry members

Total turnover realized by the Central Registry members in the year 2007 amounted to BAM 732.344.280,16. Although from mid-April 2007, turnover on stock exchange recorded a decrease trend, looking at the level of the year, we can say that according to the realized turnover, this was a record year. Besides, 2007 will be remembered by a significant increase in participants in capital markets. In 2007 the number of Central Registry members doubled.

A share of the Central Registry members in regular trades, block transactions and total turnover is shown in table below.

Name of the member	Regular trade ¹			
	Value of purchase	Value of sale	Total	% share in regular trade
ADVANTIS BROKER AD BANJA LUKA	6.474.742,10	3.862.715,49	10.337.457,59	0,89%
BALKAN INVESTMENT BANK AD BANJA LUKA	15.081.808,88	16.193.808,89	31.275.617,77	2,69%
BALKAN INVESTMENT BANK AD BANJA LUKA -KASTODI	0,00	0,00	0,00	0,00%
BOBAR BANKA AD BIJELJINA	35.496.817,54	52.085.638,17	87.582.455,71	7,53%
EQUIS INVESTMENTS AD BANJA LUKA	58.271,15	0,00	58.271,15	0,01%
EUROBROKER AD BANJA LUKA	91.272.822,29	106.770.302,51	198.043.124,80	17,03%
FIMA INTERNATIONAL AD BANJA LUKA	1.048.112,57	888.240,64	1.936.353,21	0,17%
GRAND BROKER AD ZVORNIK	2.023.905,49	4.252.956,85	6.276.862,34	0,54%
HYPO ALPE-ADRIA-BANK AD BANJA LUKA	84.060.917,87	87.532.037,14	171.592.955,01	14,75%
HVB CENTRAL PROFIT BANKA DD SARAJEVO-KASTODI	1.186.405,75	0,00	1.186.405,75	0,10%
HYPO ALPE-ADRIA-BANK AD BANJA LUKA-KASTODI	86.498.774,99	54.487.915,71	140.986.690,70	12,12%
INTERFINANCE AD BANJA LUKA	1.574.843,25	1.799.732,85	3.374.576,10	0,29%
MONET BROKER AD BANJA LUKA	26.949.900,19	24.857.970,12	51.807.870,31	4,45%
NOVA BANJALUČKA BANKA AD BANJA LUKA	8.573.847,59	11.170.107,76	19.743.955,35	1,70%
NOVA BANKA AD BANJA LUKA	73.358.194,34	87.969.451,47	161.327.645,81	13,87%
NOVA BANKA AD BANJA LUKA-KASTODI	0,00	0,00	0,00	0,00%
RAIFFEISEN BANK DD BIH SARAJEVO-KASTODI	7.176.527,61	65.366,15	7.241.893,76	0,62%
RAIFFEISEN CAPITAL AD BANJA LUKA	5.904.946,28	4.051.214,80	9.956.161,08	0,86%
KBC HARTIJE OD VRIJEDNOSTI B-H AD BANJA LUKA	21.482.640,05	19.722.545,62	41.205.185,67	3,54%
NLB RAZVOJNA BANKA AD BANJA LUKA	30.107.489,78	42.404.792,31	72.512.282,09	6,23%
VOLKSBANK AD BANJA LUKA	83.240.433,34	63.456.604,58	146.697.037,92	12,61%
TOTAL	581.571.401,06	581.571.401,06	1.163.142.802,12	100,00%

Table 5. Turnover per Central Registry members

Block transactions				TOTAL			
Value of purchase	Value of sale	Total	% share in block transactions	Value of purchase	Value of sale	Total	% share in total turnover
5.628.948,92	4.813.488,92	10.442.437,84	3,46%	12.103.691,02	8.676.204,41	20.779.895,43	1,42%
0,00	1.706.550,00	1.706.550,00	0,57%	15.081.808,88	17.900.358,89	32.982.167,77	2,25%
0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%
0,00	2.100.000,00	2.100.000,00	0,70%	35.496.817,54	54.185.638,17	89.682.455,71	6,12%
0,00	0,00	0,00	0,00%	58.271,15	0,00	58.271,15	0,00%
1.410.500,00	0,00	1.410.500,00	0,47%	92.683.322,29	106.770.302,51	199.453.624,80	13,62%
0,00	0,00	0,00	0,00%	1.048.112,57	888.240,64	1.936.353,21	0,13%
0,00	0,00	0,00	0,00%	2.023.905,49	4.252.956,85	6.276.862,34	0,43%
3.612.212,10	6.921.554,10	10.533.766,20	3,49%	87.673.129,97	94.453.591,24	182.126.721,21	12,43%
0,00	0,00	0,00	0,00%	1.186.405,75	0,00	1.186.405,75	0,08%
7.224.857,28	745.500,00	7.970.357,28	2,64%	93.723.632,27	55.233.415,71	148.957.047,98	10,17%
0,00	0,00	0,00	0,00%	1.574.843,25	1.799.732,85	3.374.576,10	0,23%
7.862.148,68	13.851.422,27	21.713.570,95	7,20%	34.812.048,87	38.709.392,39	73.521.441,26	5,02%
0,00	0,00	0,00	0,00%	8.573.847,59	11.170.107,76	19.743.955,35	1,35%
6.481.848,00	3.999.448,00	10.481.296,00	3,48%	79.840.042,34	91.968.899,47	171.808.941,81	11,73%
0,00	0,00	0,00	0,00%	0,00	0,00	0,00	0,00%
1.706.550,00	0,00	1.706.550,00	0,57%	8.883.077,61	65.366,15	8.948.443,76	0,61%
23.059.183,59	19.158.245,28	42.217.428,87	14,00%	28.964.129,87	23.209.460,08	52.173.589,95	3,56%
700.017,24	700.017,24	1.400.034,48	0,46%	22.182.657,29	20.422.562,86	42.605.220,15	2,91%
1.521.379,36	3.974.379,36	5.495.758,72	1,82%	31.628.869,14	46.379.171,67	78.008.040,81	5,33%
91.565.233,93	92.802.273,93	184.367.507,86	61,14%	174.805.667,27	156.258.878,51	331.064.545,78	22,60%
150.772.879,10	150.772.879,10	301.545.758,20	100,00%	732.344.280,16	732.344.280,16	1.464.688.560,32	100,00%

¹ Regular trade includes transactions made on the stock exchange for which the Central Registry performs clearing and settlement.

Member design.	Name of the member	No. of accounts
EUBR	EUROBROKER AD BANJA LUKA	38.503
BOBR	BOBAR BANKA AD BIJE LJINA	26.453
HABR	HYPO ALPE-ADRIA-BANK AD BANJA LUKA	17.701
NOBR	NOVA BANKA AD BANJA LUKA	12.772
VBBR	NLB RAZVOJNA BANKA AD BANJA LUKA	10.180
NBBR	NOVA BANJALUČKA BANKA AD BANJA LUKA	2.680
ZKBR	VOLKSBANK AD BANJA LUKA	2.569
BIBR	BALKAN INVESTMENT BANK AD BANJA LUKA	2.435
GRNB	GRAND BROKER AD ZVORNIK	1.740
SENZ	KBC HARTIJE OD VRIJEDNOSTI B-H AD BANJA LUKA	1.611
MOBR	MONET BROKER AD BANJA LUKA	695
RAIF	RAIFFEISEN CAPITAL AD BANJA LUKA	447
ADBR	ADVANTIS BROKER AD BANJA LUKA	260
IFBR	INTERFINANCE AD BANJA LUKA	104
FIBR	FIMA INTERNATIONAL AD BANJA LUKA	82
EQBR	EQUIS INVESTMENTS AD BANJA LUKA	11
RAFK	RAIFFEISEN BANK DD BIH SARAJEVO-KASTODI	8
HYPK	HYPO ALPE-ADRIA-BANK AD BANJA LUKA-KASTODI	5
HVBK	HVB CENTRAL PROFIT BANKA DD SARAJEVO-KASTODI	3
NOBK	NOVA BANKA AD BANJA LUKA-KASTODI	-
BIBK	BALKAN INVESTMENT BANK AD BANJA LUKA -KASTODI	-

Table 6. No. of opened accounts per Central Registry members in 2007

Guarantee fund

In accordance with the Regulation on Clearing, Settlement and Transfer of Securities, the main part of the Guarantee Fund was calculated on semi-annual basis. Based on that, the Central Registry Management Board issued a Decision on the Level of the Basic Payment to the Guarantee Fund for the first half-year 2007 in the amount of BAM 60.000,00, and for the second half-year 2007 in the amount of BAM 51.000,00.

The main part of the Guarantee Fund is the same for all Central Registry members and ranged from the amount of BAM 780.000,00, which was the amount in February, to BAM 1.140.000,00, an amount in July.

The members are jointly and severally liable with this part of the Guarantee Fund for the execution of cash liabilities arising from the transactions made on the stock exchange.

A supplementary part of the Guarantee Fund is calculated per members, on the monthly basis and a member guarantees with this part of the Guarantee Fund for the execution of its cash liabilities.

The Guarantee Fund assets were not used during the year, because the members duly settled their cash liabilities.

Depository operations

The year 2007 was a year of transformation of privatization-investment funds registered in the Republic of Srpska to closed-end investment funds with public offering. The Central Registry of Securities performed the operations of a depository for these 13 funds during the year 2007. By virtue of the Decision no. 01-UP-041-1590/07, dated May 04, 2007, issued by the Securities Commission, the Registry was granted a permission to perform depository operations for the investment funds for the period of two years, that is to say, until May 04, 2009.

During 2007 regular activities were carried out relating to monthly calculations of the net value of funds' assets, making of quarterly reports on calculated and paid expenses, that is to say, on collected revenues of funds, as well as the activities on checking and approving financial transactions related to buying and selling securities from funds' portfolio and other financial transactions related to operations of the fund and the execution of fund's liabilities. In addition to the said activities, a final calculation of the management fee for the period until the day of transformation into closed-end investment funds was done, in accordance with the Regulation on Methodology for Determining the Net Value of Assets of a Privatization Investment Fund and Calculation of the Management Fee (Republic of Srpska Official Gazette, no. 87/05). At a later stage, in accordance with the Decision of the Commission no. 01-UP-011-682/08, dated February 22, 2008, a final calculation of the management fee for 2007 for all 13 funds will be done.

At the beginning of 2007, in accordance with the Regulation on Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and the Republic of Srpska Restitution Fund (Republic of Srpska Official Gazette, nos. 95/06, 2/07 and 7/07), the value of capital stock of these two funds was determined, as of the cut-off date February 28, 2007. After their registration and signing of the contract on performing depository operations for these funds, regular activities ensued on determining the net value of their assets and making of monthly reports.



Calculation of the net value of funds' assets.

Calculation of the net value of assets of privatization investment funds in 2007 was performed in accordance with the Regulation on the Methodology for Determining the Net Value of Privatization Investment Fund and Calculation of the Management Fee (Republic of Srpska Official Gazette no. 87/05).

Transformation of first privatization investment funds into closed-end investment funds with private offering was complete in June 2007. Calculation of the net value of assets of the funds which completed the process of transformation with the registration in court register was performed in accordance with the Regulation that was applied for privatization investment funds and based on the opinion of the Securities Commission expressed in the reply to the Registry, no. 01-041-3058/07 dated July 18, 2007.

The Regulation on Determining the Value of Assets of Investment Fund and Calculation of the Net Value of Assets per Stake or Share of Investment Fund (Republic of Srpska Official Gazette nos. 102/07 and 4/08) was issued in November 2007. After the application of this Regulation, in the last two months of 2007, the Commission, in its session held on December 31, 2007, issued the Interpretation of Application and Implementation of Certain Provisions of Operations of Investment Funds, no. 04-041-5645/07 dated December 31, 2007, as well as the Decision on Amending the Regulation. The said Interpretation states the position with regards to the manner of calculation of the management fee for the period from the day of registration of change of form of organization in the court register until November 30, 2007, and the amended Regulation sets forth that the same applies to the calculation of the net value of assets of investment funds until December 01, 2007. For that reason, the net value of funds' assets for November and December 2007 was recalculated.

The chart below presents comparative overview of movements of the determined amount of net value of assets of all 13 investment funds in the period from 2002 to 2007 as well as of their registered capital stock.

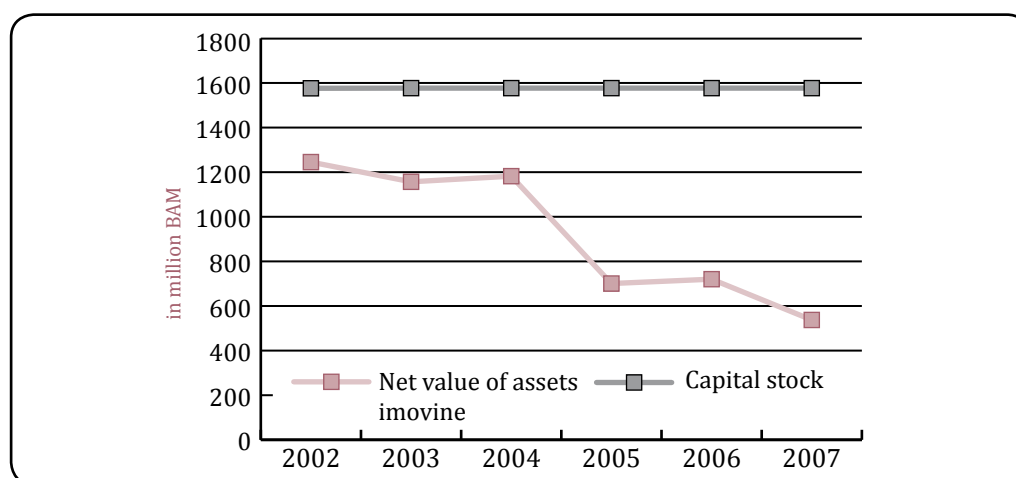


Chart 4. Capital stock and net value of assets for all 13 investment funds during the period 2002-2007.

Year	2002	2003	2004	2005	2006	2007
Stock capital	1.576.096.056	1.576.829.852	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	537.373.706

Table 7. Capital stock and net value of assets for all 13 investment funds during the period 2002-2007

The chart below presents an overview of movements of the net value of assets of all 13 investment funds in individual months in 2007.

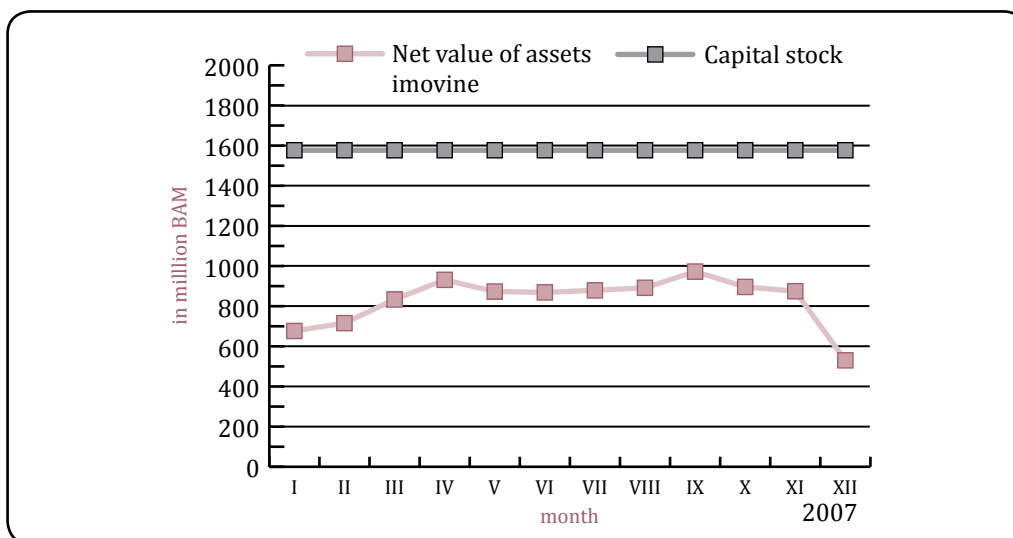


Chart 5. Capital stock and net value of assets for all 13 investment funds in 2007

During 2007 the process of transformation of all 13 privatization investment funds into closed-end investment funds with public offering was complete. In accordance with the Regulation that applied to the calculation of the net value of assets of privatization investment fund and calculation of the management fee, the final calculation of management fee was also done for all 13 funds. At a later point, in accordance with the Decision of the Commission no. 01-UP-011-682/08, dated February 22, 2008, the final calculation of the management fee for 2007 was performed.

In October 2007, the Regulation on Performing the Operations of the Depository Bank for Investment Funds (Republic of Srpska Official Gazette, no. 89/07) was issued, and in November the Regulation on Determining the Value of Assets of Investment Fund and on Calculation of the Net Value of Assets per Stake or Share of Investment Fund (Republic of Srpska Official Gazette, nos. 102/07 and 4/08). Based on that, pre-conditions were created for issuing of the Rules of Operations of Depositories of Investment Funds, which was done in December 2007, in accordance with valid regulations (Republic of Srpska Official Gazette, no. 4/08), as well as of the Procedure for Performing Depository Operations and the proposal of the new contract on performing depository operations of closed-end investment funds.



Given that the Regulation on Performing the Operations of Depository Banks sets forth that a depository can also perform the operations related to determining the value of fund's assets providing that these operations have been transferred by the managing company to the depository in accordance with the Law on Investment Fund (Republic of Srpska Official Gazette, no. 92/06), , the Registry signed, at the end of 2007 and beginning of 2008, the contracts on performing operations of determining the value of fund's assets with 11 companies.

Delivery of the reports to the funds

Reports for the funds continued to be delivered in the year 2007 to the managing company, fund's Supervisory Board and to the Commission, within the deadlines and in the manner envisaged by the regulations. For the needs of the Capital Markets Portal, the following monthly reports for all 13 funds have been delivered:

- 1 Net Assets Statement – Balance Sheet
- 2 Statement of Unrealised Gains / Losses
- 3 Statement of Fund Portfolio Investment).

Verification of shareholders' votes for fund's shareholder meeting

During 2007, votes of fund's shareholders, more precisely of 1.349 shareholders who chose to vote in writing, were verified 3 times. The Registry performed verification of votes in accordance with the Operating Procedures in the Process of Verification of Votes of Shareholders of Privatization Investment Fund, according to which, upon completed verification process, a report is made which contains the results of shareholders' votes by individual items of the agenda of the shareholder meeting.

Joint Stock Companies' Take-Over

In accordance with the Law on Joint Stock Companies Take-Over (Republic of Srpska Official Gazette, no. 64-II/02), and based on made contracts on depositing shares, the Registry performs the operations of a depository in the process of Joint Stock Companies take-over.

Performing of the operations of a depository in the process of Joint Stock Companies take-over implies that a depository makes a report on deposited shares, calculates the amount to be paid to the shareholders who accepted a take-over offer, and perform notification of the offerer, broker,



issuer and the Commission, in a manner envisaged by the Law, and by the Operating Procedures in the Process of Joint-Stock Companies Take-Over.

In 2007 there were total 49 take-over processes. The total number of deposited shares, on the part of 2.143 shareholders who accepted a take-over offer was 25.601.809.

The table below presents the data on Joint Stock Companies take-over in the period from 2003-2007.

Year	2003	2004	2005	2006	2007	Total
Number of take-overs	30	38	62	48	49	227
Number of shareholders who accepted take-over offer	1.131	2.250	2.475	926	2.143	8.925
Number of deposited shares	14.648.152	12.620.670	175.209.464	21.848.041	25.601.809	249.928.136

Table 8. Data on Joint Stock Companies take-over in the period from 2003 to 2007

Determining the net value of Share Fund and Restitution Fund assets

The Regulation on the Methodology for Determining the Net Value of Assets of the Republic of Srpska Share Fund and Restitution Fund (Republic of Srpska Official gazette, nos. 95/06, 2/07 and 7/07) envisages that depository operations for these two Funds are performed by the Registry. The aforementioned Regulation also applies to the determining of the value of capital stock of the funds. Based on the request of Investment-Development Bank of the Republic of Srpska, with a cut-off date as of February 28, 2007, the value of capital stock of these two funds was determined. Determination of net value of assets of the Share Fund and the Restitution Fund as well as making and delivering of the monthly reports for the funds, as a regularly activity of the Registry, has been performed since July 2007, which was the time when they were registered.

At the end of 2007, the activities were started on preparation for signing the contract with the Pension Fund with reference to determining the value of assets from this Fund's portfolio as well as the preparations for appraising the assets from the Fund's portfolio, in accordance with the methodology adopted by the Fund, which is identical as the one applied during appraising of the Republic of Srpska Share Fund and Restitution Fund. The first calculation of value of assets from the Pension Fund portfolio was performed for December 2007.



Information technologies

The Central Registry of Securities IT System is designed in a way, and is also being developed along the same lines, so as to enable necessary speed of reaction with regards to increasing demands. Due to dynamic development of financial markets, which requires quick innovations and creating of new activities in this area, it is possible to respond to these requirements in an efficient and quick manner, all while observing the principles of reliability and safety.

The communication with the members has been made possible through a VPN network, which ensures fast and safe exchange of data through cryptic lines. Additional safety and protection of network against unauthorized access is provided by hardware firewall. Antivirus protection is provided by way of Kaspersky anti-virus program.

Authorized users with special authorizations have access to certain system modules, whereby the Central Registry system is protected against unauthorized access. The Central Registry members have access to only those data that relate to their clients and the transactions performed in accordance with their authorizations.

Using FTP server enables faster exchange of data and increased security and safety of data being exchanged. When accessing FTP server, authentication is done through user name and password.

During 2007, in order to meet the requirements and to make sure that the goals are met, a number of optimizations of software solutions were performed, new modules in software created, new services introduced and the planned procurement of new computer equipment was carried out. The way of data exchange was adjusted with other institutions in accordance with the needs.

In addition to regular, everyday activities, the most complex and comprehensive activity during the past 2007 included conversion of the system from 2.1 version to 3.0 version. Given the importance of the Central Registry information system and the level at which it is used by the Central Registry members and employees, this activity was carefully planned, tested and implemented in a way so as not to obstruct the users in their everyday operations, which resulted in improved system performances.

Given the fact that the information and its safety are of invaluable importance and that it is necessary to avoid the loss of data caused by any risk factor, a lot of efforts and time is put in the Central Registry of Securities to the daily back-up of data and back-up of software applications, whereby the continuity of operation of the institution is ensured.

The Central Registry of Securities continuously works on improving the existing and creating of new products and services offered to its clients. In accordance with that, procurements of modern computer and telecommunication equipment are being carefully planned and done.

Financial report for 2007

Income statement in the period from January 01 to December 31, 2007

Item	2006 (BAM)	2007 (BAM)
Ordinary activity income	2.219.006	3.138.898
Ordinary activity expense	1.441.735	1.607.025
Other income	256.467	328.374
Other expense	575.391	556.328
Finance income	23.091	67.382
Finance expense	5.459	30
Total income	2.498.564	3.534.654
Total expense	2.022.585	2.163.383
NET GAIN (PROFIT)	429.997	1.183.130

Table 9. Income statement (1 EUR = 1,955830 BAM)

Balance sheet as of December 31, 2007

Item	2006 (BAM)	2007 (BAM)
ASEETS		
Fixed assets	474.855	364.477
Working capital	4.658.262	5.350.574
TOTAL ASSETS	5.133.117	5.715.051
LIABILITIES & CAPITAL		
Capital	1.415.998	2.599.128
Long-term provisions	510.547	416.592
Short-term liabilities	3.206.572	2.699.331
TOTAL LIABILITIES & CAPITAL	5.133.117	5.715.051

Table 10. Balance sheet (1 EUR = 1,955830 BAM)

The Financial Report for 2007 was audited by an audit house, selected by the Central Registry General Meeting of Shareholders.

DOO "POSLOVNI INFORMATOR-REVIZIJA"
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e-mail: poslovni.informator@paleol.net
Company ID no. 4400936990000, VAT ID no. 400936990000

No. 01-150/06
Date: March 24, 2008

"CENTRAL REGISTRY OF SECURITIES" JSC Banja Luka

Independent auditor's opinion

1. Our Company has performed audit of financial statements of "**CENTRAL REGISTRY OF SECURITIES**", JSC **Banja Luka**, as of December 31, 2007, more precisely: Balance Sheet, Income Statement, Report on Changes in Equity and Cash Flow Statement. The Company's management is responsible for making of and the contents of financial reports, presented on pages 2, 3, 4 and 5. It is our responsibility, based on performed audit, to express our opinion on objectivity and truthfulness of the balance of assets, capital and liabilities, as well as of the results of operations and whether the accounting standards were complied with during their preparation.

2. Audit was performed in accordance with the Republic of Srpska Law on Accounting and Audit ("RS Official Gazette", no. 67/05), BiH Law on Accounting and Audit ("BiH Official Gazette", no. 42/2004), Rulebook on Audit of Financial Reports in the Republic of Srpska ("RS Official Gazette", no. 120/2006) and International Audit Standards. According to international standards, audit should be planned and performed in a way that enables us to be reasonably certain that financial statements do not contain misleading information of material importance. Audit includes the examination of proofs, on the basis of checking samples supporting 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. We believe that the financial statements objectively and fairly present, in all material respects, the balance of assets, capital and liabilities of the Company as of 31 December, 2007, as well as the results of its operations for 2007, in accordance with the regulations on accounting and accounting standards of **the Republic of Srpska**, in the manner described in the notes to financial statements.

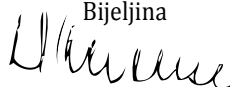
4. **Based on the aforementioned, the independent auditor expresses positive opinion on financial statements of the Company for the year 2007.**

Bijeljina, 24 March, 2008



LLC "Poslovni informator-revizija"

Bijeljina


Certified auditor
Obrad Kecman M.A.

Central registry management



Jasminka Đukić,
Director



Biljana Čubrilović,
Head of Clearing and
Settlement Sector



Dragica Lakić,
Head of Legal
Affairs Sector



Nevenka Lero,
Head of Depository
Operations Sector



Divna Bosiočić,
Head of Information
Technologies
Sector



Slavica Verčević,
Head of Finance and
Accounting Operations
Sector





THE CENTRAL REGISTRY OF SECURITIES JSC
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